Case Study

Let me tell you the true story about my client, Jennifer (not her real name). Jennifer became a client in the late 1990s when she transferred her account over from an otherwise good advisor who had put her into an expensive wrap account that charged about 3.3% in total annual costs. Shortly thereafter, I moved her into standard mutual funds where the average total (blended) cost (MER) for her portfolio was closer to 2.3%. This move alone saved her about 1% a year in annual fees. Then, after the turn of the millennium and with the introduction of cheaper, more transparent products, I moved to a fee-based practice, meaning I charged my clients based on the amount of money I was managing, while accepting no commissions for recommending any products in particular. As cheaper investment product options became available, switched to using the cheaper products. These included far more affordable asset class mutual funds and Exchange Traded Funds (ETFs). I passed the product cost savings on to my clients. Throughout the exercise, my compensation remained essentially constant, but her costs dropped considerably. In the end (i.e., for the past 8 or 10 years), her total costs (my services + the products she owns) have dropped to about 1.6%.

To be even more direct, Jennifer's total costs have been more than cut in half – they started at 3.3% and now stand at 1.6%. During this time, her portfolio has generally ranged in size from about $400,000 to $800,000. She recently withdrew a little over $100,000 to pursue a lifelong goal, but still has over $700,000 invested.

How much has she saved over the years? Compared to where she first started, she saved about 1% for about a decade on a portfolio with an average size of about $5,000 – that's $5,000 a year for a decade ($50,000 in total). Then, for the past decade or so, in addition to the money that she continued to save on the first round of product changes, she saved an additional 0.7% a year annually on a portfolio with an average size of about $600,000 – that's $4,200 a year for a decade ($42,000 in total). All told and compared to the account she was in initially, Jennifer has saved about $142,000 since she started working with me about 20 years ago. She is an extremely typical client. Her age, education, income level and portfolio size are all consistent with what I would call an average client composite profile.

Even if we only take the last decade as an example, the savings are considerable. When I asked her if she realized that we had saved so much money by simply cutting product costs (while holding her asset mix, risk profile and advisory fees constant), she admitted that she had no idea this had been the case.

If you were to speak with your advisor about what products have been recommended over the years, do you think you would hear a similar story about making changes to save serious money? If your advisor hasn't done this for you, don't you think you should ask about it? I can help you to find the answers to the questions you really NEED to be asking. What would YOU do if you could save an additional $4,200 a year for the rest of your life? Would you spend the money on a trip? Pay down debt? Have a more comfortable retirement? Retire early? I'm not going to tell you HOW to spend (or save) the money that would have otherwise been lost to higher costs and misguided advice, but I will tell that you will absolutely, positively save a considerable amount of money if you switch out of traditional mutual funds and into products that are offered by STANDUP Advisors such as myself. The choice is entirely yours, but I would strongly suggest that you STANDUP to the Financial Services Industry – Today!