

MASSIMILIANO SILLA

MULTI FAMILY OFFICE

The invisible **costs.**

What you really pay for your investments: the ongoing charges and what they leave out, the inducements, the report nobody opens — and the seventy thousand euros that separate a build at 0.3 per cent from one at 2 per cent over twenty years. An independent guide for those who want to see the bill.

WHERE THEY HIDE WHAT THEY COST WHAT TO DO

EDITION · SEPTEMBER 2026

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WHY THIS GUIDE

The bill, **finally visible.**

For every other important expense in life, an invoice arrives. For investments it does not: costs are taken from the inside, every day, without anyone asking permission — and what cannot be seen cannot be questioned. That is how millions of Italian savers pay, year after year, the largest single expense in their budget without ever knowing the amount.

This guide makes that bill visible, with the method of the series: where the costs hide — the full anatomy of what you pay, the ongoing charges and what they leave out, the performance fees —, what they really cost — the mandatory report almost nobody opens, the inducements that drive Italian distribution, the merciless mathematics of compound interest running backwards — and what to do about it: a complete case over twenty years, the line between a fair cost and a private tax, seven concrete moves and the three ways of paying for advice in Italy.

It is an independent guide, and on this subject the word calls for a declaration: the author practises on the fee-only model. That is why the pages that follow also show the cost *of advice itself*, not only other people's — and say in which cases the right choice is a different one.

HOW TO USE THIS GUIDE

- **It is navigable.** From the contents you jump to a chapter with one click; the page number at the foot always leads back to the contents.
- **"Key takeaways",** at the end of each chapter, sums up the essential points in a few lines.
- **The "In plain words" boxes** translate the most technical concepts into everyday analogies.
- **The final glossary** gathers all the technical terms: when a term does not add up, the answer is there.

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INVESTMENT COSTS AT A GLANCE

The real bill, **in six numbers.**

€70,000

What separates a build at 0.3% from one at 2%, on €100,000 invested for twenty years.

2%

The typical annual cost of an active equity fund distributed in Italy: ten times its index equivalent.

1 in 3

The investors who find the annual costs and charges report required by MiFID II clear and complete (2026 survey).

≈ 50%

The share of the fee that often flows back to the distributor: the inducement, engine of "free" advice.

17%

The share of the final capital that a single point of annual cost carries away in twenty years.

3 models

The ways of paying for advice in Italy: inducement-based, fee-only, hybrid — and the incentives change with them.

Sources: MiFID II and its mandatory disclosures, Consob and ESMA data on product costs, the 2020 ESMA guidelines on performance fees, the Retail Investment Strategy (political agreement, December 2025); picture as of September 2026. Indicative values: real costs are to be read in the documents of one's own products.

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PART ONE · CHAPTERS 1–4

Where they **hide.**

Why financial costs are invisible by construction; the full anatomy of what you pay, the ongoing charges with what they leave out — and the performance fees, with the rules that cleaned them up.

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01 The cost **you cannot see.**

For every other expense in life an invoice arrives: the mechanic, the plumber, the car insurance. For investments it does not. Financial costs are not paid — they are suffered: they are taken out of your wealth before the return ever reaches your statement, every day, in silence. This guide makes them visible, because what cannot be seen cannot be negotiated.

1.1 Why they are invisible by construction

The average Italian saver knows to the last cent what he pays for motor insurance and has no idea what he pays for his investments. This is not carelessness: it is **architecture**. The costs of financial products are not charged to the current account — they are **withheld inside**, cutting the value of the unit a little every day. The fund that "returns 4 per cent" has already paid its costs: the 6 per cent gross it produced has become the 4 you see, and the difference appears nowhere as an outgoing. There is no payment to authorise, no notification to read, no moment at which anyone says "yes, I agree to pay this".

What makes it quieter still is that the cost **never hurts at the moment you pay it**. A good year stays good even with 2 per cent of costs; a bad year is bad anyway. The sensation a cost produces — none at all — is entirely disconnected from the damage it does, which is instead enormous and deferred. Chapter 7 will measure it; here the image is enough: it is like a small leak under the floor — nothing floods, nothing is heard, and after twenty years it has carried off half the cellar.

