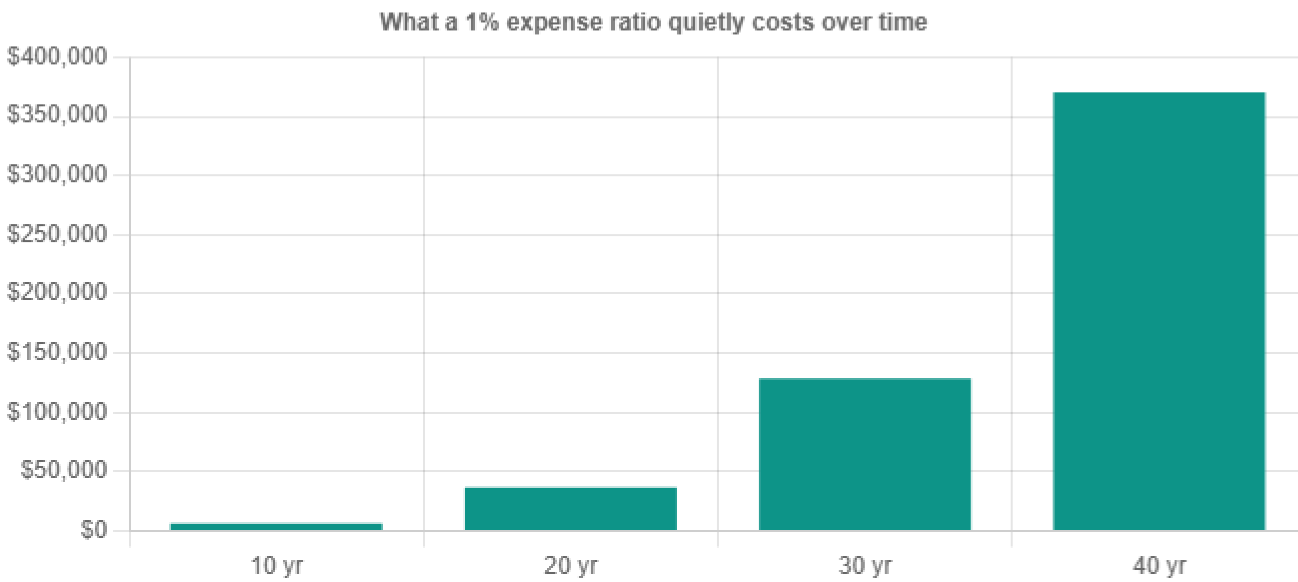
AssetBaseline

VISUAL

What a 1% Fee Really Costs

> One percent a year sounds like nothing. Over decades it can quietly swallow a six-figure share of the same portfolio, and this chart shows how much.

A fund expense ratio is charged every year on your whole balance, so the money it takes can never compound for you again. A number that looks like a rounding error turns into a startling sum over an investing lifetime.



Years	Balance with no fee	After fees	Lost to fees
10	$106,639	$100,134	$6,505
20	$300,851	$264,122	$36,728
30	$691,150	$562,483	$128,667
40	$1,475,521	$1,105,320	$370,201

Reading the chart

Each bar is the amount a fixed expense ratio takes from the same portfolio over that many years, compared with paying no fee at all. Over 30 years, a 1 percent fee on a 10,000 dollar start plus 500 dollars a month costs about 128,667 dollars, roughly 18 percent of what the no-fee balance would have been.

The bars grow faster than the years do, because the fee compounds against you. Each year it skims a slice off before your money can grow, so you also lose the growth on the fee, and the growth on that, all the way out. Slide the expense ratio to compare a cheap index fund near 0.1 percent against a typical active fund at 1 percent.

Why it matters

Future returns are uncertain, but a fee is guaranteed to come out every single year. It is one of the few things about investing you can control and predict. Choosing low-cost funds is among the most reliable ways to end up with more money.

That is why broad index funds, often charging under 0.1 percent, are such a powerful default. The Investment Fee Drag calculator lets you run this on your own numbers, and the Compound Interest Guide explains the force that makes small fees so expensive.

> **Key takeaway.** A 1 percent fee is not 1 percent of your money. Over a few decades it can quietly take 15 to 25 percent of what you would have had.

Assumptions

- The same portfolio is grown twice, once at the return before fees and once at that return minus the expense ratio. The gap is what fees take.
- A 10,000 dollar start plus 500 dollars a month at a 7 percent return before fees, with monthly compounding. Slide the expense ratio to see the cost change.
- Taxes and inflation are ignored. The point is the relative cost of the fee, which behaves much like this in the real world.

Sources

- U.S. SEC Investor.gov, how fees and expenses affect your portfolio

Educational only. Not financial, tax, or investment advice. Figures use the assumptions stated above and ignore taxes, fees, and inflation unless noted.