

# This Essay is Impossible to Title!

*It has something to do with asset management fees, a trip to the Baptist church and Bruce Springsteen... but it can't be titled.*

I've been interested in the subject of investment fees and costs for a long time. My first article on the subject was published in the *Pittsburgh Business Times* all the way back in July of 1996. Each one of my clients gets an ongoing dissertation about the importance of maintaining low investment costs in their portfolios. I take pride in the fact I am associated with the importance of low fees. As I've been in the business for a long time, I have many unique stories about fees, brokers and clients. Many of those stories are more interesting than what you're about to read but this tale is worth your time and attention.

In 2009 I took over an account from a local broker. This broker was known for his country club investment seminars, radio appearances and billboards (such brokers are referred to by me as one of "The Usual Suspects"). It is not uncommon for me to take over accounts from such Suspects.

The clients were a husband and wife in their 70s. Their IRA accounts were invested in one well-known mutual fund family but were held in a brokerage account. This was a mystery to me. Why would the broker have mutual funds from the same family in a brokerage account? The account would have been more efficient if placed directly with the mutual fund family. The other mystery was the allocation. This wife had the majority of the assets in her account and she was using her assets for income. The allocation was structured among "growth" oriented funds. Her portfolio was more in tune with that of somebody 37 years old and not 73. Because of the market decline, the percentage of her income to assets being used for her distribution was over 16%. (*A preferred distribution rate is 4% to 5%*).

When I took over the account, I cleaned up her portfolio and adjusted her income to a more reasonable level. That woman's account has since thrived with the market rebound and the better allocation and her income has increased each year she's been with me. But the mystery remained. Why did that Usual Suspect have this woman in a brokerage account?

A friend of mine, who attends a Baptist church on a weekly basis, invited me to attend service with him. As I'm interested in all religions I immediately accepted, got suited up and, on an easy Sunday morning, went to the church.

The facility was beautiful, the congregation was well dressed and extremely passionate about their church and their belief. The skylight put a spotlight of sunshine right over where my friend and I sat. I enjoyed the music, the singing and the preaching. But in the back of my mind the mystery was working on me. Why did the broker set up that woman's account the way he did?

The preacher had the congregation in his hand. I was envious of his public speaking ability. We got to a point in the service where the preacher was speaking with intensity, wiping the sweat from his forehead and the choir was singing behind his fiery sermon. The spirit entered a woman in a wheelchair and she stood up to join in the celebration of faith. The energy was flowing in the room. It was similar to being at a Bruce Springsteen concert. No kidding.

**And then it happened.** I had a revelation. The mystery was solved. On a Sunday morning in a Baptist church in the East Liberty neighborhood of Pittsburgh, I figured out why this broker set up this woman's account the way he did.

**It was important for me to figure out why this account was structured the way it was because that's my nature. I have always been part investment professional, part investigative journalist and part Columbo. It's equally important for investors to know why such things go on in my industry to protect themselves from the fee-hungry aspects of the industry.**

If you're interested in learning the details behind this story (*sorry, compliance issues prevent me from providing the name of the Usual Suspect*), you're invited to contact me. My "fee review" service will show you what you've paid and are paying for investment services and how your accounts have performed.

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