WISER®

Saving Investments Insurance Social Security

Improving the long term financial security of all women through education and advocacy.

Mutual Fund Fees & Expenses

Why is it important to pay attention to mutual fun expenses?

- All mutual funds charge you some fees to cover on-going expenses, but the amount of the fees varies among funds. These expenses will cut into the amount of money that you make from the mutual fund.
- Some also charge a sales commission, or "load" when you buy or sell shares of the mutual fund.
- High expense funds, and load funds do not necessarily perform better than no-load, low-expense funds.

There are two main types of expenses:

1. **Annual Operating Expenses (also called or the Expense Ratio):**
   All funds charge a management fee that you pay each year and is subtracted from the assets you have in the mutual fund. Some funds also charge these additional fees:
   - **Management or investment advisory fees** – these fees go toward paying fund managers and range on average from 0.5 to 1.0%.
   - **12b-1 distribution fee** – this fee covers sales commissions, marketing, and distribution fees. Many funds do not charge a 12b-1 fee, and as a basic investor, you should probably avoid funds that do. "Load" funds often charge this fee, which can range between 0.25% and 1.0% each year. "No load" funds cannot charge more than .25% in 12b-1 fees, so your best bet is to invest in "no load" funds.
   - **Other administrative fees** cover the cost of printing, mailing, and other services.

Expenses and fees can add up over time. This chart shows what would happen, for example, if an individual invested $1,000 in a fund that earned a 5% return, and kept it there for 20 years. Without expenses, the investment would grow to $2,786. With fees, that total would be reduced:

$1,000 Investment with 5% Return	Amount the Investment Would Grow over 20 Years
No Fee:	**$2,786**
5% Fee:	**$2,412**
1.5% Fee:	**$1,990**

WISER® Women's Institute for a Secure Retirement
1001 Connecticut Avenue, NW, Suite 730, Washington, DC 20036 • 202-393-5452 • fax: 202-393-5890

2. Sales Commission (or Loads) and Transaction Fees:

- **No-load mutual funds** do not charge a sales commission, although they will have some of the on-going expenses listed above.
- **Front-end load**: An up-front sales commission that you pay when you buy your shares.
- For example: You put $1,000 in a mutual fund with a 5% front-end load. $50 will pay the sales charge and $950 of your money will be invested.
- **Back-end or contingent deferred sales load**: An exit fee, charged if you sell your shares before a specified number of years. The load often starts at 5% or 6% if you sell your shares in the first year and gets smaller each year until it reaches zero. Back-end load funds often charge higher 12(b) fees, so even if you hold onto the fund until the load falls to zero, over time you may pay more in fees than with a front-end load.
- **Exchange fees**: Charged when you switch investments from one fund to another in the same fund family.

How do I find out what a fund charges in expenses?

You can find information about expenses in each mutual funds' prospectus. The prospectus is a booklet or document with a lot of information about the mutual fund. Near the beginning of the prospectus, there is fee table listing expenses. Many mutual fund prospectuses can be found online, or you can also contact the mutual fund company and ask them to send you a prospectus.

Other Useful Information About Fees

- Check to see if any fees are currently being waived. When the waiver ends, you could suddenly be hit by a big fee.
- Beware of the salesperson who:
  - Insists you must buy load funds,
  - Tells you "This is just like a no-load fund", or
  - Moves you around into different funds more often than once every two years, generating more sales commissions for themselves.

For more on mutual funds, read WISER's *Guide to Understanding and Investing in Mutual Funds*, and *Mutual Fund Investing: Investment Concepts to Consider*.

Find out more at: www.wiserwomen.org

Like us on Facebook (facebook.com/WISERwomen)
Follow us on Twitter (@WISERwomen)
Connect with us on LinkedIn

WISER® WOMEN'S INSTITUTE FOR A SECURE RETIREMENT