

**Question: A financial planner I met with is recommending I invest my IRA money in a “B” share mutual fund. Is this a good idea?**

**Answer:** It’s a great idea for the advisor and his/her company to make more money but in my opinion, it’s not in your best interest. Here’s why.

Mutual funds have developed various share classes (A, B, C) which allows an investor a choice as to how they will pay any sales charges or fees associated with the fund being bought or sold. Class “B” shares typically have the highest operating expense ratio, much more usually than class A and class C shares. This means if you invest in a “B” share fund, it will generally cost you more money which can really be a drag on your returns and portfolio growth.

Let’s assume you decide to invest your \$100,000 IRA balance into the XYZ Mutual Class B with a 3% load (sales charge). Your full \$100,000 goes to work, the mutual fund company pays a \$3,000 commission to your reps company, the company keeps a portion of the \$3,000, and the balance goes to the rep.

What most investors don’t realize is that class B shares assess what’s called a back-end sales charge, also known as a contingent deferred sales charge (CDSC). This is a sales charge you have to pay when you sell or redeem shares. This CDSC is charged to offset the commission your financial planner earned when you invested your money. The percentage amount of the CDSC will normally decline over a period of years until it eventually reaches zero.

**Bill’s Bottom-line:** If you’re not careful, you’ll pay on the way in and the way out. Do your homework before investing. Read the prospectus. Ask your planner to quantify all fees and expenses in writing (and in dollars and cents).



Bill Losey, CFP®, CSA, "America's Retirement Strategist", has nearly 20 years experience in the financial planning industry and has been interviewed on the CBS Radio Network, CNNfn, FOX’s “Hannity & Colmes”, and Bloomberg Business Radio. Bill publishes *Retirement Intelligence*, a free award-winning weekly newsletter that reaches over 5,000 subscribers worldwide. He operates Bill Losey Retirement Solutions, LLC, an independent registered investment advisory firm and can be reached online at [www.MyRetirementSuccess.com](http://www.MyRetirementSuccess.com) or by calling 1-866-786-2521.