

CHAIRMAN'S CORNER: LET'S TALK ABOUT FEES



TRUXTON TRUST
A PRIVATE BANK



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Recently one of the largest, most successful investment management firms in the country announced that it is no longer charging fees for stock trades. Over the past few years, this company and its competitors have repeatedly lowered fees associated with trading and the various other services that they offer, mostly in their online brokerage operations. Their ads on TV are really entertaining, frequently starring some middle-aged stockbroker (usually in a limo or playing golf) who takes a call from yet another client who is asking to move his/her account to the firm that doesn't charge any fees.

As published investment management fees decline, and with growing perception that these services are provided for FREE...or very close to free, all firms in the investment management business are scrambling to explain and/or justify their fees to clients who (some inspired by the TV ads) are curious to know: why am I paying your firm to manage my investment portfolio? For the past 15+ YEARS at Truxton Trust, we have not had to scramble; in fact, we routinely determine we are not a good fit for individuals who are only looking for a place to park a brokerage account that they will manage themselves.

There isn't enough room in this article for me to explain how these companies make money. But most of these companies do indeed operate at a profit. Astute investors are aware that while some of their services are now advertised as FREE, these investment firms are generating comfortable revenues from their client relationships. They're just generating those revenues in ways other than charging explicit fees for online trades. There is an old saying that leaps to mind here: You get what you pay for...

Here at Truxton, we've built a wealth management business which now manages over \$1 billion in client assets. Our portfolio management team does an exceptional job. We charge fees to manage those assets, typically 1.25% per annum. Our value proposition in our wealth management business involves investment management plus other advisory/fiduciary services whose execution can only be performed by the very experienced and credentialed staff we are blessed to employ. In short, comprehensive wealth management at Truxton involves investment management + [fill in the blank].

TRUXTON WEALTH MANAGEMENT =
INVESTMENT MANAGEMENT + _____

What goes in the [blank] varies quite a bit from client to client, from family to family. What goes in the [blank] is dynamic and subject to change as often as the economy changes, tax or estate laws change, stock and/or bond markets fluctuate, or family circumstances twist, turn, implode, explode. Our people work very hard to make certain with each client that we identify and closely monitor everything that goes in the [blank]. And then we manage their investments in a manner that syncs well with everything else we are doing in the [blank]. This is how we earn our fees. We don't work for FREE but we do take great pride in making sure that the fees we charge are well worth the cost with our services seen as a tremendous value to our client families. The bottom line is that there is a BIG difference between Truxton wealth management and just investment management. The difference is in the [blank]. ■

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