Keep Costs Low

BEGINNER LESSON EXPLAINER

Where Do Investing Costs Actually Hide?

Every investment has costs somewhere — the question is whether you can see them. A brokerage commission on a trade is obvious. A fund's ongoing "expense ratio" is not — it's quietly deducted from the fund's value every single day, so you never see a bill, you just end up with a smaller pot than you otherwise would have. Bid-ask spreads, currency conversion fees, "premium" subscription tiers, and advisor or management fees all work the same way: small, easy to ignore, and only visible if you go looking for them.

A useful analogy: it's like a gym membership you forgot you were paying for. $10 a month feels irrelevant in the moment — but multiply it by 30 years and it's thousands of dollars leaving your account that you'll never notice, unless you actually check.

Real Example: Nadia vs. Ryan

Nadia and Ryan each invest $300 a month for 30 years, into funds that track the same overall market and earn the same 8% average annual return before fees. The only difference: Nadia picks a low-cost index fund charging a 0.05% annual fee, while Ryan picks an actively managed fund charging a fairly typical 1.50% annual fee.

	Nadia — low-cost index fund	Ryan — actively managed fund
Total invested	$108,000	$108,000
How	$300 × 360 months	$300 × 360 months
Annual fee	0.05%	1.50%
Value after 30 years	$442,596	$331,853

Nadia and Ryan contributed the exact same $108,000. Nadia still ends up **$110,743 ahead** — a gap bigger than either of them ever put in — purely because of a 1.45-percentage-point fee difference, compounding quietly in the background for three decades.

10 Costs Beginners Often Forget About

The fund fee in the example above is just one part of the picture. Here's a plain-English checklist of other costs that can quietly apply — not all of these will hit you, but it's worth knowing which ones do before you're surprised by them.

1. Trading fees — a small fee your broker charges every time you buy or sell.

2. The buy/sell price gap — the price you buy at and the price you sell at aren't quite the same, so you lose a little on that gap every trade.

3. Yearly fund fees — funds and ETFs quietly take a small slice of your money each year just for holding them.

4. Currency conversion fees — if you're buying something priced in a different currency, converting your money costs a bit.

5. Extra costs for buying foreign stocks — trading shares listed on another country's stock exchange is often pricier than trading local ones.

6. Tax on interest — interest you earn, e.g. from cash savings or bonds, can be taxed like income.

7. Tax on profits — when you sell an investment for more than you paid, you may owe tax on that profit.

8. Tax on dividends — money you're paid as dividends can also be taxed, sometimes taken automatically before it even reaches you.

9. Account fees — some platforms charge just for holding an account with them, or if you don't use it for a while.

10. Accountant / tax return fees — once your investments add up, you might need to pay someone to help you file your taxes correctly.

The Real Cost of Fees Over Time

Same $300/month, same 30 years, same 8% gross market return — here's how the final balance shifts as the annual fee creeps up.

Annual fee	Net annual return	Value after 30 years	Cost vs. 0.05% fund
0.05%	7.95%	$442,596	**Baseline**
0.25%	7.75%	$425,056	**-$17,540**
0.50%	7.50%	$404,234	**-$38,362**
0.75%	7.25%	$384,568	**-$58,028**
1.00%	7.00%	$365,991	**-$76,605**
1.50% (Ryan)	6.50%	$331,853	**-$110,743**
2.00%	6.00%	$301,355	**-$141,241**

Every extra 0.25% in annual fees costs tens of thousands of dollars over a full investing lifetime — and that's before counting one-off trading costs on top. Checking a fund's expense ratio takes about 30 seconds and is one of the highest-leverage things you can do as an investor.

4 Practical Ways to Cut Your Costs

Track What You Spend. Investing apps make it easy to buy on impulse — a dip alert, a hot tip, "just one more trade." Keep a simple running log of every deposit, trade, and fee. If you can't say roughly how much you spent on fees last month, that's usually a sign you're trading more than you realize.

Use Invite Codes When You Join. Many brokers and exchanges offer a genuine perk — cash, a free share, or reduced fees — for signing up with a friend's invite code, and the same back to whoever refers you. Ask around before signing up cold, and share your own code once you're happy with a platform. Just don't let a bonus be the deciding factor over ongoing fees.

Compare Platforms for the Same Job. The "same" platform can price wildly differently depending on which product you use. A well-known example: Kraken's simple "buy crypto instantly" widget bundles in a spread and premium that can run well over 1%, while Kraken Pro — the advanced trading interface on the very same account — charges a small maker/taker fee for the exact same coin, often a fraction of that.

Transact Less. Every trade can cost you — a commission, a spread, sometimes a currency conversion fee. Buying one low-cost ETF that already holds hundreds of stocks is usually far cheaper, in transaction terms, than buying each of those stocks individually — though the ETF still carries its own small ongoing expense ratio for as long as you hold it. The goal isn't zero trades, it's fewer, more deliberate ones.

> ***Worth knowing:*** *none of this means chasing the cheapest option blindly — a slightly higher fee can be worth it for better security, customer support, or features you'll actually use. The goal is to know what you're paying and why, not to assume every fee is evil. A 0.05% vs. 0.20% index fund difference is rarely worth agonizing over; a 0.05% vs. 1.50% one almost always is.*

Quick Check: 5 Questions

Answer all five before turning the page to check yourself against the answer key.

1. Which of these is an ongoing cost that's charged automatically every year, whether or not you ever trade?

- A. A fund's expense ratio
- B. A one-time account opening fee
- C. A stock's bid-ask spread
- D. A referral bonus

2. Why does a 1% annual fee difference matter so much over 30 years?

- A. Fees are only charged once, in the first year
- B. It compounds against you every year, shrinking the base your future growth is calculated on
- C. It only affects returns during a market downturn
- D. It's automatically refunded after 10 years

3. What's the smartest way to compare two platforms before funding an account?

- ■ A. Pick whichever app has the nicest design
- ■ B. Assume all platforms charge the same fees
- ■ C. Check the actual fee schedule for the specific transaction type you'll use (e.g. a simple "instant buy" vs. an advanced/pro trading tier)
- ■ D. Choose whichever platform is most popular

4. What's the right way to think about broker or exchange invite/referral codes?

- ■ A. They should always be your top priority when choosing a platform
- ■ B. They don't exist for investing platforms
- ■ C. They guarantee lower fees forever
- ■ D. They can be a genuine free perk, but shouldn't outweigh choosing the right platform on fees and fit

5. Why might buying one ETF instead of 20 individual stocks reduce your costs?

- ■ A. ETFs are always completely free to hold
- ■ B. It avoids the transaction cost of 20 separate trades, though the ETF still carries its own small ongoing fee
- ■ C. Individual stocks always have higher expense ratios than ETFs
- ■ D. ETFs are not affected by market movements

Quiz Answer Key

1 A — A fund's expense ratio is deducted quietly from its value every single day, regardless of whether you buy, sell, or do nothing at all — unlike one-off costs like an account fee or a trade's spread.

2 B — Just like gains, fees compound. A slightly smaller balance every year means slightly smaller growth on top of it — a gap that widens every single year you stay invested.

3 C — The same platform can price the same trade very differently depending on which interface you use — like Kraken's simple buy widget vs. Kraken Pro. Always check the fee schedule for how you'll actually use it.

4 D — A sign-up bonus is nice, free money — but it's a one-off. It's not worth locking yourself into a platform with worse ongoing fees just to grab it.

5 B — One ETF trade instead of 20 individual stock trades means fewer commissions and spreads to pay upfront — but remember the ETF's own expense ratio still applies for as long as you hold it.