



Do you really know the true cost of your Investment Advisor?

Many financial advisers fail to disclose the total costs for their recommendations. When it comes to making an investment many consumers do not realize how ill-prepared they are to make these decisions. An honest and ethical investment advisor can help to provide transparency and build a portfolio that has a high probability of success. When building a portfolio is important to first understand that return and risk are related and that there is no free lunch in the financial markets. Diversification is a key to making sure that you don't take risk and is not compensated. Because all investors can diversify and mitigate the business risk associated with losing your money permanently. But the market risk will always be there and can be very volatile as we have all seen recently.

How much does it cost to work with your financial investment advisor? This article will help explain.

You should always ask your investment advisor, how he or she is compensated for the work they do. Are they fee-based or of a commission based, or do they charge both commissions and fees. It is important that you receive a complete disclosure of all the fees and costs associated with the investments. You will be making.

When your investment advisor provides you with a portfolio of funds you will incur not one expense, but three, so it's vital that your advisor thoroughly explain all three of these costs.

The first cost will be the adviser's fee to manage your account. This is more commonly known as an asset management fee is generally expressed as a percentage of the assets under management. Some asset management fees are as high as 2 1/2% for accounts at Schulmerich& Associates are highest fee level is 1% for accounts. Over 250,000 in the balance portfolio are fee is .75 annually .The fees reduce based on the size of the account from their. Our fees are charged at the end of each quarter in arrears. These fees are fully disclosed and are monitoring reports in our schedule ADV part 11 and schedule F. You should ask for a copy of schedule ADV part two from any advisor that you're going to work with. This is required disclosure document.

An example of the cost between Financial Advisors who recommend retail mutual funds vs. Schulmerich & Associates, LLC

Assuming a \$500,000 account

	Retail Mutual Funds	Schulmerich & Assoc.
Median Fee for Assets under Management	1.25%	0.75%

Stephen C Schulmerich, CFP, CEA, AIF, is founder and president of Schulmerich & Associates Asset Management, LLC. We provide fee based asset management and financial planning. For details, visit www.schulmerichandassoc.com or email schulmerich@comcast.net

Average Mutual Fund/ETF's Annual Expense Ratio	1.329%	0.36%
Average Mutual Funds/ETF's Trading Expenses	1.44%	0.07%
Total	4.01%	1.18%

1. Based on data provided by 1,000 advisory firms for Rydex advisor benchmarking research study (2008).
2. Based on all mutual funds tracked by Morningstar (as 9/30/08).
3. Based on each mutual fund's statement of additional information, according to a study by Virginia Tech, University of Virginia, and Boston College titled trading costs for a single sample of 1,706 US equity funds during the period 1995 to 2005. Schulmerich and Associates used no load institutional structure index funds now available to the retail market.

The asset-management fee is not only expense. You'll incur. In addition to the cost for your advisor must also pay the expenses for the funds. Your advisor is recommended, and this is you'll incur two additional cost; a fixed expenses, and variable expenses.

The fixed expenses include something called the annual expense ratio. Every mutual fund and exchange traded funds charges this fee-even no-load funds. No-load means there is no commissions. When you buy or sell shares; it does not mean no expenses were fees. The expense ratio provides revenue for the management company to operate the fund on a daily basis and also to provide for salaries and expenses. In some cases it helps profits to shareholders. As of September 30, 2008 according to Morningstar, the average expense ratio were all mutual funds in their database is 1.32 percent per year, although many are more than 2%, highest in the industry according to Morningstar. As of September 30, 2008 is a staggering 18.4%!

The expense ratio is expressed as an annual figure. The actual expense ratio is debited on a daily basis. But this charge does not appear on any monthly statements, which makes it very difficult for investors to notice it. In order to find it investors would need to scour through the fund's prospectus; very few investors ever take the time to open, let alone buying expense ratio.

Many investors and advisors think the annual expense ratio cover's all of the fund fees and expenses but it doesn't. The expense ratio covers only the perennial costs-salaries, marketing, overhead and other expenses. But there are many more variable costs associated with operating mutual fund. These are excluded from the expense ratio.

One of the larger costs associated with the use variable costs are brokerage commissions and praying expenses. When portfolio managers buy and sell securities. They will pay brokerage commissions-just like individual investors. Many of the mutual fund managers will turn over their portfolio over one hundred percent or more during the year. This

Stephen C Schulmerich, CFP, CEA, AIF, is founder and president of Schulmerich & Associates Asset Management, LLC. We provide fee based asset management and financial planning. For details, visit www.schulmerichandassoc.com or email schulmerich@comcast.net

means that they are making thousands of trades, which must be paid for by investors in the fund. Funds will typically pay millions of dollars each year for this trading expense, yet very few investors understand how this reduces their return annually. Again, these expenses are not part of the expense ratio and are not disclosed in the prospectus. Yet they have approved a profound effect on the performance annually. To find these expenses, you must look in the funds statement of additional information.

Advisors are not required to provide the statement of additional information, which explains the trading expenses paid each year by the fund. Advisors are required to give you a prospectus only. Many advisors are so ill-informed that they do not even understand the statement of additional information, which would explain these major expenses of the fund.

Expenses are difficult to track. In 2007 an analysis by researchers at Virginia Tech and University of Virginia and Boston College found that the average fund based on a sample of 1706 US equity funds. From 1995 to 2005 incurred annual trading expenses of 1.44% per year. During that period, this is in addition to the 1.32%. That is the average annual expense ratio according to Morningstar as of September 30, 2008 based on all mutual funds tracked. These two figures put the total cost on the average mutual fund at 2.76% per year. (This calculation is based on historical data; current figures could vary.)

By adding this to a 1.25% advisory fee you can see how many investors can incur a total annual cost of more than 4% per year.

So, be diligent. When asking advisor, but you will be charged if his answer is a 1% fee. You can be sure he left out the annual expense ratio and the trading costs that you will pay. Make sure you understand what the total cost are to invest with that advisor.

Note; the chart shown above is for illustrative purposes only and does not represent the actual fees and/or expenses associated with a given mutual fund may be different. All figures are based on historical data; current figures could vary. This chart in the accompanying article referred to advisors, who recommend mutual funds and exchange traded funds to their clients. If your advisor is recommending individual securities such as stocks and bonds through a private money manager were separately managed account containing individual securities, you must be very careful that you're being told the total costs of such arrangement, which can include management fee is brokerage commissions and trading expenses and other fees.

Stephen C Schulmerich, CFP, CEA, AIF, is founder and president of Schulmerich & Associates Asset Management, LLC. We provide fee based asset management and financial planning. For details, visit www.schulmerichandassoc.com or email schulmerich@comcast.net