

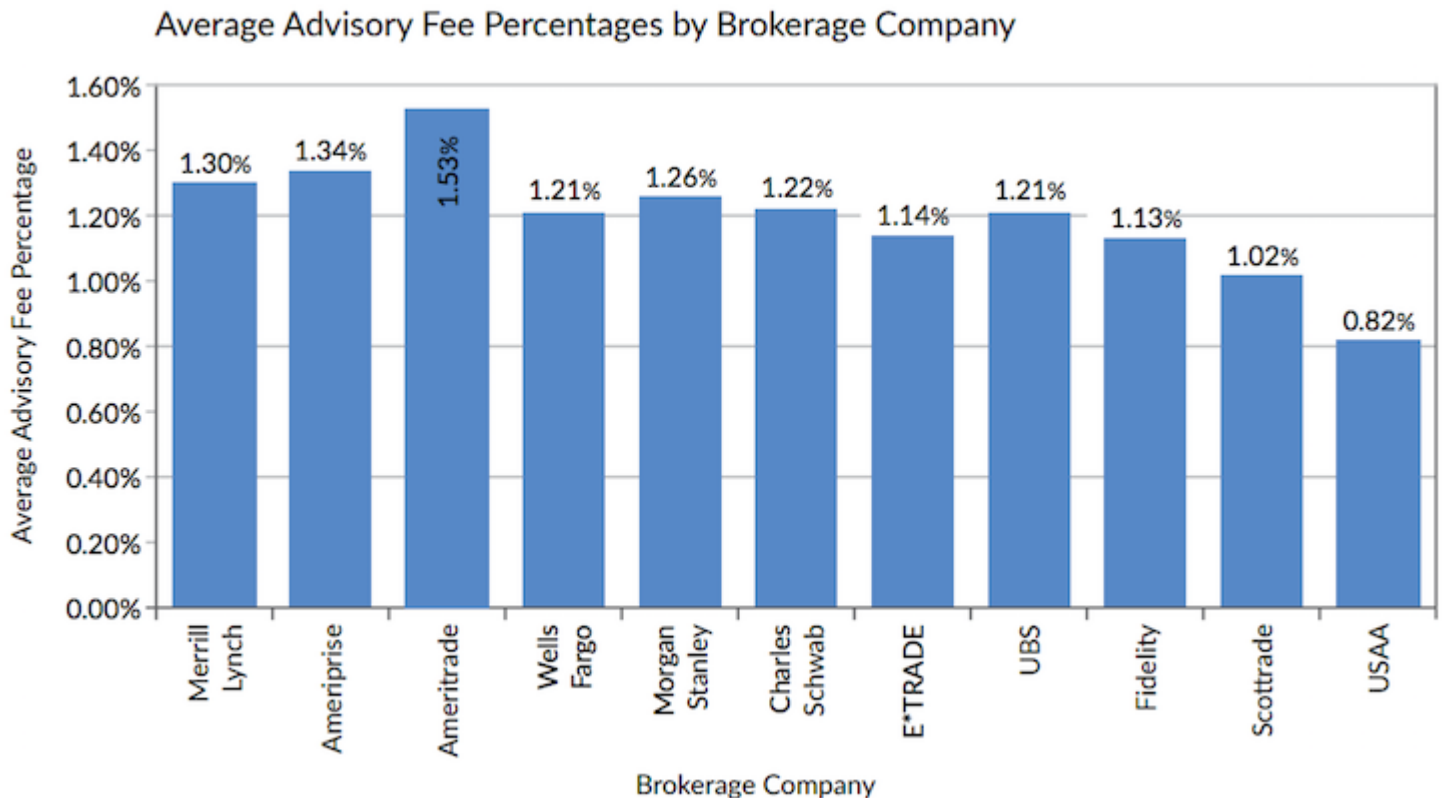
## Average Adviser Fees Charged By Brokerage

Most people understand the basics of retirement planning. You set aside money to invest and save every month, and you keep daily expenses in check. Sounds pretty simple, right? Not exactly.

Even with a plan in place and the best intentions, you could be one of millions of Americans giving up hundreds of thousands of dollars in hidden fees. But how do you know? If you're saving for retirement with one of the leading brokerage firms, the answer is that you're probably losing retirement income to fees.

