

Understanding Advisor Compensation, and Other Common Investment Costs

Commissions

- The sales-based compensation

AUM (assets under management) fees

- The asset-based fee

Account maintenance fees

- Nuisance fees

Administrative fees

- More common in 401k type accounts, often charged as a percentage of your account value on top of other fees like AUM, maintenance, and other costs.

Mortality and Expense Fees (M&E Fees)

- In addition to an investment fees, asset fees, administrative fees, etc. products like annuities may also charge an M&E Fee that can make the cost of your product in excess of 2%.

Fixed fees

- Fees that are stated prior to engaging in an agreement with an advisor and may be hourly rates, one-time project fee, quarterly fee (every 3 months payment is due), or some other variation of a stated contract cost.

Fee-only advisors vs Fee-BASED advisors

- Fee only advisors will only charge you a stated fee whether it is a fixed fee, or AUM fee.
- Fee-BASED advisors can charge AUM, fixed fees, or sales-based fees such as commissions that can create additional conflicts of interest.

Mutual Fund and ETF fees (expense ratios)

- Internal cost of ETFs and mutual funds and how the investment companies that own those funds get paid. This is in the background and you will not notice it on your account statements.