ISA INVESTORS POTENTIALLY MISSING OUT ON £9,800 PORTFOLIO BOOST

February 17, 2014 - A long-term investor in a Stocks and Shares ISA could be overpaying nearly £10,000 in high fees, according to new research from Vanguard Asset Management, Limited ("Vanguard").

Vanguard's data (see chart below) illustrate the effect of fees for an investor making the full 2013/14 Stocks and Shares ISA contribution of £11,520. This highlights the difference between what is paid by an investor with ongoing charges of 1.5% per annum, versus an investor with ongoing charges of 0.5% per annum. The figures reveal that, over 30 years, the effect of fees could make a significant difference to retirement savings. A low-cost investor paying 0.50% could benefit from a portfolio 34.9% larger compared to someone paying 1.5%, a difference of more than £9,800 in an investor's pocket.

Assumed Return	**5%***
Initial contribution	**£11,520**

Years	**Ongoing charge 0.50%**	**Ongoing charge 1.00%**	**Ongoing charge 1.50%**	**% difference in size of portfolio**
5	£14,066	£13,720	£13,382	5.11%
10	£17,174	£16,339	£15,545	10.4%
15	£20,970	£19,459	£18,057	16.1%
20	£25,604	£23,175	£20,975	22.1%
25	£31,263	£27,600	£24,365	28.3%
30	**£38,171**	£32,870	**£28,303**	34.9%

Source: Vanguard Asset Management, Limited 2014.
*Assumes a 5% nominal annual return and 0.5% inflation, i.e. a 4.5% real annual return.
This is a hypothetical example and does not relate to any particular portfolio. Any projections should be regarded as hypothetical in nature and do not reflect or guarantee future results.

Nick Blake, Head of Retail at Vanguard, comments: "There is no doubt that many ISA investors are looking for the best return. When considering how to grow their money, it's important that investors don't forget the compound impact of fees. Ignoring the costs of the underlying funds in an ISA can be painful and can even eradicate the tax benefit of ISA investing. The more investors pay out in fees, the less of their money is being put to work for their benefit.

"It can be tempting during ISA season to look at what's been performing well and invest your ISA allowance into it without further thought. However, costs should really be at the forefront of investors' minds. Alongside the important principle of reducing cost to achieve investment success, we believe investors and their advisers should consider three additional simple principles. Vanguard encourages advisers and investors to: (1) focus on creating clear, appropriate investment goals to help inform their investment plan; (2) establish a suitable asset allocation by using broadly diversified funds; and (3) maintain perspective and a long-term discipline."

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NOTES TO EDITORS

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