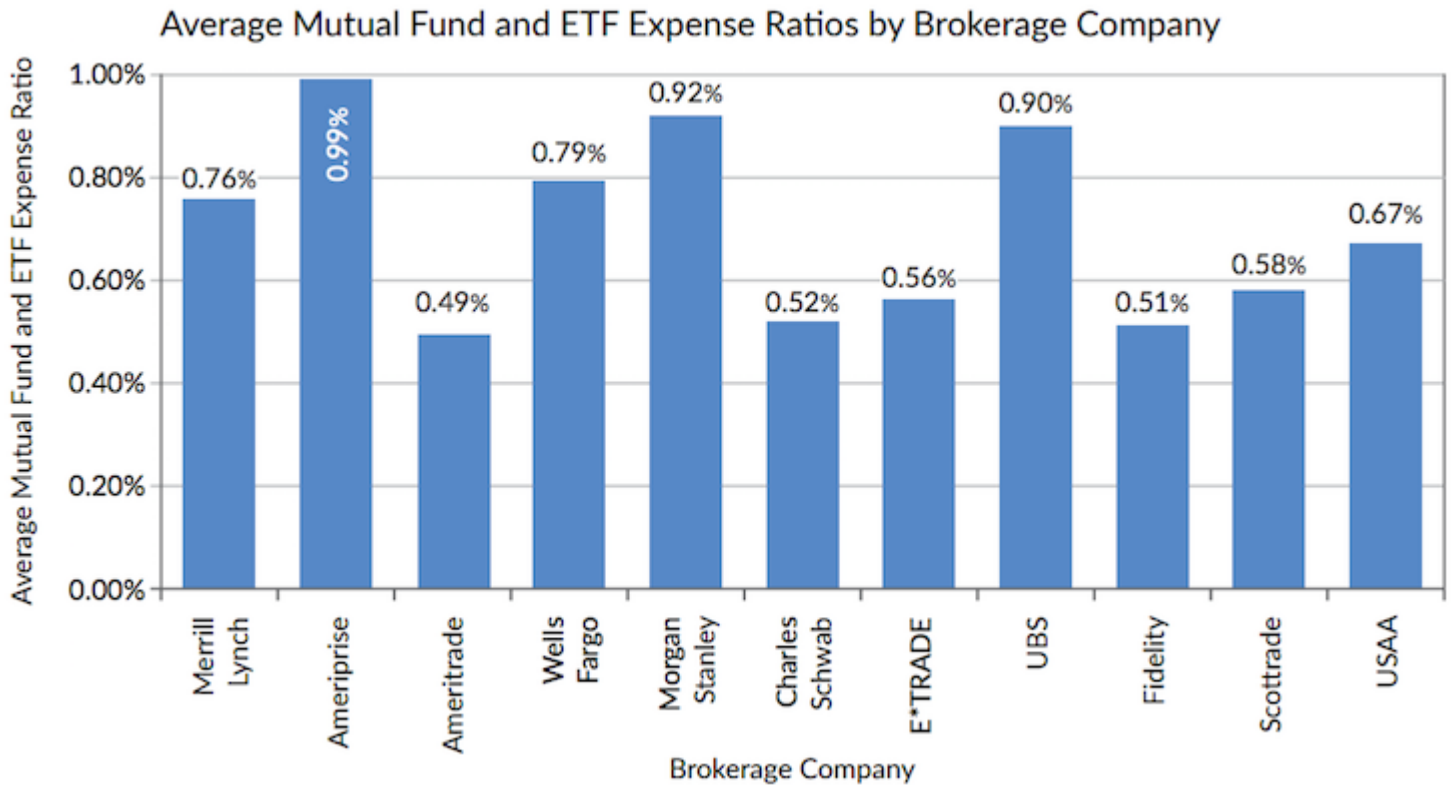
### Chart 1: Average Advisory Fee Percentages By Brokerage

This is the fee you pay on your total assets managed by the brokerage company to manage your money and provide financial advice.



