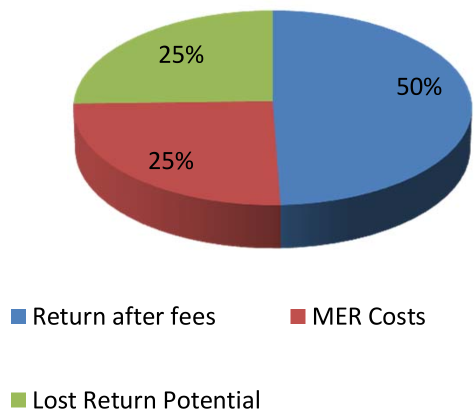
Mutual Fund Hidden Fees

Investing in mutual funds carries a hidden cost called the management expense ratio (M.E.R.). This is how your advisor and company are paid whether you make money or not. An average fee is about 2.5% and this example shows what this 'small' fee does to your money.

Losing 50% of Your Return on a 2.5% Fee

Here is what happened to your money…

Total investment	$	100,000.00
Annual return (before fees)		8%
MER		2.5%
Terms of investment		20 years



RESULTS

Return before fees	$	366,095.71
Return after fees	$	180,910.14
MER Costs	$	92,161.77
Lost Return Potential	$	93,023.80
Total Cost to Investor:	**$**	**185,185.57**

The lost return potential is calculated because every time you remove the MER from your account, you've lost potential earnings you could have made from compounding had the money remained invested. Simply, the 2.5% you paid out in funds last year is not in your account to work for you this year, and over time this creates a significant loss.

This of course assumes your fund is making a consistent 8% which in the real world is very hard to find. Imagine what this example would look like if you don't achieve 8% or worse, if your fund actually loses money!

from Greg Habstritt's book entitled The RRSP Secret

JDR Investments

JDR Investments
1011 Upper Middle Rd E, Suite 1225
Oakville, ON, L6H 5Z9
647-726-1000