1.2 The thesis of this guide, in one line

The thesis is arithmetic, not ideological: **one extra percentage point of cost, every year, for twenty years, carries away almost a fifth of the final capital**. Two points carry away almost a third. It is not an opinion about fund managers, nor a crusade against banks: it is the mathematics of compound interest applied with a minus sign — the same force that grows fortunes, set to work against them.

Everything else follows from this. If cost is the **most predictable** variable of the outcome — nobody knows the return, the cost is written down and certain — then it is also the only lever the investor genuinely controls. Cutting a point off the costs of a portfolio is more reliable than hoping for an extra point of return: the first is a decision, the second is a bet.

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IN PLAIN WORDS

Investment costs are the only significant expense in life that nobody asks you to authorise. No one will ever say "this year you owe me €4,000": they take it from you, half a hundredth of a point a day, out of the value of your units. The first act of independence is to insist on seeing that number.

1.3 The map of the guide (and a premise of honesty)

The path has three parts. The **foundations**: where costs hide — the full anatomy of what you pay, the ongoing charges with their siblings and the items they do not contain, performance fees with their rules. The **bill**: the MiFID report that tells you everything once a year and that almost nobody opens, the inducements that drive Italian distribution, the mathematics of compound cost and the items even the report does not show. **Deliberate use**: the complete case of a real family, the distinction between a fair cost and a private tax, the moves that cut them and the three ways of paying for advice in Italy.

The premise of honesty, owed because this guide touches on the trade of the person writing it: the author is an **independent financial adviser** — remunerated only by his clients, taking no inducements from products. It is a model with real advantages and genuine limits, and chapter 12 will set out both without discounts: what it costs, whom it suits, and the cases in which the traditional bank is the reasonable choice. Anyone looking for a guide that says "everybody is wrong except us" is holding the wrong book; anyone looking for the numbers to decide for himself is in the right place.

KEY TAKEAWAYS

- Financial costs are not paid, they are suffered: taken inside the product, with no invoice and no authorisation.
- They do not hurt when you pay them: the sensation is nil, the damage is enormous and deferred.
- One extra point of cost for twenty years carries away almost a fifth of the final capital; two points, almost a third.
- Cost is the most predictable variable of the outcome: cutting it is a decision, earning more is a bet.
- A premise of honesty: the author is an independent adviser — chapter 12 gives the limits and costs of that model too.

The costs given here are orders of magnitude: the real ones are in the documents of your own products.

02 The anatomy **of a cost.**

"How much am I paying?" is a question that in finance has no single answer: there are the costs of the product, those of the service and those of the State, and each has items the others do not. This chapter builds the complete map — the same one needed to read the report of chapter 5 and to do the sums of chapter 9.

2.1 The three levels of cost

The first level is the **cost of the product**: what lives inside the fund, the ETF, the policy or the certificate, and cuts the daily value of the unit. It holds the management fee, the administrative and depositary bank charges, the manager's own dealing costs and any performance fees. The second level is the **cost of the service**: what you pay the intermediary who looks after you — advice fees, dealing commissions, custody rights, securities account charges. The third level is **tax**: the 0.2 per cent annual stamp duty on the account and the taxation of gains, the subject of the sister guide on the taxation of investments.

The distinction matters because the three levels **add up** and often overlap without the client knowing. The classic case: a fund with a 2 per cent management fee bought from a bank that "does not charge for advice" — because the advice is already inside that 2, in the form of an inducement to the intermediary (chapter 6). The client believes he is paying one cost and is in fact paying two, one of them dressed up as something else.

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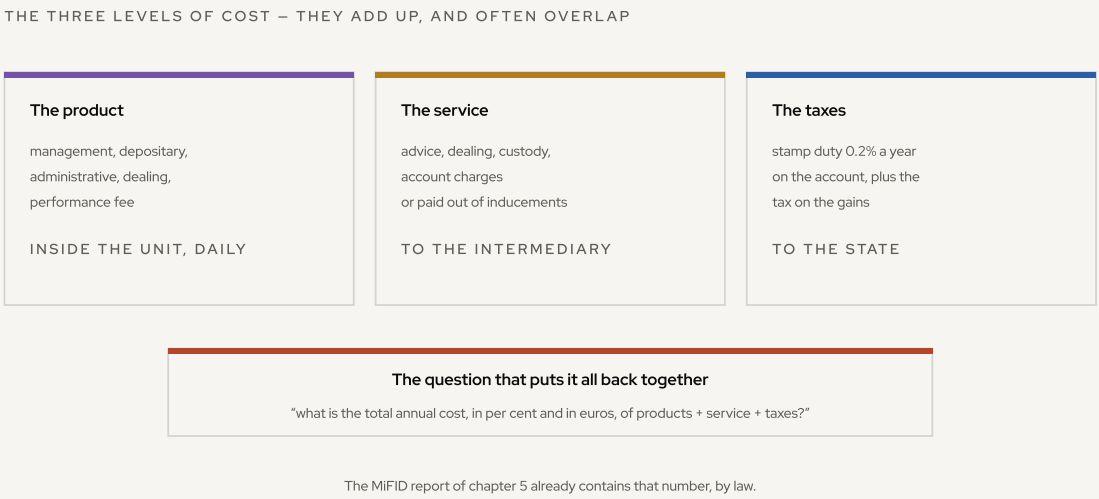

