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WHY WE LIKE ETFs vs. MUTUAL FUNDS

There seems to be a lot of confusion amongst investors about the difference between a mutual fund and an ETF. It's important that we clear up the issue.

Let's start with mutual funds.

Basically, a mutual fund is a basket of many different shares of individual bonds, stocks, or other securities which has been selectively put together by either a management team or, in some cases, an individual fund manager. The fund's goal is to diversify the investor's money across a broad spectrum of securities invested in a specific area such as growth, emerging markets, technology, etc.

Simply put, the price of a mutual fund is based on the total value of the individual investments it holds divided by the number of shares available. During the course of the trading day, the fund's value won't change because it is valued only at the end of the trading day, not the start. After the markets have closed, the ending value of the securities in the fund is recalculated and a new value is established for the fund. That value, divided by the number of shares available, becomes the new share price and remains that way until the close of business on the next trading day. So, using a simple example, if you have a fund worth $1,000,000 when the market closes and there are 100,000 shares, each share would be worth $10.

Naturally, there are expenses associated with these funds. Mutual fund expenses can typically range between 1% per year to 2 % per year. If you're paying a sales load (commission) as well, the expenses could reach 3.7% annually or maybe more. These expenses include operational fees (such as advertising), redemption fees (designed to prevent excessive turnover within the fund) and commissions. Sometimes you pay your commissions when you buy the fund (front-ended) and sometimes when you sell (back-ended). Either way, this is a very hefty fee structure for the investor to bear and can mean the loss of thousands of dollars from their account(s) over the years.

For savvy investors, a popular choice is no-load (no commission) mutual funds. The reason is simple: over many years of investing, excessive commissions can cost an investor thousands, or in the case of larger accounts, even tens of thousands of dollars in fees that otherwise could have gone into the investor's pocket!

And please keep in mind that, in most instances, your monthly statement does not reveal these expenses. Adding insult to injury is the fact that 96% of these funds don't do as well as index ETFs which are invested in the same sectors.

Isn't it time to start putting all of this money back in your pocket?

For an insider's look at all the advantages of exchange traded funds (etf's) vs. old-fashioned mutual funds, check out The Real Truth About ETFs and more from Boost Retirement Income's exclusive Special Reports.

You'll be glad you did (both now and when you retire with possibly thousands of

extra dollars in your account!).

Yours in Profits,

J. Michael for the Investment Team

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