Issue 2 | February 2013

A Newsletter by S&A Financial Strategies & Services, LLC

Sensible Investing - Become Cost Conscious

S&A Financial Strategies and Services, LLC

by Steven Tambone

Would you ever consider buying something without knowing exactly what it was going to cost? As much as I dread that total at the supermarket checkout line, hearing that final tally catches my attention and forces me to think a little more about what I'm about to buy. Lately my frugal side's been kicking in a bit and I find myself asking more questions about these food prices.

Investing has costs as well and they come in many different forms. The good news is they can be controlled – the bad news is they can be very difficult to get your hands around. In fact very often they go completely unnoticed. The problem is there are *no "price tags" that capture our attention*, and many times investment costs are not communicated directly or in a way that's easy to understand. You have to know they exist (it's the people who don't know that may inadvertently surrender thousands overtime) – more on this in a moment.

So what are some examples? Mutual funds, a popular type of investment, include expenses which are ***deducted*** from your account ***annually***. Year after year they are used to pay for the management and administration of the fund along with marketing and advertising. Exchange traded funds, another popular investment, have annual fees as well - albeit generally on a smaller scale. You won't find these deductions on your investment account statement because **they're not shown**. Mutual fund expenses can vary from fund to fund and are listed in the fund's prospectus. They should appear under the "Fees and Expenses" section listed as **total annual operating expenses**. There are many good funds with expenses below 1% – so there's really no reason to pay more.

Variable-deferred annuities, sold by many financial services professionals generally add ***additional*** layers of expenses. These insurance-based products allow you to invest in mutual funds while offering additional protection features such as future guaranteed income for life. They slap-on an additional annual fee known as a ***mortality and expense*** charge, along with charges for any other feature that you choose. Of course all this gets tacked-on to the mutual fund expenses described above. By the time you're finished adding everything up, you can find yourself paying in excess of 3 ½ to 4 percent (of your investment account) annually. Make sure you read the product prospectus carefully and tally-up all the costs.

Becoming cost conscious with your investments may provide you with a few distinct advantages. First, it will more than likely make you think more about where (and how) you're investing your money

S&A Financial Strategies and Services, LLC

Remember – its' your money, so make sure your advisor is taking care of your interests first – not their own.

let'$make$ense

Issue 2 | February 2013 A Newsletter by S&A Financial Strategies & Services, LLC

Sensible Investing - Become Cost Conscious

by Steven Tambone

Second, you may find yourself looking for more cost effective alternatives – potentially saving quite a bit over time. Finally if you're going to be asked to pay more, you'll no doubt want to understand exactly ***what you're receiving*** in return for the increased expense - and if it's worth the additional outlay. Remember, you won't see the money being deducted from your investment account each year – out of sight, out of mind. Imagine what it might feel like if instead you had to ***write a check*** for that extra 2 or 3 percent of your investment account each year – how many of us would be happy with that?

Remember – its' your money, so make sure your advisor is taking care of your interests first – not their own.