

## SHARE CLASSES, LOADS, EXPENSES AND FEES

*Do you understand them? Here's a chance to learn more about mutual funds.*

Provided by Glazer Financial Network

**Share classes.** Mutual funds typically have A, B, and C share classes, and loads and fees vary per share class.

“A” shares are geared to the long-term investor who can put a sizable lump sum into the fund right away (think five figures or more). “B” shares are also designed with long-term investors in mind. They are cheaper than “A” shares, and they convert to “A” shares in time. Finally, the “C” shares are geared to the short-term investor. They do not eventually convert to “B” or “A” shares.

For the record, there are also such classes as “Z” shares (available only to employees of the fund) and “R” shares (which are used in retirement plans). Some funds have several share classes, and some simply have one.

**Loads.** This is the sales charge linked to entry or exit of the typical mutual fund. If you buy “A” shares, you will likely pay a front-end load as a result (this load gets smaller the greater your initial investment). If you purchase “B” shares, you will pay a back-end load when you sell them (unless you have hung onto them for a certain number of years.)

“C” shares come with ongoing fees. Typically, this cost is called a 12b-1 fee and it is charged annually to cover the cost of marketing the fund and selling its shares. It is actually an operational expense of the fund. C shares may have a tiny back-end load, which is often waived if you have owned them for a year.

Of course, some mutual funds are no-load funds. These are justifiably popular, especially among do-it-yourself investors.

**Expenses/fees.** Besides a 12b-1 fee, mutual funds charge you for a variety of other operating expenses - for example, ongoing accounting and auditing and legal and custodial services. The biggest expense is the fee paid to the money manager overseeing the fund's performance.

“A” shares generally have lower expense ratios than “B” and “C” shares. The higher expense ratios on the “B” and “C” shares amount to a tradeoff for not having to pay a front-end load. “B” shares have the highest expense ratio.

**Those are the basics.** It's most likely a wise move to speak with a financial services professional about mutual fund investing before you choose a fund. You may have more options than you realize, so be sure to get help as needed to assist you in determining which share classes are suitable for you.

Registered Representatives offering securities through Kovack Securities, Inc. Tel (954)752-4771. Member FINRA/SIPC. Investment advice offered through GFN Capital Management a Registered Investment Advisor. GFN Capital Management is not affiliated with Kovack Securities, Inc. or Kovack Advisors, Inc. ©2008 Glazer Financial Network. All Rights Reserved.

This material was prepared by Peter Montoya Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information should not be construed as investment, tax or legal advice. The publisher is not engaged in rendering legal, accounting or other professional services. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. If assistance or further information is needed, the reader is advised to engage the services of a competent professional.