Entering the retail space has afforded us an opportunity to shine some light into the darker recesses of the UK retail savings industry.

We are delighted to share with you real-life examples of the parasitic creations we find sneaking around in the financial gloom, where they slowly eat your hard-earned savings and future happiness.

Sneaky Financial Creation: **FEE STACKING**

Peter is in his early 50s and ramping-up his retirement savings. Names have been changed to protect identities.

Peter has engaged an Independent Financial Advisor (IFA) to whom he pays 0.50% per annum to manage his pension of around £350,000. He trusts his IFA but is worried there may be undisclosed fees and that his portfolio may suffer from weak performance.

So, he asked us to investigate:

Fees

The first thing we noticed was that Peter's IFA is neither qualified nor authorised to manage money. His IFA instead sees his role as confined to relationship building and "high-level advice".

For Peter, his trust in his IFA was about to turn into an expensive fee trap. For which he would pay handsomely: 0.50% per annum will erode around 7% of Peter's expected final savings pot in 15-years' time. And that's before the investment journey has even begun!

Back to the 'fee trail', where we found that Peter's asset allocation decisions were taken by a large national UK Wealth Manager engaged by his IFA. Its fee for this service was 1.3% p.a.

Then came something that frankly shocked us; the large UK Wealth Manager "rebated" 0.5% of its 1.3% annual fee to Peter's IFA, in addition to the 0.5% he was already charging. All disclosed in the small print, but Peter was entirely unaware of this.

Peter's total fees were now running at 1.8% p.a. rising to 1.95% p.a. when administration costs are added. And not a penny has yet been put to work.

The trail ends with Peter's savings eventually being allocated to a myriad of active funds and complex structured investments, which together attracted another 1.55% p.a. in fees.

Total fee tally was 3.5% p.a. Nothing like the 0.50% p.a. Peter thought he was paying!

The mathematics of compounding mean that – even if Peter invests his money with the best fund manager in the world – he will lose around 40% of his final pension pot to fees and charges in the next 15 years.

Eriswell would estimate a fair price for Peter's combined services to be around 1% p.a. Invested at this lower fee level, and assuming 5% annual growth, Peter could expect a final pension pot of around £625,000. That is £190,000 more than the £435,00 he is currently on track for.

Stellar performance would be the only justification for paying such high fees. So, let's take a look:

Performance

Peter's portfolio is broadly linked to the MSCI World Index – a key asset management benchmark – in terms of both composition and risk. Over the past 3-years the MSCI World has delivered a total return of around 47%.

By comparison, Peter's fiendishly and – in our judgement – needlessly complicated portfolio has risen by only 23%. The reasons why will be the subject of another note.

It's Your Money: Just say NO!

This combination of high fees and weak performance is not acceptable. So often we see it; over 50% of a saver's hard-earned money needlessly destroyed over their working lives.

There is rarely one culprit to be found. Behind the glossy marketing, the retail savings industry remains plagued by poorly allocated and poorly performing portfolios supporting long and sloppy fee chains, which are often poorly disclosed.

To request your free Portfolio Health Check, see: www.eriswell.com

#Demand Full Transparency

For any enquiries you may have, please contact us at info@eriswell.com.

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