

Why Sophisticated Investors Win

The more you know, the more you avoid fees

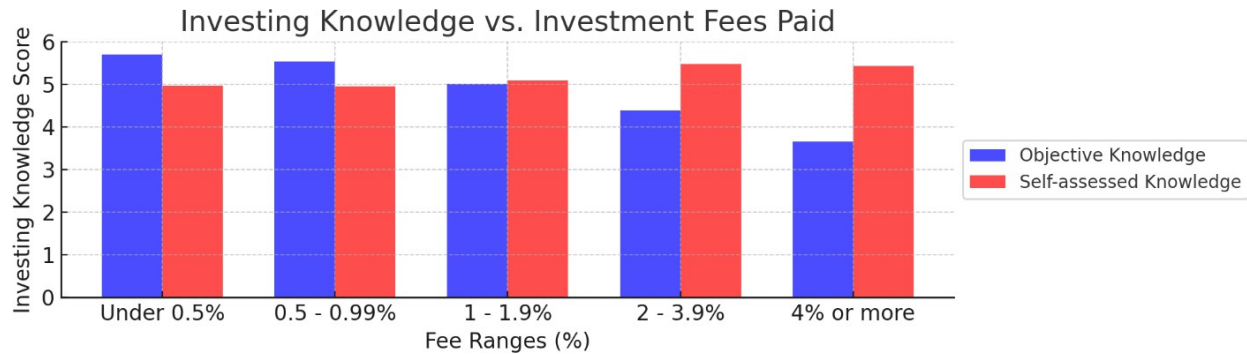
Don't be fooled by fancy and complicated presentations – these gimmicks trick investors into handing over their money and end up signaling sub-par performance to come. But you can beat the game by knowing more and paying low fees for your investment management services. Insights from a recent FINRA Foundation article show that the more knowledgeable an investor is, the less they pay in fees.¹ This research resonates deeply with our ethos and affirms our approach towards educating our clients, optimizing their investment strategies, while ensuring that they pay low fees for a top-quality service. Gaard Capital is firmly committed as an Outsourced Chief Investment Officer (OCIO) to preserve and grow our clients' assets without the frills, gimmicks and bloated fee structures common in the industry.

Understanding the Link Between Knowledge and Fees

The FINRA study reveals a significant correlation between objectively measured investing knowledge and the fees paid by investors. Specifically, those with a higher grasp of investing fundamentals tend to incur lower fees. This finding aligns with our experience at Gaard Capital, where we have observed that well-informed investors are more likely to appreciate the value of low-fee investment options and understand their long-term impact on fund sustainability.

Moreover, the distinction between objectively measured knowledge and self-assessed knowledge underscores a common challenge in investment management. Investors who overestimate their understanding may end up paying higher fees, possibly due to a misplaced confidence in higher-cost strategies that they mistakenly believe will yield superior returns. This discrepancy highlights the need for a reality check and recalibration of investor self-perception to ensure fee efficiency.

¹ Guillemette, M., Mottola, G.R. and Valdes, O., 2023. How Much Are You Paying? What You Know (Or Think You Know) About Investing May Play a Role in How Much You Pay in Investment Fees. *FINRA Insights: Financial Capability*, October 2023.



Gaard Capital's Educational Commitment

In response to these findings, Gaard Capital is highly motivated to bolster our educational initiatives. We believe that empowering our clients with accurate, comprehensive investing knowledge is pivotal. By enhancing their understanding of how fees can erode potential returns, we equip our clients to make more informed decisions that align with their long-term financial goals, which is precisely what the most sophisticated investors do.

Our approach includes regular communications that explain complex financial concepts in understandable, approachable terms – highlighting core insights without the jargon. We are always available to discuss the structure of various investment products, the implications of different fee models, and the overall importance of cost considerations in investment management.

Applying this knowledge, Gaard Capital advocates for investment strategies that prioritize low fees without compromising on quality or potential returns. We carefully select low-cost index funds and other efficient investment vehicles that are tailored to meet the specific needs and objectives of our clients. Our emphasis on transparent fee structures where we simply charge 0.50% on AUM and do not cross sell or engage in self-dealing ensures that our clients are never in the dark about the costs they are incurring.

Conclusion

The key takeaway from the FINRA Foundation study for Gaard Capital and our clients is clear: be like the most successful investors in the world and keep your costs low. By ensuring that our clients are well-educated about the nuances of investment fees, we help safeguard their assets against unnecessary expenditures and align their portfolios with the principles of fiscal prudence and long-term growth. Our approach strengthens the financial health of the organizations we serve and lets them focus on realizing their mission and investment goals.