FIGURE 1 The three levels of cost — Illustrative diagram

2.2 The cost of entering, of leaving, and of every single day

A second way of ordering the map is by time, and it is the most useful for knowing where to look. **One-off entry costs**: subscription or placement fees — withheld from the amount paid in, often 1-3 per cent, sometimes "spread" over the first few years; on the better products today they are zero. **Recurring costs**: the item that really counts — the ongoing charges of the product plus the service fees, taken every year for as many years as you stay invested. **Exit costs**: surrender penalties and redemption fees, typical of policies and of certain funds. And **transaction costs**: every purchase and sale pays dealing commissions and the market spread — whoever trades often multiplies them.

The hierarchy of attention is clear: the recurring costs weigh infinitely more than the others. A 2 per cent entry charge paid once is less serious than an extra 0.5 per cent a year held for twenty years — and yet clients almost always concentrate their bargaining on the first, which is visible, and ignore the second, which is not. Chapter 7 will do justice to this optical illusion with the numbers.

> IN PLAIN WORDS
>
> Costs are like the noises of a house: the loud sudden one frightens you, the steady thin one you stop hearing after a week. But it is the second that, in the long run, keeps you from sleeping — and in portfolios it is the second that carries the money away.

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2.3 The question that puts it all back together

Reduced to a working tool, the map produces a single question to put to your intermediary, and it is the one the rest of this guide teaches you to insist on: **"what is the total annual cost, in per cent and in euros, of everything I hold — products, service and taxes?"**. Not "how much does the fund cost", not "how much do I owe you for advice": the total. It is the number that the MiFID report of chapter 5 already contains by law, and that the industry has no interest whatever in saying first.

A note of balance, so that none of this looks like a conspiracy: many of these items pay for **real services** — management, custody, infrastructure, advice when it truly is advice. The Italian problem is not that one pays: it is **how much** one pays compared with the alternatives available, and the fact that the price is almost never put openly on the table. Chapter 10 gives full space to the justified cost — because a guide saying "everything that costs is wrong" would be exactly as honest as one saying "don't think about costs".

KEY TAKEAWAYS

- Three levels: product costs (inside the unit), service costs (to the intermediary), taxes (stamp duty and taxation).
- They add up and overlap: "free" advice is often already inside the management fee, in the form of an inducement.
- By time: entry (one-off), recurring (the decisive ones), exit (penalties), transaction (on every purchase and sale).
- Recurring costs weigh far more than entry charges — yet clients always concentrate their bargaining on the latter.
- The question that puts it all back together: "what is the total annual cost, in per cent and in euros, of products + service + taxes?"

The costs given here are orders of magnitude: the real ones are in the documents of your own products.

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03 The TER **and its siblings.**

Inside every fund, ETF or policy there is an engine of costs that runs every day. The acronym that sums it up — TER, or "ongoing charges" in the language of the official documents — is the most important number a saver can learn to read. But it is also an incomplete number: there are items that by law stay outside it, and knowing which is half the craft.

3.1 What is inside

The **TER** (total expense ratio), which in European documents you will find as **ongoing charges**, is the sum of the costs the fund bears each year, expressed as a percentage of its assets. Inside it are: the **management fee** — the dominant item, the pay of whoever manages and, where it exists, the share that flows back to the distributor; the **depositary bank** charges, for the custody of the securities and the controls; the **administrative, legal, audit** and publication expenses. All of it is taken pro rata every day out of the value of the unit: that is why the return you read is already net of the TER — and why you never see it.

