

Paycheck

What to know about mutual fund sales loads

Most American workers are familiar with mutual funds through their employer-sponsored retirement plans. Mutual funds also can be an excellent vehicle for investors who want diversified investments in their IRA, Roth or personal accounts.

A mutual fund is a professionally managed investment vehicle that pools money from many investors to purchase securities. All funds have management fees, usually based on a percentage of the fund's assets, to pay for its administration.



Paul E. Housey

3 Types of Sales Loads

Many mutual funds also charge "loads" to compensate brokers, salespeople or both for selling a fund. Funds without load fees are called "no-load funds." There are three general types of sales loads:

■ Sales loads at the time of purchase are called "front-end" loads (typically "A" shares).

■ "Back-end" loads are charged when investors redeem shares (typically "B" shares). The amount will depend on how long an investor held the shares, which could be zero if they were held long enough.

■ "C" shares are funds with a lower but ongoing load throughout the first several years of owning a fund.

Loads are a percentage of the transaction amount. "A" and "B" loads typically start at 3 to 6 percent, with some funds charg-

ing more than 8 percent. As your investment amount increases, you may reach certain "breakpoints," whereby the load percentage will decrease.

Before you pay for a load fund, check whether high-quality no-load funds are available. Also know that advisers who charge a fee to manage your portfolio frequently have the ability to waive loads.

Fees and expenses vary from one fund to the next. When you are deciding which type of mutual fund to purchase, it's important to review all the costs and fees involved to see which funds might work best for your investment purposes.

Paul E. Housey, MBA, CPA, CFP, is president of the Financial Planning Group of Snook Housey Advisors, Inc. in Troy and teaches financial planning at Walsh College. Contact him at 248-458-1100 or phousey@snookhousey.com.

