Unit Trust Fees: Calculate the Sales Charge and TER Drag

Description

Separate one-off charges from annual costs.

A sales charge reduces the amount invested immediately, while the TER and any platform or wrap fee reduce value year after year whether performance is good or poor.

Start with invested capital

A 3% sales charge on S$20,000 is S$600, leaving S$19,400 to buy units under a single-pricing example. Confirm whether GST or other channel charges alter the transaction. (MoneySense unit-trust pricing and fees)

Bid-offer pricing embeds subscription or redemption charges differently from single pricing. Use the prospectus and product highlights sheet, not only an app summary.

Situation	What changes
Fund uses a sales charge	Deduct it before estimating how many units are bought
Platform or wrap fee applies	Add it to recurring fund costs without double counting
Two funds pursue similar objectives	Compare TER, distribution channel and net performance on like-for-like periods
A charge is stated as a maximum	Do not assume the maximum is the amount actually negotiated or levied

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Convert TER to dollars

A 1.8% TER on S$19,400 is about S$349 in the first year if value were unchanged. The fee is charged to the fund and the actual dollar effect changes with NAV. (MAS OPERA public portal)

A 0.3% platform fee adds about S$58 on the same unchanged S$19,400 base. Ask what service is delivered and avoid counting a charge twice.

Example: On S$20,000, a 3% sales charge is S$600. If S$19,400 remains, a 1.8% TER and 0.3% platform fee represent about S$407 in first-year cost on an unchanged-value illustration.

Model compounding drag

Costs reduce the capital that can compound and therefore affect future returns as well as the current-year balance. Compare a no-growth and a stated-return scenario; do not promise performance.

Fees that are not currently levied may still be allowed up to a disclosed maximum. Download the dated factsheet, PHS and prospectus before purchase.

- Identify pricing method
- List sales and redemption charges
- Record TER
- Add platform or wrap fee
- Convert percentages to dollars
- Read the PHS and prospectus
- Compare net cost on the same investment objective

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