The orders of magnitude of the Italian market, which the rest of the guide will use: **active equity funds** distributed by the networks typically run between **1.8 and 2.3 per cent** a year; active bond funds between 1 and 1.5; index **ETFs** between **0.05 and 0.50**, with the large global equity ones around 0.20. Between an average active equity fund and its index equivalent there are some **two points a year**: that is the gap from which all the arithmetic of chapter 7 is born.

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INSTRUMENT	TYPICAL ANNUAL COST (TER)	WHAT IT COVERS
Global equity index ETF	0.10–0.25%	passive management, depositary, administration
Bond ETF	0.05–0.20%	the same
Active bond fund	1.0–1.5%	management, depositary, often an inducement to the distributor
Active equity fund	1.8–2.3%	the same, with peaks above 3% on specialist sectors
Discretionary portfolio	1.0–2.0% + the cost of the underlying funds	the management service; mind the double layer
Unit-linked policy	2.0–3.5% all in	wrapper + internal funds (sister guide on life policies)

TABLE 1 What is inside

3.2 What stays outside (and it is not little)

Three families of cost are **not** included in the TER, and that is why the TER should be read as a floor, not as a total. First: the **manager's dealing costs** — every time the fund buys and sells securities it pays commissions and spreads; a very active manager can burn a few tenths of a point a year on turnover alone. In the European documents (the KID) these costs appear under a dedicated heading, and are to be read together with the TER, not instead of it. Second: **performance fees**, which are contingent and therefore stay outside the recurring item — chapter 4. Third, for products with a complex structure such as policies and certificates: the **costs of the wrapper** and those implicit in the construction, already told by the sister guides.

The document that puts it all back together exists and is compulsory: the **KID**, the sheet of at most three pages every product must hand you *before* you subscribe. It contains the table of costs and — the golden item — the **annual impact of costs**: by how much the costs reduce the return over different horizons. It is the page the industry prints and nobody reads, and on its own it is worth more than half an hour of conversation.

> IN PLAIN WORDS
>
> The TER is the nutrition label of a financial product: it says almost everything, but not everything. As with food, the problem is not that the label lies — it is that almost nobody turns the packet over to read it, and the seller has no incentive whatever to suggest it.

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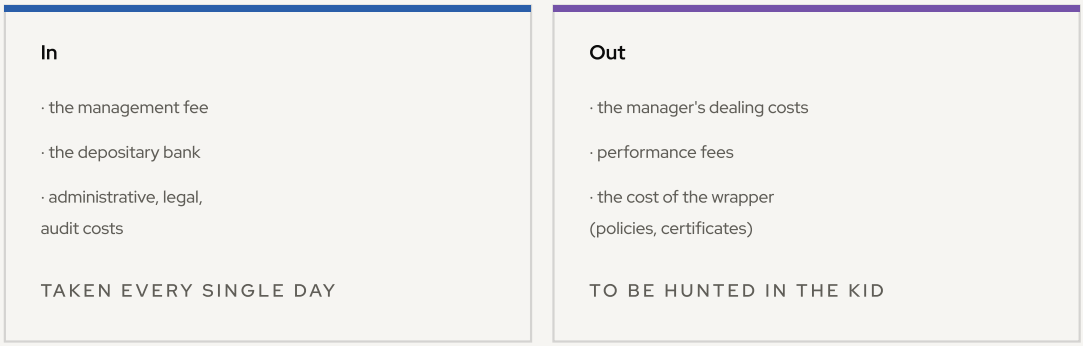

FIGURE 2 The TER: in and out — European definitions (ongoing charges); illustrative diagram

3.3 Active against index: the right question

The difference in TER between active and index management opens the most debated question in saving, and this guide takes it on without cheering for either side. An active fund costs more because it promises something more: **to beat the market** thanks to the manager's choices. The right question is not "is active bad?" but "does **this** manager, on **this** market, have a reasonable probability of producing more value than the two points he costs extra?". The academic evidence and the long-period reports are severe above all on the most efficient markets — the equities of large listed companies — and more open on less-trodden niches; but the practical rule is that **the cost is certain and the outperformance is not**.

