

## Letter to the Editor, Financial Times: Fund Investors Pay Less in Fees

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*(As published in the Financial Times on February 15, 2013)*

Sir, Tom Stabile bizarrely casts the US mutual fund industry as a financial villain in a misleading commentary that goes heavy on insults and light on evidence (“[Hidden fees will lead funds to their OK Corral](#),” FTfm, February 4). Your readers deserve better than this.

Mr Stabile decries the fund industry’s “nightmarish” fees, which he claims can be “on the order of 4 per cent expense ratios and 8 per cent sales loads”. In fact, hard evidence shows that fund investors are paying less and less in fees – and nothing close to the levels he suggests. For example, on an asset-weighted basis (which captures what most investors actually pay), average expense ratios incurred by US equity fund investors totalled just 0.77 per cent in 2012, while investors paid just 0.07 per cent in load fees in annualised terms. Equity fund expense ratios have fallen more than 20 per cent since 1990, and bond fund expense ratios have shown similar declines.

A decades-long commitment both from regulators and the fund industry to improve and rationalise disclosure has resulted in fee and cost transparency for mutual funds that is unrivalled among financial products and services. Every mutual fund discloses all of its fees in a standardised fee table at the front of its prospectus. The information funds provide is comprehensive, clearly presented, strictly regulated and widely available. Indeed, the FT itself has [a web tool](#) that allows investors to easily compare the costs of owning different mutual funds.

Far from “warped”, this emphasis on disclosure has served to fuel competition and to help drive down fees. Mutual fund shareholders have shown themselves to be sensitive to fund fees and expenses. As of year-end 2011, for example, 72 per cent of equity fund total net assets were managed by the 25 per cent of equity funds with the lowest expense ratios, while the remaining 75 per cent of equity funds

held only 28 per cent of total net assets.

Mr Stabile writes that the public has a “craving for transparency and fairness”. On this we agree. The fund industry has delivered on both principles for decades by supporting disclosure and competition – to the benefit of investors.

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