

Descriptions of Share Class Types

Shares of the same fund offer different shareholder rights and obligations, such as different fee and load charges. Common share classes are A (front-end load), B (deferred fees), C (no sales charge and a relatively high annual 12b-1 fee). Multi-class funds hold the same investment portfolio for all classes, and differ only in their surrounding fee structure.

A

Funds that have lower investment minimums and carry a front-load to pay the advisors' sales commission. This charge comes right off the top of the investment. A shares are usually the most cost-effective for long term investors who are using a commission-based broker to transact. Typically, the maximum front load is between 4% and 5.75%, the maximum deferred load is zero, the maximum 12b-1 fee is between 0 and 50 bps and the investment minimum is \$2,500 or less.

Adv

Funds typically purchased through advisors, but generally requiring a higher minimum investment. Known as Adv Advisor. Typically, the maximum front load is 0%, the maximum deferred load is 0%, the maximum 12b-1 fee is between 0 and 50 bps, and the investment minimum is \$2,500 or less.

B

Funds that have lower investment minimums and carry a deferred-load sales charge, also called a surrender charge. B shares are typically not the most economical choice because their expense ratios that are paid year after year are typically higher than A shares. An investor may pay a charge when selling shares of the fund if they are redeemed before specified time periods, typically within five years. The sales charge decreases with the time invested such that the surrender charge is higher in year one than it is in year five. Typically, the maximum front load is 0%, the maximum deferred load is between 4% and 5%, the maximum 12b-1 fee is between 75 and 100 bps, and the investment minimum is \$2,500 or less.

C

Funds that have lower investment minimums and carry a level-load structure. This sales charge is typically a recurring fee of 1% that is used on an annual basis to compensate advisors. C shares do not include a front-end sales charge, but their expense ratio is typically higher than B shares. Typically, the maximum front load is 0% and occasionally 1%, the maximum deferred load is 1% and occasionally 0%, the maximum 12b-1 fees is between 75 and 100 bps, and the investment minimum is \$2,500 or less.

D

Funds that have lower investment minimums and carry a level-load structure. This sales charge is typically a recurring fee of 1% that is used on an annual basis to compensate advisors. D shares are typically carried by broker-sold fund shops. These are usually no-load shares that are available through mutual fund supermarkets such as Charles Schwab or TD Ameritrade. Although there are no front-end or back-end loads with D shares, an investor will typically be charged a transaction fee to buy into this share class. Typically, the maximum front load is 0%, the maximum deferred load is 0% and occasionally 1%, the maximum 12b-1 fee is 0% and occasionally between 1 and 50 bps, and the investment minimum is \$2,000 or more.

Inst

Funds typically purchased by large institutional buyers, such as pension plans. These share classes are typically only offered to investors who invest \$1 million or more. Invariably, institutional shares have the lowest expenses in the mutual fund universe. Typically, the maximum front load is 0%, the maximum deferred load is 0%, the maximum 12b-1 fee is 0%, and the investment minimum is \$25,000 or more. Also known as I or Y shares.

Inv

Investor share classes can be purchased by individual investors, so there is usually no front or deferred load charged. However, investment minimums may be slightly higher. Also known as Investor or Investment. Typically, the maximum front load is 0%, the maximum deferred load is 0%, the maximum 12b-1 fee is sometimes 0% and sometimes between 1bp and 25 bps, and the investment minimum is \$10,000 or less.

M

Typically, M shares carry lower front-end loads than A shares and are available to investors with larger initial investments. Typically, the maximum front load is either 0% or between 1% and 3.5%, the maximum deferred load is 0%, the maximum 12b-1 fee is sometimes 0% and sometimes between 25 bps and 100 bps, and the investment minimum is \$50,000 or more.

N

Typically, N shares are available to investors with larger initial investments. Many also charge a 12b-1 fee. Typically, the maximum front load is 0%, the maximum deferred load is 0%, the maximum 12b-1 fee is between 25 and 50 bps, and the investment minimum is \$50,000 or more.

No Load

Funds without front- or back-end sales charges. Purchased directly by investors or through advisors. The typical no-load fund does not carry any letters after its name, though no-load share classes are sometimes tagged as "retail" or "investor" shares. No-load means an investor will not pay a broker to buy and sell their shares, they are able to execute the trades on their own. Typically, the maximum front load is 0%, the maximum deferred load is 0%, the maximum 12b-1 fee is between 0 and 100 bps, and the investment minimum is \$2,500 or less.

Other

Funds not elsewhere classified. This category contains fewer than 5% of all U.S. funds. Also know as most other share class letters. The maximum front load, the maximum deferred load, the maximum 12b-1 fee, and the investment minimum all vary widely.

R (Retirement)

Funds available through retirement plans. R share classes are purchased by retirement plan participants, usually without any sales loads. The fees that these funds charge range widely. Some R shares are ultra-low-cost, while others bundle in the record-keeping and other administrative costs associated with running the plan. Typically, the maximum front load is 0%, the maximum deferred load is 0%, the maximum 12b-1 fee is between 25 and 50 bps, and the investment minimum varies. Also known as K and J shares.

S

S shares are former no-load share classes that have been closed to new investors. If an investor would like to buy into one of those funds for the first time, they will have to go through a broker and opt for the A, B, or C share class. S share classes are similar to no-load funds in that there is usually no front or deferred load charged. However, investment minimums may be slightly higher. Typically, the maximum front load is 0%, the maximum deferred load is 0%, the maximum 12b-1 fee is 0%, and the investment minimum is \$2,000 or more. Also known as Z shares.

T

Typically, T shares carry lower front-end loads than A shares and are available to investors with larger initial investments. Typically, the maximum front load is 0% but sometimes between 3% and 4.75%, the maximum deferred load is 0%, the maximum 12b-1 fee is sometimes 0% and sometimes between 25 bps and 50 bps, and the investment minimum is \$2,000 or more. To prepare for the DOL fiduciary rule, asset managers are making adaptations to support fiduciary standards. T shares look to become an industry fixture with a standard, maximum sales charge across all fund categories of 2.5% and a 0.25% 12b-1 fee. By having a standard fee, advisors won't be financially incentivized to recommend one mutual fund over another. This should make it far easier for wealth management firms to manage conflicts.