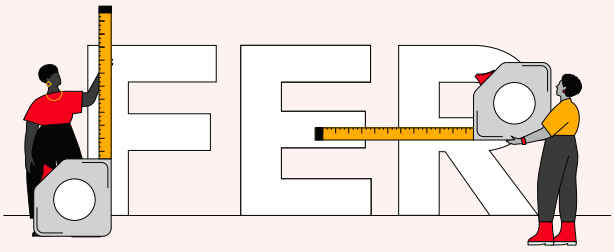
Vanguard

The building blocks of FER

Understanding Your Investment Fund Costs

Starting in early 2027, you will receive a more complete Annual Report on Charges and other Compensation (ARCC) from dealers. This enhanced statement will include fund fees that are embedded in the investment funds you own(ed).

The Fund Expense Ratio (FER) will now be displayed on your Annual Report on Charges and Compensation (ARCC), giving you clearer, more complete cost information so you can better understand the total cost of investing in funds.



(MER + TER)

What is an FER?

The Fund Expense Ratio (FER) is a comprehensive measure that shows the total annual costs of owning an investment fund, expressed as a percentage of your investment.

Think of it as the "all-in" cost of fund ownership—it captures both the ongoing management costs and the trading costs incurred within the fund.

MER
Management expense ratio

INCLUDES
- **Management fee** (Trailer commission + Fund manager fee)
- **Operating expenses**
- **Taxes**

+

TER
Trading expense ratio

INCLUDES
- **Trading costs**

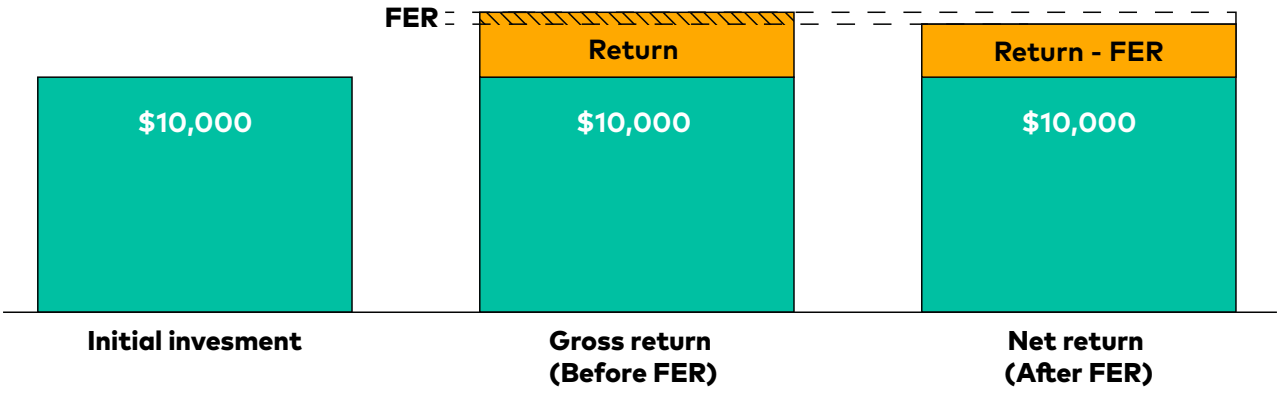
=

FER
Fund expense ratio

INCLUDES
- **Management fee** (Trailer fee + Fund manager fee)
- **Operating expenses**
- **Taxes**
- **Trading costs**

How does FER work?

FER represents the annual percentage of your fund's assets that go toward expenses each year.



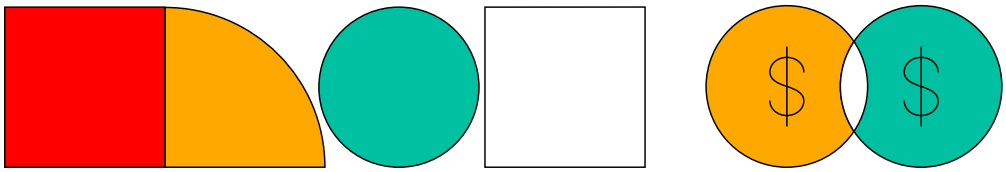
Example:

If you invest $10,000 in a fund with a 1.0% FER, you're paying approximately $100 annually in fund costs.

These costs are automatically deducted from the fund's returns, so you won't see them as a separate charge. Instead, they're reflected in the fund's net performance.

What are the components of FER?

FER combines two key expense measures, **MER** and **TER.**



MER

Management Expense Ratio

What it covers
Ongoing costs of managing and operating the fund.

What it includes
Management fees, operating expenses, and associated taxes.

Think of it as
The "keep the lights on" costs for running the fund.

TER

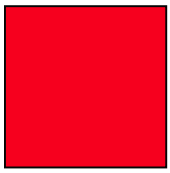
Trading Expense Ratio

What it covers
Costs related to buying and selling securities inside the fund.

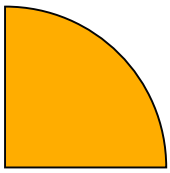
What it includes
Total commissions and other portfolio transaction costs.

Think of it as
The cost of the fund manager making trades.

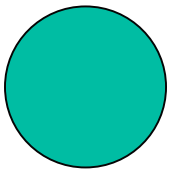
The MER includes four main components



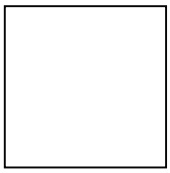
Management Fee



Trailing Commission*



Operating Expenses



Taxes

What does it cover?

Management Fee	Trailing Commission*	Operating Expenses	Taxes
Professional investment management, fund supervision, operational administration & service support.	Compensation for your investment dealer and financial advisor.	Day-to-day costs of running the fund such as fund valuation and custody fees, audit fees, legal fees, and filing fees.	Taxes on management and administration fees.

What do you get?

Management Fee	Trailing Commission*	Operating Expenses	Taxes
Team Access to portfolio managers and analysts with specialized expertise. **Tools** Research reports, market data, and proprietary analysis tools. **Time** Full-time professionals managing your investments.	**Advice** Financial planning, tax planning, fund recommendations, portfolio monitoring. **Access** Infrastructure to support mutual fund distribution and servicing. **Service** Trade confirmations, statements, account management, and compliance.	**Recordkeeping and accounting** Tracking transactions, valuations, holdings, financial reporting, and records. **Reports and prospectuses** Preparing, updating, filing, and distributing required fund documents.	**Taxes** Supports lawful administration and operation of the fund.

***Note:** How you access and pay for advice varies by fund series. Ask your advisor about your specific fee structure.

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