DO YOU KNOW WHAT YOU ARE PAYING FOR YOUR MUTUAL FUNDS?

…IT IS WHAT YOU KEEP THAT COUNTS!

THE MUTUAL FUND PHANTOM FEE PHENOMENON:

Life would be much simpler if we received a bill for all the charges our mutual fund levies against our investment progress. But, they don't. Unfortunately, the Securities and Exchange Commission, (SEC), and the Financial Industry Regulatory Authority, (FINRA), do not require that mutual fund issuers list the several "hidden fees" investors pay on an ongoing basis. The total cost of these "Hidden Fees" is estimated to be approximately 4% annually!

Since 1986, we have sought to minimize investment cost for our clients. We realized early on that cost saving resulted in better investment returns for our investors. Our book entitled "The Wall Street Casino" documented the unreasonable hidden fees that exist in all "retail" mutual funds and even in the often claimed "institutional" quality funds that some money managers employ in their "fund of funds" strategies.

The list below includes "hidden fees" not listed in the prospectus. These are fees you pay in addition to the "Expense Ratio" that averages 1-2%, (that is mentioned in the prospectus) along with the "sales loads", (commission), paid to the selling broker. These "loads" total 4.25%-10% up front…or at the time you sell the fund. Also included are 12-b1 fees –paid each year that can be as high as 25/100% yearly. That totals $250 yearly on a $100,000 fund investment and $2,500 over a ten-year holding period! It is not what you earn…it is what you keep!

The following are some "Phantom Fees" not listed in the Prospectus:

1. The internal clearing costs, (internal commissions), from .5 to 1%
2. The "spread" between the bid price and the asking price for securities that can total 1.00-3.25%
3. The fund holding cash results in a 1.25% drag on annual performance
4. The "bid-asked" spread on every trade adds another 23/100% annually
5. "Market Impact" reduces a stock's price when large stock positions are sold=96/100%
6. "Unearned Capital Gains Taxes: An estimated 1% annual cost occurs when shares are sold and all shareholders are burdened with the capital gains tax. You may even inherit the tax with your initial purchase!

Mr. Jeffery Ptak, CFA is the head of global manager research at Morningstar. His very significant research article entitled "Most Mutual Funds Are Priced to Fail" deals with "pre-fee excess returns". He concluded that many actively managed U.S. stock funds are simply too expensive to succeed. His articles can be found at www.MorningstarFundInvestor.com and on the Morningstar website.

When you total only half the above hidden costs, (3.43%) and add half the declared "Expense Ratio" amount,(1.50%), you witness a "performance drag" of 4.93%! It is for this reason that we developed the Direct Management Strategy™ (DMS) to avoid the use of mutual funds in all accounts.

A LITTLE HISTORY…

We invested considerable time speaking with both the Financial Industry Regulatory Authority, (FINRA), and the Security and Exchange Commission, (SEC), regarding the many hidden fees that need to be highlighted in the prospectus for all mutual funds in order to protect investors. Sadly, mutual fund issuers are not currently required to mention the fees in the prospectus. This, even though the document is alleged to provide information for the protection of mutual fund investors. Our pleas went unanswered.

As you may know, the Department of Labor, (DOL), has recently proposed sweeping rules in an attempt to force the same fiduciary rules that apply to Registered Investment Advisors, (RIA's), like our firm, upon the Broker/Dealer community…in order to better protect unwary investors. While that might be good, such controls should apply to mutual fund issuers, as well as FINRA and the SEC to minimize "hidden fees" to protect all mutual fund investors...at the source of the high cost problem. Stock brokers can only market the tools that are available for sale. The quality of disclosure needs to increase at the regulatory source to protect all mutual fund investors!

THE BRIGHT SIDE:

If the regulators could accomplish the above directives, the mutual fund issuers would quickly fall in line with not just more honest disclosure but much lower internal fees! That would result in lower cost 401-(k) plans, more stable retirement income and the myriad advantages of increased investment growth for all.

We feel that Americans must invest more efficiently to offset the eroding cost of inflation, taxes and the Required Minimum Distributions, (RMD's, that afflict all retirees at age 70 ½). Please remember that losses compound just as efficiently as do gains. We are born into an economy with average median price inflation of 2.09-4.54% annually*. After 65 years, at 2.09% that compounded value triples the cost of goods at age 65! Couple that with American's tax burdens at multiple levels. Might that explain why retirees that have invested wisely all their adult lives remain disappointed with the results in their "golden years"? We think so.

OUR SOLUTION:

Our goal to minimize overall investment costs continues. To accomplish that aim we use a third-party custodian that employs "Window Trades" for a little as 20/100% annually. The window trades eliminate the "grossed up"** sales commissions alluded to above for our clients. Our representative's cost is 20/100% and our research and implementation fee is 80/100%. The total net cost "All in" only as little as 1.50% yearly!

The full transparency of our fee structure coupled with the Direct Management Strategy™ (DMS) by our select Money Managers represent the critical value added our clients enjoy. Please visit us to learn more.

Call 1-800-547-7888 to schedule a free interview to address areas specific to your unique needs.

Sources: SEC Form S-1, Roger Edelen, University of Southern California, Davis, Richard Evans, University of Virginia and Gregory Kadlec, Virginia Tech, Doughroller blogs, Indicator Research

*Steele Systems, Craig Israelsen, March, 2017

**Clearing fees that include "Soft Dollar" up charges to pay for special services to benefit the manager

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