
How pricey is your managed account? Check it out

By Editorial Staff Thu, Oct 26, 2017

In a new report, 'Beneath the Surface: What Americans are Paying in Advisory Fees,' the robo-advisor Personal Capital does its best to embarrass the wirehouses and big brokerages.

While robo-advisory firms often downplay the limits of their services, they love to tout their significant fee advantage over advisory firms of the trillion-dollar AUM, bricks-and-mortar, suit-and-tie variety. Even if the DOL fiduciary rule were to vanish tomorrow, robo-advisors and hybrid digital advisors would keep the competitive pressure on.

In a new [report](#), “Beneath the Surface: What Americans are Paying in Advisory Fees,” the robo-advisor Personal Capital does its best to embarrass the big broker-dealers (from whose lunches it would like to steal a few crumbs) by shining a light on their managed account fees.

“Americans... may be paying up to 3.5% per year in advisory fees and fund fees at some of the nation’s most well-known firms,” said a Personal Capital release this week. “While the difference between a one percent annual fee and a three percent annual fee may not seem like much, the total amount lost over time could add up to more than \$400,000.”

Personal Capital’s report, based on a May 2017 survey, reveals that 21% of investors know they pay fees on their accounts, but are not sure how much they pay, while 10% of investors don’t even know if they pay any fees on their accounts.

Fee ranges that were calculated for and/or filed with the SEC for a sample of 10 advisory programs that met the report’s criteria, from highest to lowest, include:

FIRM	PROGRAM	BROKER-DEALER?	ADVISORY FEE*	AVERAGE FUND FEE**	TOTAL ESTIMATED FEE
Ameriprise	Managed Accounts & Financial Planning Service	YES	1.75% — 3.00%	0.50%	2.25% — 3.50%
UBS	Portfolio Management Program	YES	2.50%	0.44%	2.94%
Morgan Stanley	Select UMA Program	YES	2.00% — 2.50%	0.42%	2.42% — 2.92%
Wells Fargo	Private Investment Management	YES	1.50% — 2.00%	0.43%	1.93% — 2.43%
Merrill Lynch	Personal Investment Advisory	YES	1.00% — 2.00%	0.33%	1.33% — 2.33%
JP Morgan	Mutual Fund Advisory Portfolio	YES	1.15% — 1.45%	0.41%	1.56% — 1.86%
Edward Jones	Unified Managed Account Model	YES	1.25% — 1.35%	0.45%	1.70% — 1.80%
Personal Capital	Investment Services/Wealth Management	NO	0.79% — 0.89%	0.08%	0.87% — 0.97%
Charles Schwab	Schwab Intelligent Advisory	YES	0.28%	0.16%*	0.44%
Vanguard	Personal Advisor Services	YES	0.30%	0.08%	0.38%

Personal Capital suggests that consumers ask their advisors about all-in costs—including annual, ongoing advisory fees, as well as other costs highlighted above—which could be the difference between a one percent and three percent or more in annual fees.

The study focused on investment advisors with a national footprint, a statistically significant number of customers in Personal Capital's database, and available fee data that Personal Capital's technology could reliably identify and interpret. To calculate fund fees, Personal Capital aggregated data from a sample of more than 6,000 of its users who are in an advisory relationship and have used our free tool to link their accounts.

For each financial institution in our analysis, Personal Capital said it examined the account history of real users to determine the exact dollar amount of mutual fund or ETF fees they paid as part of an advisory relationship during Q1 of 2017. Dividing the total fund fees paid by the total account values, it determined a weighted average fund fee across all advisory accounts held at each firm.