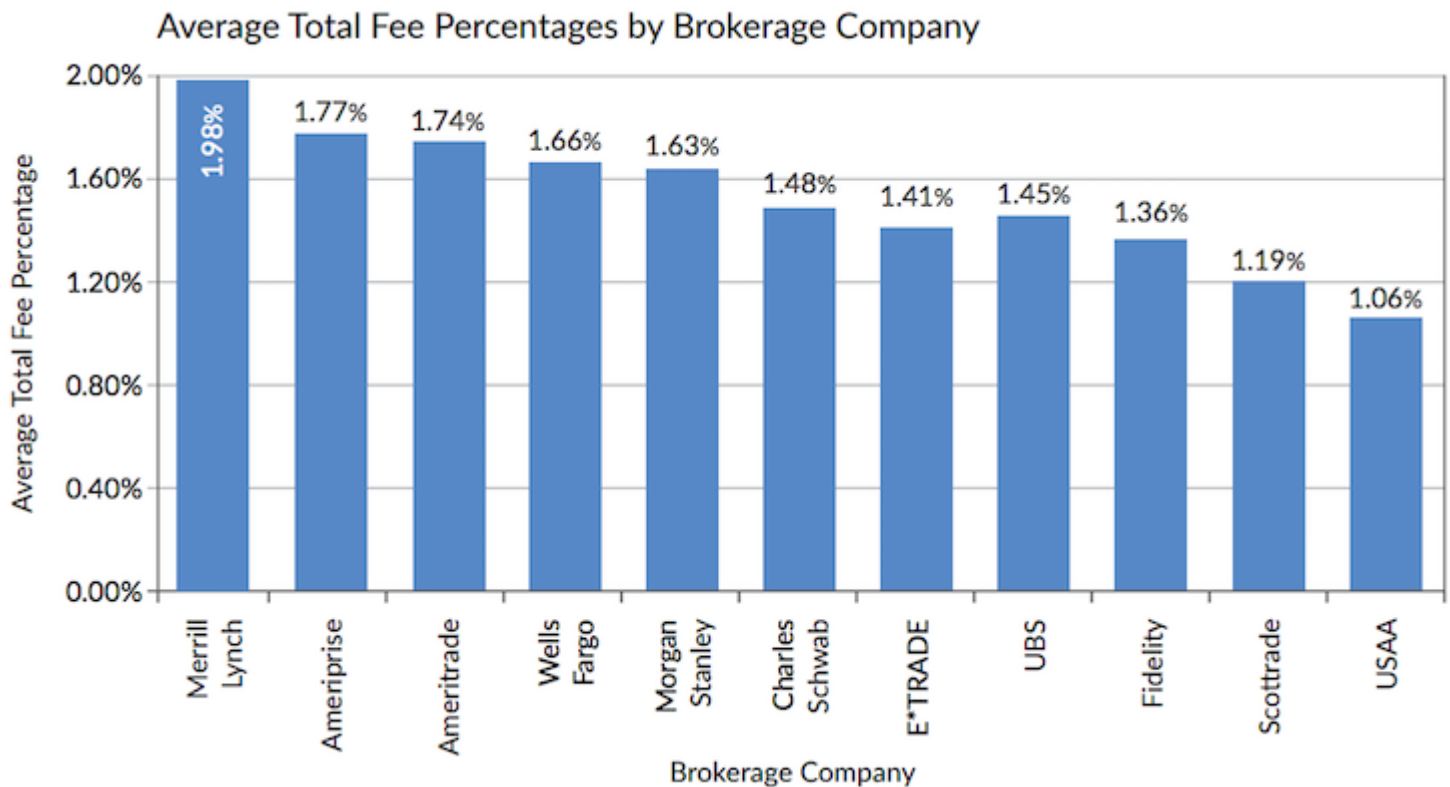
## Chart 2: Average Mutual Fund And ETF Expense Ratio By Brokerage

This is the fee you pay as a shareholder of the mutual fund or ETF by brokerage. The fee is paid in hopes the mutual fund or ETF outperforms its benchmark. ETF fees are generally much lower than actively managed mutual funds.



### Chart 3: Average Total Fee By Brokerage

This is the combined total of adviser fee plus mutual fund / ETF fee by brokerage. Anything over 1.5% seems high to me. At least it's not a 5% selling commission fee real estate agents charge! If your money is being managed by a brokerage / wealth management company, please ask them to disclose their fees and ask what you are getting for the fees you are paying.

