



## INVEST. GROW. THRIVE.

### THE DEVASTATING EFFECT OF AN UPFRONT FEE

Many financial advisors charge an upfront fee when you become their client. Even if the amount looks small, it's worth thinking carefully about the long-term impact before you pay it. For example, a 3% upfront fee might sound small, but over time it can quietly take a noticeable bite out of your wealth. Let's look at a clear, simple example using a R 100 investment that earns 10% per year for 5 years.

#### Scenario 1: Investment with NO upfront fee

You invest R 100 and earn 10% compound growth each year. After 5 years your money grows to R 161.05, giving you a total profit = R 61.05 (a 61% return on your original R 100).

#### Scenario 2: Investment with a 3% upfront fee

Your advisor takes 3% right at the start, so now only R 97 is invested (R 100 – R 3 fee). That R 97 also grows at 10% per year for 5 years to R 156.22 giving you a total profit = R 56.22.

#### What the numbers really mean in plain language

The 3% upfront fee reduced your final amount by about R 4.83, **more than the original R 3 upfront fee you paid**. This is because the R 3 was never allowed to grow at 10% over 5 years. In percentage terms, the R 3 upfront fee lowered your total return by about 5 percent over the 5 years.

#### The simple takeaway

The longer the investment runs or the higher the return, the bigger the upfront fee cost becomes. That's why we advise a no upfront-fee options. **Small fees compound too — just in the wrong direction.**

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