

Acceptable Mutual Fund Fees

Fee	What it is for	Acceptable Level
Expense ratio	This is the bottom-line fee, and is a summary of all fees <i>except loads</i> expressed as a percentage of the fund NAV. This is what you look for first.	For <i>index funds</i> , 0.75% or below. For <i>conventional equity funds</i> , like growth or value funds, 1% or below. For <i>specialized sector funds</i> , 1.5% or below. For bond funds like <i>treasury funds</i> , <i>investment grade bonds</i> , 0.5% or below or even 0.25% or below.
Front-end Load	A sales charge for selling you the fund, taken from the balance when the fund is initiated.	0 - none
Back-end Load	Same as front-end load, except taken from the fund value at liquidation.	0 - none
Management fee	The fee assessed for the costs of managing the fund, a legitimate expense if reasonable. For funds with low fees, this fee will constitute the entire expense ratio, or nearly all of it.	Same as expense ratio.
12b-1 fee	An advertising fee (you pay for their advertising), typically 0.25%.	0 - none
CDSC, deferred sales charge, or any form of trailing commission.	Contingent Deferred Sales Charge, deferred sales charge, or anything that sounds like a trailing commission. These rip-off charges should be avoided at all costs. If in doubt, look for them in the prospectus.	0 - none

If you want to avoid high fees, you should shop online for funds offered by reputable fund families like Vanguard, Fidelity, and TRowePrice.

If you walk in the door of a bank or other financial institution that sells mutual funds, because you are dealing with a salesman that must be paid, you will almost always pay loads or CDSC charges of some kind, which will considerably reduce the value of your returns over time.

Because loads and CDSC are sales charges, funds with such charges do not have better lifetime performance than funds that do not make such charges. In fact, the fund that you pay a load for may be available online without the load.

The law requires full disclosure of fees and loads, so they are easy to find in the fund prospectus or online.

401-K mutual funds sometimes have high fees and loads, which is why if you leave a company you should consider an IRA rollover of your investment account into a fund with low fees.