

How Fees Impact Your Portfolio with Examples



FFA
Florida Financial Advisors

Overview



Paying exorbitant fees has a significant impact on the performance of your investment portfolio. Oftentimes, the difference between a .5% fee and a 1% annual fee means the difference between being able to comfortably retire at 70, instead of 75. Unfortunately, it can be hard to pinpoint and fully understand all the various fees involved with your portfolio. This is why it is always imperative that you speak with your advisor or brokerage to fully understand all the fees that are billed to your account. Here we outline two (2) scenarios that demonstrate the real dollar amount impact that fees have on your portfolio to give you a sense of the importance of understanding how much you currently pay in fees.

Scenario 1



Funded Account at \$50,000

In this scenario, you have funded your account with \$50,000 of your hard-earned cash. Your expense ratio for your account lies at 1% in annual fees. You plan to contribute an average of \$5,000/year for 20 years.

By the time you retire, you notice your portfolio has netted an annualized rate of return at an average of 6.5%. As a result, your portfolio has created a nice little nest egg for you to use in retirement at \$313,730. However, with an annual fee of 1% charged to your account, you realize a loss of \$51,579 strictly due to fees.

Scenario 2



Funded Account at \$250,000

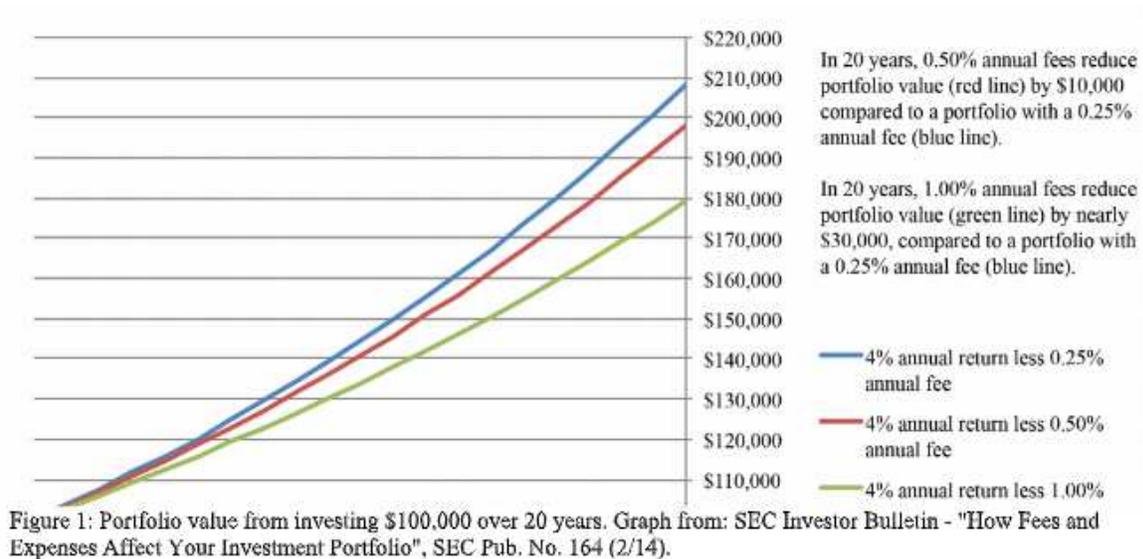
In this scenario, you realized the importance of retirement planning early on and your account has a balance of \$250,000. You plan to contribute \$5,000 each year for another 20 years. By the time you retire, you notice your portfolio has netted an annualized rate of return at an average of 6.5%. Your portfolio balance is now at \$893,697 which can be an ideal amount for someone who has reached the retirement age. (A good rule of thumb when figuring out if you have enough saved for retirement is that most likely you will need to have set aside four times your salary by 50 and have eight times your salary saved by age 67.)

Unfortunately, this scenario loses out on \$176,341 due to the annual 1% fees that were levied on your account over a 20 year period.

With industry shifts and automation, it is a difficult thing to understand how people will make a living. Where does the ordinary individual go to find work? Our answer is clean energy. If oil and gas jobs begin to thin out, it will be an excellent opportunity to start clean energy projects.

There are so many aspects to clean energy initiatives that simply cannot be automated, like the planting of trees by many non-profits. The act of planting the tree itself is to improve environmental conditions, but also for people to connect with nature. Automating the process is counterproductive to the overall aim. That is why our Clean Energy Program 2020-2025 aims to introduce a number of clean-energy sector jobs with the intention to see job creation rates exceed job loss rates by 2024, and then again in 2025 on \$176,341 due to the annual 1% fees.

Portfolio Value from Investing \$100,000 Over 20 Years



In general, one needs to be proactive about their investments and watch over the affect that fees can have on their investments over time. Fees aren't always obvious from looking at your account statement, which is why it is always so important that you understand all the fees involved with your investments and accounts. No one should have to face paying exuberant fees for a portfolio that is not being properly serviced or receiving a comparative value to their experience as an investor. After all, the difference in fees could cost you dearly come retirement time.

How Do I Know If I'm Paying Too Much in Fees?

Contact one of our financial advisors for a free consultation and we can inform you if you are paying too much in fees for your current portfolio. Additionally, if you feel that your billed fees are what you would consider as “excessive” compared to the industry standard, you may contact FINRA to report your concern.



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