WealthTech Insights with Evan Kulak: The Era of Fee Transparency

[Evan Kulak](#)
Co-founder of Polaris Portfolios

For the next installment of our series of interviews with wealth tech wizards, I spoke to Evan Kulak, cofounder of Polaris Portfolios. Evan is part of a small team of intrepid experts that are partnering with banks and credit unions to provide a digital wealth solution that has plug-and-play features and reliable software.

Prior to cofounding Polaris, Evan worked as an analyst at Cadence Capital Management and Merrill Edge, and as a portfolio manager for Fifth Third Bank. He currently heads up the financial planning and investment divisions of Polaris, is a registered investment representative, and holds a Series 65 security registration.

Evan explained to me how the fee model that advisors use is flawed and how this may change the face of investment strategies. He also highlighted the growth trends he foresees in the coming years.

Fee transparency leads to fee compression

Investment management fees differ greatly among advisors and firms. Generally, these fees are charged as a percentage of the total assets under management. The bottom-line figure on a statement can ring hollow if the person reading the document has no idea what's written on it. Every investor has the right to know where their money is going, which is why many firms have been pushing heavily on transparency. By revealing and explaining what fees are charged—and, importantly, why they are charged—investors can make informed decisions on possibly switching platforms.

Evan showed me how fee transparency is resulting in fee compression. If a person is paying double the amount of what the average fund fee is, he/she can see this by looking at a transparent statement. By acquiring this information, that person can open an account with a different platform and pay less, and probably get better investment management.

> "Fee transparency is driving fee compression. Investors today can easily look up the expense ratio and past performance of a mutual fund or ETF. This has resulted in investors asking their advisors why they are in high fee products or products that have consistently underperformed their respective benchmark. The end result is manifesting itself in a shift to low cost investment products."

Outperforming fees

Evan highlighted a key point when it comes to performance: If a mutual fund manager or advisor can show long-term performance, they can keep their fees where they are as long as, net of fees, the manager/advisor shows extra value. If an advisor is consistently underperforming net of fees, investors will start switching to other types of funds and might ask for some type of overlay to help out on the downside. To make their fees transparent, Polaris openly display the performance of the core strategies and funds net of fees on their website.

Final thoughts

Fees are all around us and come in all shapes and sizes, so it is unsurprising that some platforms charge more than others. Thanks to transparency, hidden fees will have less impact on investment portfolios and will eventually become a thing of the past. The era of fee transparency is upon us, and it is the responsibility of both advisor and client to understand the balance between fees and services being provided.

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