

Investment costs ready reckoner

Costs matter

Costs, like interest payments, have a compounding effect over time. They can have a dramatic impact on investment returns, one that's not always obvious or transparent.

Uncovering the effect of costs

To clearly see and understand the importance of costs, we've constructed this ready reckoner which shows the impact of the annual management charge (AMC) / ongoing charges figure (OCF)* over time.

Assume neutral growth

We've assumed neutral growth so that the compounding effect of costs is readily apparent and not obscured by investment returns (either positive or negative). The figures in bold highlight how a low-cost portfolio, such as one with an AMC / OCF of 0.2%, has over 95% of the original capital after 25 years, while a high-cost portfolio, one with an AMC / OCF of, say, 2%, has eroded by almost 40%.

AMC/OCF (%)	Percentage of portfolio retained after costs							
	Years							
	1	3	5	10	15	20	25	30
0.10	99.90	99.70	99.50	99.00	98.51	98.02	97.53	97.04
0.15	99.85	99.55	99.25	98.51	97.77	97.04	96.32	95.60
0.20	99.80	99.40	99.00	98.02	97.04	96.08	95.12	94.17
0.25	99.75	99.25	98.76	97.53	96.31	95.12	93.93	92.77
0.30	99.70	99.10	98.51	97.04	95.59	94.17	92.76	91.38
0.35	99.65	98.95	98.26	96.55	94.88	93.23	91.61	90.02
0.40	99.60	98.80	98.02	96.07	94.17	92.30	90.47	88.67
0.45	99.55	98.66	97.77	95.59	93.46	91.37	89.34	87.34
0.50	99.50	98.51	97.52	95.11	92.76	90.46	88.22	86.04
0.55	99.45	98.36	97.28	94.63	92.06	89.56	87.12	84.75
0.60	99.40	98.21	97.04	94.16	91.37	88.66	86.03	83.48
0.70	99.30	97.91	96.55	93.22	90.00	86.89	83.89	81.00
0.80	99.20	97.62	96.06	92.28	88.65	85.16	81.81	78.59
0.90	99.10	97.32	95.58	91.36	87.32	83.46	79.77	76.24
1.00	99.00	97.03	95.10	90.44	86.01	81.79	77.78	73.97
1.10	98.90	96.74	94.62	89.53	84.71	80.15	75.84	71.76
1.20	98.80	96.44	94.14	88.63	83.44	78.55	73.95	69.62
1.30	98.70	96.15	93.67	87.73	82.18	76.97	72.10	67.53
1.40	98.60	95.86	93.19	86.85	80.94	75.43	70.29	65.51
1.50	98.50	95.57	92.72	85.97	79.72	73.91	68.53	63.55
1.60	98.40	95.28	92.25	85.10	78.51	72.43	66.82	61.64
1.70	98.30	94.99	91.78	84.24	77.32	70.97	65.14	59.79
1.80	98.20	94.70	91.32	83.39	76.15	69.54	63.50	57.99
1.90	98.10	94.41	90.85	82.54	75.00	68.14	61.90	56.24
2.00	98.00	94.12	90.39	81.71	73.86	66.76	60.35	54.55
2.10	97.90	93.83	89.93	80.88	72.73	65.41	58.83	52.90
2.20	97.80	93.54	89.47	80.06	71.63	64.09	57.34	51.31
2.30	97.70	93.26	89.02	79.24	70.54	62.79	55.89	49.76
2.40	97.60	92.97	88.56	78.43	69.46	61.52	54.48	48.25
2.50	97.50	92.69	88.11	77.63	68.40	60.27	53.10	46.79
2.60	97.40	92.40	87.66	76.84	67.36	59.04	51.76	45.37
2.70	97.30	92.12	87.21	76.06	66.33	57.84	50.45	43.99
2.80	97.20	91.83	86.76	75.28	65.31	56.67	49.17	42.66
2.90	97.10	91.55	86.32	74.51	64.31	55.51	47.92	41.36
3.00	97.00	91.27	85.87	73.74	63.33	54.38	46.70	40.10

*The AMC / OCF covers the fund manager's costs of managing the fund. It does not include dealing costs or additional costs such as audit fees.

Glossary

Fund

An investment vehicle that pools the money of many investors to buy shares and/or other investments.

Fund manager

This is the person or company who manages a fund.

Portfolio

This is a combination of individual investments or funds that is usually created to meet specific goals, such as long-term capital growth.

Investment risk information

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

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