FLYNN ZITO

CAPITAL MANAGEMENT

In This Issue

More About Us

Join our Mailing List

Greetings!

Our newsletter this month is titled "Fund Fees: Going, Going, Gone?"

Thank you for your thoughts and feedback on our newsletters. If you know someone who may benefit from this information, please pass it on. If you have any questions or comments, please contact us.

Regards,

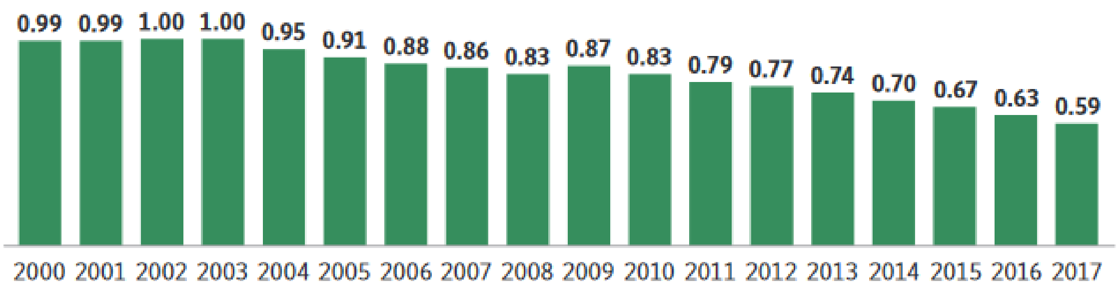
Doug Flynn, CFP®, ChFC®
Rich Zito, CFP®, CMFC®
Ryan Haiss, CFP®
Steve Aberman
www.FlynnZito.com

Flynn Zito Capital Management, LLC
A Registered Investment Advisor
585 Stewart Avenue, Suite 620
Garden City, NY 11530
(516) 746-9000
(516) 746-0300 fax
flynn.zito@lpl.com

Fund Fees: Going, Going, Gone?

Fees can make a big difference in the bottom-line performance of your fund investments over time. That's one reason why many investors have flocked to low-fee index funds, and why average fees on all funds have steadily declined.

At first glance, this would seem to be a radical move. But eliminating fund fees may just be the logical next step in the long-term industry trend toward lower-cost investing. Average expense ratios have been declining since 2003 (see chart below).



Source: Investment Company Institute, 2018 Investment Company Fact Book. Ratios are calculated on an asset-weighted basis.

Lower fund fees also reflect a response by the mutual fund industry to the growing popularity of exchange-traded funds (ETFs). ETFs are typically passively managed -- i.e., they attempt to mirror the performance of a particular market index -- allowing them to offer lower expenses than traditional actively managed mutual funds.

Does all this mean that fund fees will soon be a thing of the past? That might be premature. After all, someone has to pay for the costs of administering a fund, even if those costs are low. But the trend of lower-cost investing appears to be here to stay.

What's in Fund Fees?

Fund fees represent the ongoing costs of running a fund. They include expenses such as portfolio management, fund administration, daily fund accounting and pricing, shareholder services, distribution charges (known as 12b-1 fees), and other operating costs. These expenses are paid from fund assets and are deducted from fund returns.

Fund fees should not be confused with "sales loads," which are separate and paid when shares are purchased (front-end loads), when shares are redeemed (back-end loads), or over time (level loads).

Keep in mind that expense ratios differ considerably from fund to fund. A given fund's expense ratio depends on many factors, including its investment objective and the size of the fund.

Why Fees Matter?

At first glance, a difference between expense ratios may seem insignificant. Even a ratio of 1.0% translates to only $1 per $100 investment. But over time, the difference can be significant. For example, a $10,000 investment that earned 8% annually for 20 years would have a gross market value of $46,610. If that investment were in a security with a 1.0% expense ratio, it would cost you $7,913 in expenses over that time period, and you would end up with an account balance of $38,697. On the other hand, an identical investment in a security with a 0.25% expense ratio would cost you only $2,111 over 20 years, and your account balance would grow to $44,499.[1]

Of course, expenses are only one factor to weigh when choosing funds for your retirement plan or investment portfolio. You'll also want to consider how well the funds match your goals, time horizon, and risk tolerance. But keep an eye on expenses as well -- they can make a big difference over time.

Footnotes/Disclaimers

*Expense ratio = fund expenses (including 12b-1 fees, management fees, administrative fees, operating costs, and other asset-based costs incurred by the fund) as a percentage of total fund assets.
1DST Systems, Inc. Example is hypothetical and does not include the effect of taxes, loads, or other fees. Your results will differ.
Investing in mutual funds involves risk, including possible loss of principal. Upon redemption, the value of fund shares may be worth more or less than their original cost.
Index funds are subject to market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Also, an index fund's target index may track a subset of the U.S. stock market, which could cause the fund to perform differently from the overall stock market.
An investment in Exchange Traded Funds (ETF), structured as a mutual fund or unit investment trust, involves the risk of losing money and should be considered as part of an overall program, not a complete investment program. An investment in ETFs involves additional risks such as not diversified, price volatility, competitive industry pressure, international political and economic developments, possible trading halts, and index tracking errors.
Because of the possibility of human or mechanical error by DST Systems, Inc. or its sources, neither DST Systems, Inc. nor its sources guarantees the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. In no event shall DST Systems, Inc. be liable for any indirect, special or consequential damages in connection with subscriber's or others' use of the content.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. This article was prepared by DST Systems Inc. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. We suggest that you discuss your specific situation with a qualified tax or legal advisor. Please consult me if you have any questions. LPL Financial Representatives offer access to Trust Services through The Private Trust Company N.A., an affiliate of LPL Financial.
To the extent you are receiving investment advice from a separately registered independent investment advisor, please note that LPL Financial LLC is not an affiliate of and makes no representation with respect to such entity.
Investment advice offered through Flynn Zito Capital Management, LLC, a Registered Investment Advisor. Securities offered through LPL Financial, member FINRA/SIPC, and separate entity from Flynn Zito Capital Management, LLC.

Tracking #1-768279

Exp: 9/2019