Expense Ratio Audit — 30-Year Cheat Sheet

TheFinSense

30-YEAR WEALTH GAP	INDEX FUND · 0.03% ER	ACTIVE FUND · 1.00% ER	INPUTS
$334,814	$1,553,537 at Year 30	$1,218,723 at Year 30	$75,000 initial $500/mo contrib. 8% gross / 30 yr

THE COMPOUND FORMULA

r_net = r_gross − ER then: FV = P × (1 + r/12)^(12t) + PMT × [(1 + r/12)^(12t) − 1] / (r/12)

Path A: 8.00% − 0.03% = 7.97% net · Path B: 8.00% − 1.00% = 7.00% net

STEP 1 — FIND YOUR NET EXPENSE RATIO

Fidelity NetBenefits

Investments › Fund Name › Fees & Expenses

Look for: **Net Expense Ratio** row (not Gross)

□ Gross ER shown by default. Dollar cost not displayed.

Charles Schwab

Accounts › Research › Fund Detail › Expenses & Fees

Look for: **Annual Expense Ratio (Net)** row

□ No gross-of-fees toggle. Dollar cost not displayed.

Vanguard

My Accounts › Holdings › Click Fund › Expense Ratio

Look for: **Expense Ratio row** (Net ER shown directly)

□ Annual dollar cost on balance also displayed.

Any other platform / 401(k) provider

Search fund ticker on Morningstar → Prospectus Net ER

STEP 2 — CALCULATE YOUR GAP

1. **Record current fund's Net ER**
2. **Find lower-cost alternative (same benchmark)**
3. **Run: Expense Ratio Impact Calculator**

→ thefinsense.io/blog/expense-ratio-impact/

If gap > $50,000 → proceed to Step 3

STEP 3 — EXECUTE THE SWITCH (15 min)

Fidelity: **Investments → Exchange function**

Schwab: **Trade → Exchange**

Vanguard: **Transact → Exchange**

□ **In-plan exchange = NO taxable event in 401(k) or IRA**

Confirm: check holdings 24-48 hrs after switch

SENSITIVITY — GAP UNDER 8 SCENARIOS

Scenario	30-Year Gap
Base case (8% / 0.03% vs 1.00% / 30yr)	**$334,814**
6% gross return	$195,841
10% gross return	$577,456
0.50% ER (vs 0.03%)	$173,199
1.50% ER (vs 0.03%)	$476,063
20-year horizon	$97,360
40-year horizon	$993,589
ICI avg active (0.66% vs 0.03%)	$227,308
401(k) avg (0.26% vs 0.03%)	$87,514

Python-verified. $75K + $500/mo base. Sources: ICI 2026, French 2008.

KEY FACTS

- 0.98% × $75,000 = **$735/yr** extracted (no statement line)
- ER deducted from NAV daily: 1.00% ÷ 365 = **0.00274%/day**
- $334,814 gap = **22%** of $1,553,537 terminal wealth
- Switch = saving **$500/mo extra for 21 years**
- ICI 2026: index ETF avg **0.14%** vs active MF avg **0.40%**
- Morningstar 2026: only **20%** of active funds outperformed (10yr)
- French (2008): 0.67% drag held stable for **27 years**

WHEN TO KEEP THE ACTIVE FUND

Concentrated sector holdings where active management adds value exceeding the fee differential (Sharpe 1991 ~20% of cases).

Compare: fund ER vs tracking error of passive sector ETF before switching.

Sources: ICI 2026 Trends in Mutual Fund Fees (ici.org, Mar 2026) · French (2008) "The Cost of Active Investing" JoF 63(4) · Sharpe (1991) "The Arithmetic of Active Management" FAJ 47(1)
Morningstar Active/Passive Barometer Year-End 2025 · All FV calculations Python-verified. LUMP_PLUS_CONTRIBUTION formula. 8% gross, 0.03% vs 1.00% ER, 30yr unless stated.