



NORTHSTAR

FINANCIAL  
PLANNING INC

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***If you own A, B or C shares you may be paying too much in commissions and other sales charges!***

## Do You Know Your ABC's?

Mutual funds that have a class attached to their name can be dangerous to your wealth! Stay away from mutual funds that have "Class A", "Class B" or "Class C" in their title. These are what we call "loaded" mutual funds. There are other classes you should look out for as well, but these are the most common. Loaded mutual funds take money out of your pocket in a variety of clever ways. Stock brokers, commission-based financial planners and insurance salesmen might try to convince you otherwise, but there really is no reason to ever buy a loaded mutual fund. Here's why you should stay away from loaded funds and how to spot them.

What are Loaded Mutual Funds?

"Loaded mutual fund," are funds that carry a sales load. A sales load

is a commission paid to brokers (*or a person who these days often goes by a more friendly and creative title, like "financial advisor" or "financial counselor"*). Sales loads do not benefit investors. Load fees typically range from four to eight percent but the way they are paid is the tricky part:

Front-end load (class A shares) - you pay a percentage sales fee up front.

Back-end load or deferred load (class B shares) - you pay the percentage sales fee when you sell the fund

Constant load fund (class C shares) - you pay the sales fees every year and might even have to pay a full load if you sell too soon.

A salesperson might try to convince you otherwise, but there

are NO good reasons why you should ever purchase a loaded fund. The commission is not going towards the management of the fund. The commission doesn't buy you special privileges. For every type of loaded fund, there are many no-load alternatives that perform as well or better.

### **Signs That You are Being Sold a Loaded Fund**

Mutual fund, insurance and brokerage house salespeople are very good at misdirection and making you focus on the wrong things. If you hear any of these arguments, you can be sure that the salesperson is moving





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**The Seven  
"Big Lies"  
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your focus to a subject that may look good, but is really trying to sell you a loaded fund. The Seven Big Lies of loaded mutual funds are:

**1. Loaded funds make up for their fees by outperforming no-load mutual funds.**

This is simply not true.

**2. Loaded fund companies provide better customer service.**

Wrong again! There is absolutely no evidence of this.

**3. You can't buy these funds without going through us.**

Translation: "Join the other suckers who bought our sales pitch."

**4. Load funds have better managers - you get what you pay for.**

Not true: no-load funds have been proven to out-produce loaded funds when sales charges is taken into account over time.

**5. Don't worry, you don't pay me a dime in commission - it comes from the fund company** Finally a true statement! However, where do you think the fund company got the money? They took it from you to pay the salesperson.

**6. If you hold the fund for five years, you won't pay a load.**

B share funds are set up like this. They have a back-end sales charge to scare you away from selling their mutual fund, even when the funds turn out to have been a lousy choice.

**7. We'll give you free investment advice; a no-load fund company won't do that for you.**

No advice is better than advice from a biased salesperson.

At Northstar we always use no-load mutual funds. We never buy "B or C" shares. If we use any funds that pay mar-

keting fees (the so-called "12 B-1") we always disclaim such fees. We buy "A" share funds at NAV prices. If a particular fund does not have an Institutional class but is still an exceptionally well managed fund, we may buy the "A" class shares but without the front-end sales load.

We try to use Institutional class funds for our client accounts. Such "I" class shares have high minimum investment levels (\$2 million and up), significantly lower costs and are generally not available to the average investor. As a Registered Investment Advisor, we have access to funds such as PIMCO and DFA, and most Institutional class funds available from our custodian, TD Waterhouse.

