

## **[The heavy burden of recurring investment fees \(Part 1 of 2\)](#)**

**Category : Cost Control and Investment Performance Improvement Articles**

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### **The heavy burden of recurring investment fees (Part 1 of 2)**

Recurring fees, such as asset management fees, 12b-1 marketing fees, and advisory/asset custody fees are charged periodically, as a percent of your investment assets. Recurring investment costs can significantly impact the long-term value of your retained investment portfolio assets. The relative cost-efficiency of your investment portfolio in the past has greatly influenced whether you have more or fewer assets today. The investment funds that you have retained in your portfolio are net of any annually recurring investment costs and any investment taxes that you have already paid. If your annually recurring investment costs have been excessive in the past, then it is likely that the growth of your personal investment portfolio has already been stunted very dramatically. (See: [Pay less to get more](#)) It may seem odd to need to state this, but your currently retained investment assets are YOUR assets. You should only compensate advisors for delivering superior investment management results compared to what you could have achieved with a very low cost passive index fund investment strategy. Sadly, this is not how the game works. If you permit it, the financial services industry will assess various percentages for their services against your entire retained investment portfolio assets, through multiple types of recurring charges each and every year. Whether the value of your assets increases or declines in the securities markets has little influence on these fee arrangements. By billing as a percent of your assets, the industry gets paid as long as you still have assets. (See: [The investment industry is not your investment partner](#)) The simple fact that you do have some investment portfolio assets enables the securities industry to assess annual investment fees. As long as the industry's annual fees are less than 100% of your investment returns, it is at least possible for the nominal value of your investment funds to increase. (Whether the non-inflationary or real dollar value of your assets will increase, after fees, taxes, and inflation are taken into account, is an additional consideration.) Obviously, any rational investor would rebel at confiscatory charges that approach 100% of their annual returns &ndash; with or without inflation. However, the average investor typically pays in total between 2% and 3% of his portfolio assets in total investment expenses each and every year. Because total investment fees charged across the industry keep growing, it seems that the average investor pays these recurring fees willingly, if not either naively or grudgingly. (See: [Excessive investment costs are a huge problem for individual investors](#)) Even though typical annually recurring investment fees are less than average historical returns, 2% to 3% of portfolio assets yearly for total investment expenses will consume a very substantial part of gross market returns. In effect, in an average year the industry's investment charges allow individual investors' net portfolio values to appreciate modestly. Your gross returns are trimmed significantly by excessive fees. Typically, investors lose between 1/3 and 2/3 of their gross investment returns every year. These fees hobble, but do not fatally wound all these golden retail investor geese. (See: [What have average investment asset class risk premiums been over long periods?](#))

[Go to Part 2 -->>](#)

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