

BEHIND CLOSED DOORS

A MONTHLY EXPOSÉ INTO THE WORLD OF WEALTH MANAGEMENT

Written by Buffalo Financial



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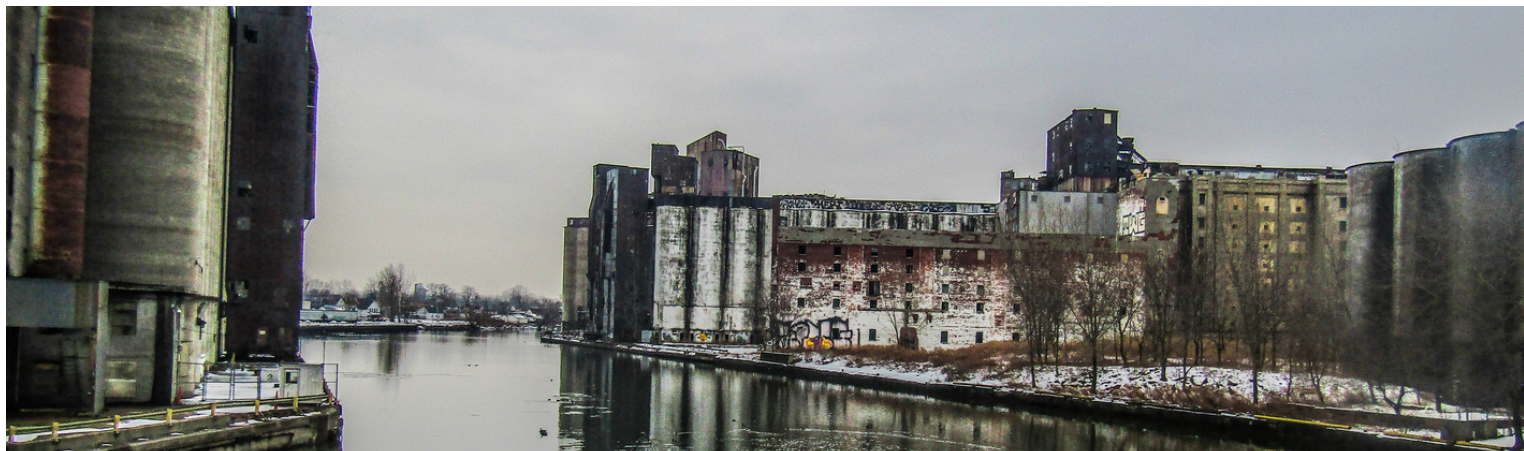
BY BUFFALO FINANCIAL

It's a story as old as time. A client enters the office of a financial advisor, is serenaded by a beautiful song and dance, only to open their first statement and realize that the amount being charged for their services is astronomical.

Trying to determine what your financial advisor is charging can be excessively difficult, but you are not alone. According to a recent survey*, nearly 73% of investors either didn't know how much they were paying in investment related fees or didn't think they were paying any fees at all. On top of that, almost 66% of investors don't know where to look to find the fees they are paying!

The issue is, most fees are very difficult to find due to lack of transparency. Understanding the fees you pay to invest is essential to reducing or eliminating them!

Financial advisors charge many different types of fees, including consultation fees, financial planning fees, asset under management and/or hourly fees. Today, we explain what you should be charged for the services of a financial advisor.



A deeper dive into advisory level fees:

The reason we felt it was important that we discuss management fees stems from an in-office meeting a few weeks ago. A client referred a very nice couple to our firm, but they were unhappy with the returns in their portfolio over the past few years. We decided to take a deeper look under the hood and found that the TOTAL fee being charged to the prospect was 2.93% of their total assets. Fees that we found on their statements were as follows: (based on a \$250,000 account).

Consultation Fee: (initial meeting consultation, one-time upfront fee of \$850)

Quarterly Financial Planning Fee: (billed to update financial plan @ \$900 per quarter / \$3,600 per year)

Assets under Management (AUM) Fee: (billed as a percentage of total assets under management, which was 0.60% of portfolio, or \$1,500/year).

Investment Level Fee: (this is collected by the money manager for actually investing the portfolio, usually a mutual fund company: 0.55% or \$1,375/year).



Determining the fees that are being collected by your financial advisor is as important as the investments themselves.

Total Fee: \$7,325 or 2.93% of the client's portfolio!!! On a \$250,000 portfolio, we feel that this is not a sustainable fee for a client to be charged each year. Another way of thinking about this situation is that at the beginning of the year, you, the client, are behind by \$7,325 before the opening bell of the first trading day. In order to achieve a net return of 7.50% on your portfolio, your portfolio would have to gain 10.43% each year when including the fees.

THE BUFFALO FINANCIAL DIFFERENCE:

A full review of fees would not be complete without comparing the fees of other financial advisors to the fees at Buffalo Financial. Our complete comparison is as follows:

Consultation Fee: \$0

College/529 Planning Fee: \$0

Quarterly/Annual Financial Planning Fee: \$0

Assets under Management (AUM) Fee: 0.9% based on assets managed by our firm.

Investment Level Fee: \$0 for all Equities, Certificates of Deposit, Individual Bonds.

Social Security / Medicare Planning: \$0

Using a \$250,000 account value as a point of comparison, your annual savings with Buffalo Financial is \$5,075, per year!

Contact Buffalo Financial for your complimentary fee review! Feel free to email Jeremy: jeremy@buffalofinancial.com or call 716-771-1888.

*<https://facet.com/article/how-to-identify-hidden-costs-in-your-investment-portfolio/#:~:text=A%20recent%20survey%20showed%20that,the%20fees%20they%20are%20paying>

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