

The big deal about smaller MERs

Every mutual fund you own has an ongoing cost associated with it known as a management expense ratio, or MER. This cost is automatically deducted daily from the value of your investment.

Across the some 13,000* mutual funds in Canada, you'll discover a wide range of MERs. That equity fund you bought through your financial advisor probably has an MER of between 2.2% and 2.8% – maybe higher. What difference would it make if it were just a bit cheaper, say 0.25% less?

MER defined

The management expense ratio (MER) is what you pay each year to own a fund, whether it makes or loses any money.

These fees pay for the fund's operating costs, taxes, financial advisor compensation and portfolio management. This cost is expressed as a percentage of assets.

The annual cost to you of a \$10,000 investment with an MER of 2.5% would be \$250.

No small thing

While fees are unavoidable, you need to pay attention to them because they eat away at your investment savings. Consider the investor with \$50,000 in a fund charging a 2.5% MER. After 15 years and assuming no growth, fees alone have eroded more than 30% of the original investment.

| | Year 1 | Year 5 | Year 15 |
|---|---------|---------|----------|
| Fees (Cumulative) | \$1,250 | \$5,945 | \$15,799 |
| As a percentage of the original investment | 2.5% | 11.9% | 31.6% |

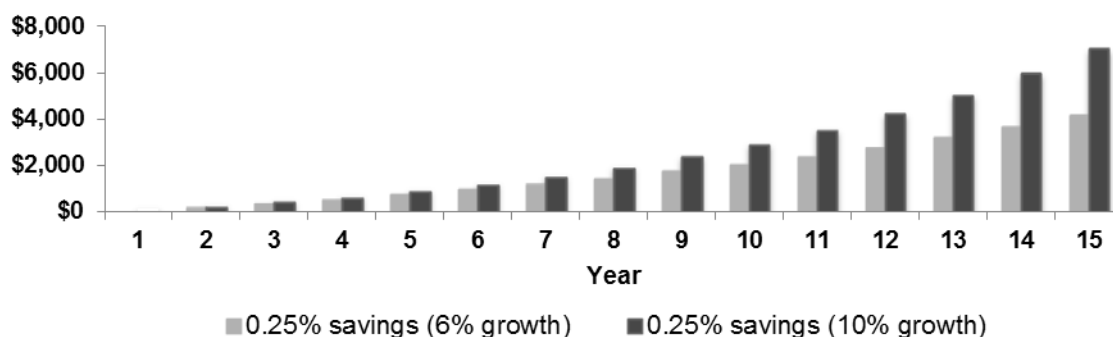
Find out what you're paying

Your fund's MER can be found on Morningstar.ca, Globefund.com or the *Fund Facts* on fund companies' websites.

All the more reason to choose wisely a fund that will grow your wealth over time with reasonable fees.

Less is more – in your pocket

Now, imagine your fund's MER was 0.25% lower on the same investment. After 15 years, this "insignificant" savings adds up to \$4,170 more for you assuming 6% growth. On an investment growing at 10%, the savings are over \$7,000.



Often, people worry less about fees when their investments are doing well. But savings are much more significant when returns are higher.

The lesson is that what might initially feel like pocket change can add up to a substantial amount in the long run.

Fees always matter

Because MERs are calculated as a percentage of a total investment, the better a fund performs, the more you've paid to own it in dollar terms.



E D G E P O I N T

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*Source: Fundata Canada Inc. Includes all series of all funds. Examples have been simplified and assume expenses are deducted annually. Actual results differ slightly as expenses are calculated and deducted daily. Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the prospectus before investing. Copies are available from your financial advisor or at www.edgepointwealth.com. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. This is not an offer to purchase. Mutual funds can only be purchased through a registered dealer and are available only in those jurisdictions where they may be lawfully offered for sale. This document is not intended to provide legal, accounting, tax or specific investment advice. Information contained in this document was obtained from sources believed to be reliable; however, EdgePoint does not assume any responsibility for losses, whether direct, special or consequential, that arise out of the use of this information. Portfolio holdings are subject to change. EdgePoint mutual funds are managed by EdgePoint Investment Group Inc., a related party of EdgePoint Wealth Management Inc. EdgePoint® and Owned and Operated by Investors™ are registered trademarks of EdgePoint Investment Group Inc. Published January 18, 2013.