



The Value of Good Advice



4741 Caughlin Pkwy
Suite 3
Reno, NV 89519
PO Box 6629
Reno, NV 89513
Tel. (775) 827-0670
Fax. (775) 827-6481
openwindowfs.com



Costs Matter

Whether you're buying a car or selecting a financial strategy, the costs you expect to pay are likely to be an important factor.

We rely on a lot of different information about costs to help inform these decisions.

When you buy a car, for example, the sticker price indicates approximately how much you can expect to pay for the car itself. But the costs of car ownership do not end there. Taxes, insurance, fuel, routine maintenance, unexpected repairs, and even depreciation are also important considerations in the overall cost.

Some of these costs are easily observed, while others are more difficult to assess.

Similarly, financial services can have many costs, all of which affect your net return.



The Price of Advice

In 2018, a series of articles in the Wall Street Journal¹ estimated the cost for financial advice.

The article presented the “cost” as a percentage based on the dollar value of the assets involved. The article found that the percentage cost tends to drop as the assets grow.

Portfolio size	Range of percentage of assets charged annually in fees
Less than \$500,000	1.25%–2.00%
\$500,001–\$1,000,000	1.00%–1.50%
\$1,000,001–\$3,000,000	1.00% or lower
Over \$3,000,000	0.75% or lower

**Average costs ranged from 0.64% to 2% per year
...plus additional sales commissions and other charges.**

¹ <https://www.wsj.com/articles/questions-to-ask-when-picking-a-financial-adviser-readers-weigh-in-1528682400>



Try to compare apples to apples

Make sure the services are similar.

The Wall Street Journal article² continued: “fees can differ substantially from adviser to adviser, based on the services and products offered. Net fees may [also] be higher than the stated percentage”.

A 2019 study from Northeastern University³ found that clients at certain types of advisory firms paid higher costs but also received less services.⁴

2% yearly cost for limited services

The average advisor offering limited services, primarily investment management, charged 2.19% yearly.

1% yearly cost for more complete advice

The average advisor offering a more complete package of advice - services beyond asset allocation and investment selection - charged 1.15% yearly.

MORE FOR LESS? HOW CAN THIS BE? It's our opinion is that those who do planning and investing right, tend to price more fairly due to transparency.

Don't pay steakhouse prices, for “salesbury” steak.

Open Window offers “comprehensive financial advice” services.

Many advisors claim to offer these services, but instead provide investment and insurance sales schemes disguised as comprehensive financial advice.

How do you tell the difference? Work with CFP® Professionals at a Registered Investment Advisor firm such as Open Window. Do not hire a Broker.

If you're spending more time discussing investments than the range of important financial decisions you face – tax, cash flow, estate, legacy – consider what type of advice you're receiving.

² <https://www.wsj.com/articles/questions-to-ask-when-picking-a-financial-adviser-readers-weigh-in-1528682400>

³ Nicole Boyson, Ph.D., professor of finance at Northeastern University, August 7, 2019.

⁴ Although the costs shown are for clients with up to \$100,000 managed assets the difference persisted for higher net worth clients.





Beware the wolf in sheep's clothing

Some advisors never act as your fiduciary.

This position is usually hidden behind an accredited investor label, or associated with an insurance sale, or a broker's "suitability" / "best interest standard".

Other advisors act as your fiduciary some of the time.

These advisors make it your job to know when they are acting for you, or not.

Advisory firms that treat you like this, per Dr. Boyson's 2019 paper:

- rarely provide financial planning (pages 9, 15, 27)
- charge higher fees (pages 2-3, 15, 27, 32)
- have more conflicts of interest (pages 2, 9-11, 12-14, 17)
- have more disciplinary actions (pages 2, 16-19)
- have worse investment performance (pages 2, 22-27)

Open Window acts as your fiduciary 100% of the time.

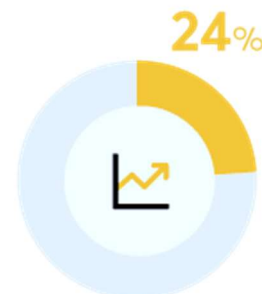


Beware of Hidden Costs & Free Lunches

When comparing costs for financial advice keep in mind that **many fees are hidden or not easily identifiable** (even by rigorous and objective academic inquiry).

A 2018 survey from Consumer Reports⁵ found that

24% of respondents experienced hidden investment fees within the past two years.



HOW DO YOU KNOW THEY EXIST IF THEY'RE HIDDEN?
WE BELIEVE THE TRUE NUMBER IS HIGHER THAN 24%.

A Free Lunch?

Some costs are paid for you by others.
For example, your company might provide a “no-fee 401(k)” or Fidelity might offer you free trades.

Why this benefit is free? Who is really benefiting?

“Free” always sounds good but be careful.

Often, those paying the bill are the winners, not you...



⁵ A Consumer Reports nationally representative survey of 2,057 U.S. Adults, October 2018



Open Window's Cost

One transparent cost for personalized, responsive, total-picture financial advice from a fiduciary.

Our cost should be a fraction of the benefit you receive

- By saving you the equivalent of our cost in time, energy, and worry that go into making financial decisions on your own.
- By saving you some multiple of our cost by making better decisions in general, or by avoiding common mistakes.
- By seeking to increase your return by more than our cost by creating a portfolio which is better suited to your long-term goals.

Open Window's Cost Schedule⁶

Research suggests that average additional returns when working with a financial advisor can range from **1.5% to 4% more each year.**⁷

Value of All Advisory Accounts with Firm	Annualized
Below \$500,000	1.75%
\$500,001 to \$750,000	1.50%
\$750,001 to \$1,000,000	1.25%
\$1,000,001 to \$3,000,000	1.00%
\$3,000,001 to \$5,000,000	0.90%
\$5,000,001 to \$10,000,000	0.80%
\$10,000,001 to \$15,000,000	0.70%
\$15,000,001 to \$25,000,000	0.60%
Over \$25,000,001	0.50%

Many advisors charge the full rate on each row, while alluding to the lowest rate as your cost. That means you pay the full cost of any lower brackets, making your true cost higher. **Open Window charges on the lowest percentage rate and row only.**

⁶ See our Part 2A Security and Exchange Commission filing at www.adviserinfo.sec.gov.

⁷ Putting a Value on Your Value: Quantifying Vanguard Advisor's Alpha. Vanguard, 2016.



Disclosures

Please remember that past performance may not be indicative of future results.

Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Open Window Financial Solutions, Ltd. ("Open Window")), or any non-investment related content, made reference to directly or indirectly in this white paper will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful.

Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this white paper serves as the receipt of, or as a substitute for, personalized investment advice from Open Window.

To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Open Window is neither a law firm, nor a certified public accounting firm, and no portion of the content should be construed as legal or accounting advice.

A copy of Open Window's current written disclosure Brochure discussing our advisory services and fees is available upon request.

Please Note: If you are an Open Window client, please remember to contact Open Window, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. Open Window shall continue to rely on the accuracy of information that you have provided.

