MONEY GAINS MAKING IT COUNT

Video 2

Chapter 3: Glossary terms

Brokerage fees
May be based on a percentage of the transaction, a flat fee, or a hybrid.

Commission fee
A commission fee is a fee paid to advisors for executing trades on your investments, including buying and selling investments. There are several different types of sales commission fees that can be charged.

DIY investing platforms
Online tools or apps on which investments can be bought and sold without a financial advisor.

Front-end load
A type of sales commission charged. It is an sales charge that investors pay up front when they first buy an investment. It's deducted from your initial investment, so you start with a little less money than you initially invested.

Inactivity fees
A fee charged when not you do not make any transactions within a certain period of time.

Level-load
Ongoing sales commission charged annually as a percentage of your assets. It is often combined with other fees, such as the MER.

Maintenance fee
A fee paid for holding your account, especially if your account balance falls below a certain amount. It's charged quarterly or annually. It is similar to a subscription, to keep your account active and money safe.

Management expense ratio (MER)
The management expense ratio is the combined costs of managing a fund, including the operating expenses and taxes. For mutual funds, typically, an MER above 1.5% is considered high.

Portfolio management fees
Fees that cover activities such as investment research, securities trading and risk management that are performed on an ongoing basis by the managers looking after the fund accounts.

Sales commissions
Fees paid to financial advisors or firms when you buy or sell mutual funds and ETFs. The fees, which may be a percentage of the investment amount, are meant to compensate advisors for their service.

Tax-deferred

Deferring taxes until a later time. This means lower tax costs up front; the savings from not paying taxes on your contributions make it cheaper to invest in tax-deferred portfolios. There is an immediate tax benefit, because income taxes are deferred until you make a withdrawal. Money in tax-deferred accounts accumulate interest on pre-tax accounts, which means account owners benefit from tax-free contributions and will pay taxes later.

Tax-exempt

Paying taxes up front, providing tax benefits upon withdrawal. With tax-exempt accounts, you pay income taxes on your money before making contributions. Since they use post-tax dollars, these accounts are entirely tax-free once the money is deposited. They allow income to grow without ever being taxed again.

Trailer fee

A fee paid to the investment dealer to cover operations such as research and regulatory compliance. Trailer fees typically range from 0.25% to 1.00%.

Withdrawal fee

A fee paid when you withdraw money from your investment account.

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