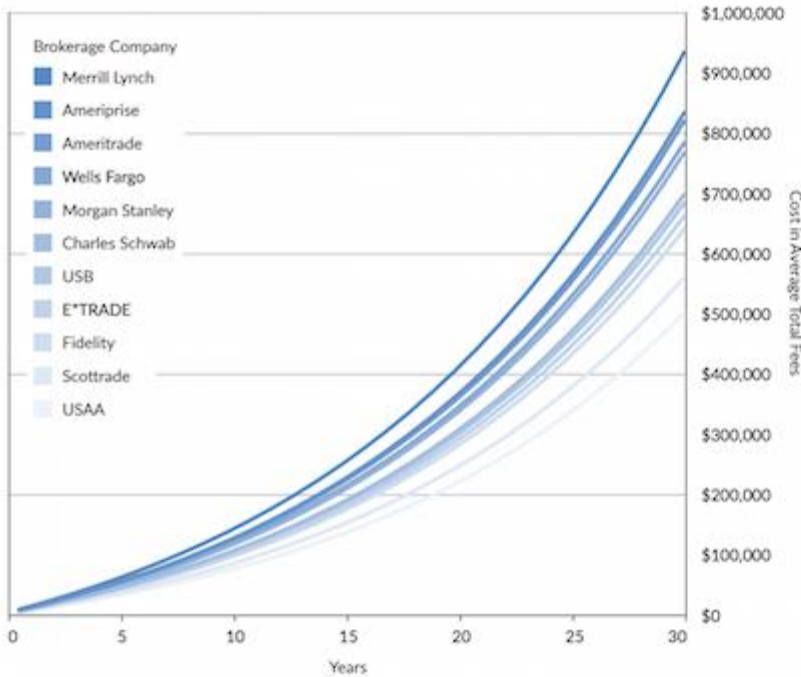


*Note: Vanguard just launched their semi robo-advisory business in 2015 and charges 0.3% + ~0.1-0.2% in expense ratios. Only clients with over \$500,000 will get a dedicated advisor. Clients under \$500,000 will get a team e.g. junior person. Edward Jones charges 1.35% - 1.5%, depending on AUM size for their advisory business + ~0.5 - 0.7% in expense ratios.*

# How Much Will You Pay In Fees Over A Career?

Let's say you have a \$500,000 account balance with one of the big brokerage firms. Below is a chart of how much in fees you'll pay over 30 years per brokerage company.

Cost in Average Total Fees Over 30 Years by Brokerage Company



Cost in Average Total Fees After 30 Years by Brokerage Company



Paying close to \$1 million fees should make you feel a little queasy if you are a client of Merrill Lynch, even if your portfolio grows into the multi-millions. Their average advisory fee percentage is 1.30% and their average mutual fund and ETF expense ratio is 0.76% for a total fee of roughly 2%.

2% is not egregious if your portfolio is outperforming the market every year by 2% or more. But we all know that the majority of actively run mutual funds underperform the S&P 500 or whatever index they are benchmarked against over time. Hence, you better get some darn good financial planning advice if you are willing to pay ~\$10,000 a year in fees on a \$500,000 portfolio!

These high fees clearly demonstrate why there is so much money pouring into the financial technology space. Opportunity is ripe for democratizing access to investing and wealth advisory services.

## Who Should Hire A Financial Advisor?

You **shouldn't expect to get anything valuable for free** (except for maybe the content here). I believe wealth management firms should charge a fee for the services they provide, with a declining fee structure as your assets under management grow. Not all services are created equal. They've got to clearly demonstrate what you'll get for the amount you're paying.

For those of you who are uncomfortable investing your own money because you don't understand the markets, hiring a financial advisor to manage your money is not a bad idea. Mobilizing idle capital beyond a money market account could easily provide a greater than 1-2% annual return over the long run. After all, a financial advisor is spending his or her entire working day studying the markets.

For those of you who are too busy to manage your finances because your expertise is making money elsewhere, using a wealth management company will probably help you out tremendously over the long run as well. The stress of managing your own money after a certain absolute dollar figure can get to you. Offloading this duty to a professional can help to reduce such stress. Just remember to ask your financial advisor the tough questions before hiring them.

## Why You Should Look for a Fiduciary

Good news for investors arrived recently when the Department of Labor issued a final rule imposing new fiduciary obligations in an effort to hold investment advisors to stricter standards when advising on IRA or 401(k) accounts.

The rule would require advisors to give advice (not push product) that is in the best interest of their clients, not just what's "suitable" for that investor. Sadly, the standard adhered to by far too many brokers' has been what was in their own best interest.

I'm elated to see this regulation come into play. It's a critical step toward protecting millions of Americans' retirement savings. We've evolved past the point where high — and hidden — fees are justifiable. Investors should demand better.

To that point, ask your current or prospective financial advisor if they will sign a written fiduciary oath like the one on the next page. If they will not or cannot, ask the question whose best interest are they working for?

**FIDUCIARY PLEDGE**

I, the undersigned pledge to exercise my best efforts to always act in good faith and in the best interests of my client, (Insert Name of Client) and will act as a fiduciary. I will provide written disclosure, in advance, of any conflicts of interest, which could reasonably compromise the impartiality of my advice.

Moreover, in advance, I will disclose any and all fees I will receive as a result of this transaction and I will disclose any and all fees I pay to others for referring this client transaction to me. This pledge covers all services provided.

\_\_\_\_\_  
Name/Title

Date \_\_\_\_\_

**Footnotes, disclosures and sources:**

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Past performance does not guarantee future results.

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