

Fees on Mutual Funds Could Get Cheaper



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There is some good news for investors: The war on expenses is continuing. Vanguard recently filed with the Securities and Exchange Commission (SEC) to launch two funds with total annual operating expenses of 0.01%. That is not a typo; the expense ratio was copied and pasted directly from the SEC filing.

How cheap is 0.01%? To put it into terms that are easier to grasp, the annual expenses paid on every \$1,000 invested in either fund will be \$0.10. Yes, that's 10 cents. On a \$10,000 investment, you would pay \$1.00 per year. On a \$100,000 investment, you would pay a mere \$10 to have professional management oversee your money. That's extraordinarily cheap.

There is a caveat; after all, there's never a completely free lunch on Wall Street. The minimum investment amount required to open and maintain a fund account for these "Institutional Select Shares" is generally \$5 billion. The good news is that there is a loophole, so to speak. Individual investors whose employers offer a 401(k) plan through Vanguard may be able to access this share class of the Total Market Index and the S&P 500 Index funds for a considerably smaller amount. Those of you not eligible to buy these funds' ultra-cheap share class may still benefit, however.

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The Week Ahead

The U.S. financial markets will be closed on Monday, in observance of Presidents Day. Our offices will be closed as well.

More than 50 members of the S&P 500 will report earnings next week. The only Dow Jones industrial average component in this group will be Wal-Mart Stores (**WMT**) on Thursday.

On the economic front, the February Empire State manufacturing survey will be released on Tuesday. Wednesday will feature January housing starts and building permits, the January Producer Price Index (PPI), January industrial production and capacity and the minutes from the January Federal Open Market Committee meeting. The February Philadelphia Federal Reserve survey will be released on Thursday. Friday will feature the January Consumer Price Index (CPI).

Three Federal Reserve officials will speak: Philadelphia president Patrick Harker on Tuesday, St. Louis president James Bullard on Wednesday and Cleveland president Loretta Mester on Friday.

The Treasury Department will auction \$7 billion of 30-year inflation-adjusted securities (TIPS) on Wednesday.

February options will expire on Friday.

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