BUCK FINANCIAL ADVISORS, LLC

"Helping you Determine your Financial Future"

Save Money in a Tough Economy, Go on a Fee Hunt!

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With a worsening economy, many Americans are taking extra care to keep their cash and plastic in their wallets. However, the number and amount of fees for all sorts of everyday expenses and items are like an invisible vacuum. Have you ever said "I don't know where the money went; I was at the ATM just yesterday"? Spoken or not, that is a common thought as statistics show that the typical American family "fritters" away about 12% of the household income. As I say about investing, the only guarantee is: "The expenses will lower your return." Fees are everywhere; the solution? Be aware of and eliminate these from your expense column.

Bank fees: Let's start with the obvious. Fees at banks and other savings institutions have recently been reported at all-time highs. Bankrate.com reported that ATM surcharges, bounced check fees and monthly service fees increased substantially. ATM surcharges are at a national average of $2.91, and bounced check fees are $26.90. These fees are mostly avoidable; watch your balances like a hawk so you don't risk overdrafts – and remember that signing up for overdraft protection will cost you another fee -- and start comparison-shopping at banks and credit unions for the lowest account minimums to avoid fees.

Credit card fees: These can eat you alive. Late fees, processing fees, and surcharges on cash advances are just some of the fees that banks and credit card companies use to increase their revenue. Just as you become more diligent in examining your banking options, apply the same standards to your credit cards.

Portfolio management fees: Also known as assets under management (AUM) fees, these are various fees that might be assessed against professionally managed portfolios. It is always important to understand these fees, see how they compare with competing types of portfolios and investments and keep an eye on what triggers them. Also there is a large difference in mutual fund fees, it may only look small when you pay 1.2%, and .2% expense charge, but over a lifetime of investing it adds up fast. Over a 25 year period, if you average a 7% return, with .2% versus 1.2% expenses deducted, you will have a 15% larger retirement fund. Now start a withdrawal rate that takes a level amount over a 25 year retirement, and your annual withdrawal will be 25% larger. The Securities and Exchange Commission has an article on its website, www.sec.gov/answers/mffees.htm#total, which lists and explains eight different portfolio fees.

Retirement plan fees: If you work for a company, it makes sense to ask your human resources department how much they're paying in fees to your 401(k) plan manager. They might not actually know, and that's a good indication that they're not shopping well enough for your plan. It's also important for you to investigate the fees on the retirement money you invest by yourself in IRAs and other brokerage accounts and plans. As investments struggle back, it's appropriate for investors to become better informed about what they're paying to have their money invested.

Fees, fees everywhere; awareness of where these fees are utilized, effective planning, scrutinizing of bills and most importantly, comparison-shopping will help you minimize their impact on your budget.

Buck Financial Advisors provides independent, commission-free financial advice for people from all walks of life. When you or someone you know needs help, Buck Financial Advisors is there. See www.buckfinancial.com for more information.

Charles Buck CFP®

"The man is richest whose pleasures are cheapest."
Henry David Thoreau"

ASK THE CFP®!

I am graduating this spring; how do I start getting my finances in order?

Establishing an emergency fund should be one of your first financial planning goals. Its purpose is to have cash available when the unexpected happens, and it will. Usually a financial planner will recommend 3-6 months of living expenses. Realistically for a new graduate, it will take some time to get this amount, but even a small amount can prevent you from having to resort to credit cards to get by. I recommend an online savings account which can be linked to your checking account. These accounts also allow automatic transfers to help keep you saving regularly.

If you have credit card debt, paying off your cards should be a top priority. It doesn't make a lot of sense to be paying 12% on a credit card and getting 1% in an emergency fund. Once you have your credit cards paid off, then use the payments to build up your fund.

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