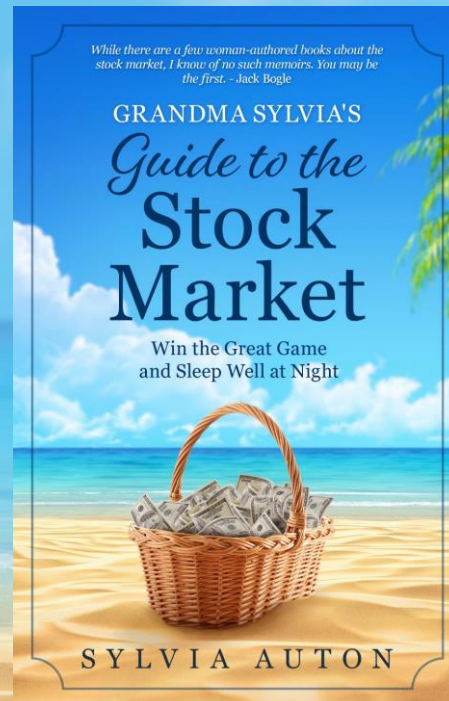


# George Mason OLLI

## July 24, 2024

# SYLVIA AUTON





# **About Fees: A Case Study**

# Fees

## 3 Investors

|  |                 |
|--|-----------------|
| <b>Stacy--Advisor invests in stocks/bonds</b>                | <b>1% AUM</b>   |
| <b>Mary--Advisor invests in mutual funds</b>                 | <b>2% AUM</b>   |
| <b>(1% AUM;1% active mutual fund fee, e.g., AIVBX=0.99%)</b> |                 |
| <b>Isobel--Independent investor invests in passive ETF</b>   |                 |
| <b>Total Stock Market VTI</b>                                | <b>.03% AUM</b> |

**AUM: Assets Under Management**



# Fees—3 Investors

**Each had \$200,000:**

|                                    |  |
|------------------------------------|--|
| <b>Stacy--Pays advisor 1%</b>      | <b>\$2,000.00 yearly (\$166.67 mo)</b> |
| <b>Mary--Pays advisor 2%</b>       | <b>\$4,000.00 yearly (\$333.34 mo)</b> |
| <b>Isobel--Pays Vanguard 0.03%</b> | <b>\$60.00 yearly (\$5 mo)</b>         |

**Fees would increase as assets increased. For this example, stayed constant.**

# Fees—3 Investors

**Compound interest after 30 years (interest rate 7%; semiannual compounding) From \$200,000 after 30 years:**

|               |                    |
|---------------|--------------------|
| <b>Stacy</b>  | <b>\$1,379,887</b> |
| <b>Mary</b>   | <b>\$1,182,977</b> |
| <b>Isobel</b> | <b>\$1,569,722</b> |

**Isobel is richer than Stacy by \$189,835**

**Isobel is richer than Mary by \$386,745**



# Fees Matter

- ❖ **Make decisions on the services you need and the fees for these services.**
- ❖ **Ask for numbers, not only %**

# Compound Interest Calculator

**<https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator>**



# Financial Advisors

**Jason Zweig, WSJ (July 5, 2024)**

**Why Your Fund Manager Can't Beat Today's Stock Market**

- ...active funds are struggling
- ...a basic rule: The asset-management industry depends more on marketing than on markets.
- ...stock pickers are doing even worse than usual
- ... (2024) only 18.2% of actively managed mutual funds and exchange-traded funds that compare themselves to the S&P 500 managed to outperform it.