

Investment costs 'Ready Reckoner'

Costs matter

Costs, like interest, 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

In order to clearly see and understand the true importance of costs, we've constructed this 'Ready Reckoner' which shows the impact of Annual Management Charges (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). Note how a low-cost portfolio, such as 0.2%, has over 95% of the capital after 25 years, while a high-cost portfolio, 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.

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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