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The criterion of the series, repeated in every guide: choose active when you believe in a precise thesis, can verify it, and the price is proportionate; choose index for everything else — that is, for most portfolios, most of the time. And avoid the worst case, which in Italy is sadly common: paying the price of active management to obtain a product that **tracks the index closely** — the so-called "index hugger", where the manager never strays from the benchmark but the client pays as though he did.

KEY TAKEAWAYS

- TER (ongoing charges) = management + depositary + administration: taken daily from the unit, which is why it is invisible.
- Orders of magnitude: active equity 1.8-2.3%, active bond 1-1.5%, ETFs 0.05-0.50% (global ones around 0.20).
- Outside the TER: the manager's dealing costs, performance fees, the wrapper costs of complex products.
- The KID is compulsory and contains the annual impact of costs: three pages at most, worth more than half an hour of conversation.
- Active vs index: the cost is certain, the outperformance is not. The worst case is paying for active and getting an index hugger.

The costs given here are orders of magnitude: the real ones are in the documents of your own products.

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04 The fee **on the result.**

"If you earn, I earn too": put like that, the performance fee looks like the fairest of structures. In practice it is the item most often designed in favour of whoever collects it, and that is why Europe had to write precise rules on how it is calculated. Understanding them is what separates real alignment from a tax on the noise of the markets.

4.1 How it works, and where the trick hides

The performance fee is an **additional** charge — on top of the TER — that the manager keeps when the fund beats a target. The devil is in three details. The first is the **target**: beating a coherent market index is one thing, beating "zero" or a money-market rate is quite another — in a rising market the latter is collected almost every time, without the manager having added anything at all. The second is the **recovery of past losses**: without a mechanism forcing earlier falls to be made good, the manager can collect on the rebound after having lost, being paid twice for the same stretch of road. The third is **frequency**: quarterly charges on volatile markets produce fees even in years that close at a loss — the so-called tax on noise.

These three knots were answered by the **ESMA guidelines on performance fees** of 2020, applied to European funds intended for the public. In short: the reference benchmark must be **coherent** with the investment policy; a recovery mechanism must exist — the **high water mark**, that is the all-time high to be beaten, or an equivalent model — with an adequate **reference period**, as a rule at least five years; and the charge cannot be taken more than once a year. It is a serious tightening, which has restored order to a field where accounting imagination had become a line of revenue.

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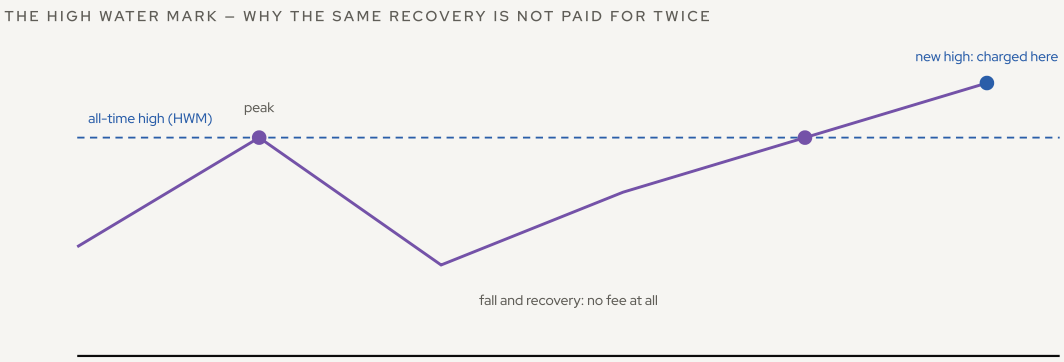

FIGURE 3 The high water mark mechanism — ESMA guidelines on performance fees, 2020

4.2 When it is legitimate and when it is not

A well-built performance fee has a real point: it aligns interests in those strategies where the manager's value is measurable and his work cannot be replicated cheaply — certain alternative strategies, some illiquid niches. It carries, however, a systemic price that has to be stated: it introduces an **incentive to asymmetry**. The manager shares in the gains but not in the losses, and this — even with a high water mark — pushes towards more risk than the client might want, especially when the fund is far above or far below its all-time high.

The reading of the series, then: it is not an item to reject on principle, it is an item to **read**. Three questions are enough. Against what is the performance measured — a coherent index or a comfortable low bar? With what recovery mechanism and over what period? And above all: **how much has it cost over the last five years**, in euros, on my investment? That last answer is in the report of chapter 5, and it turns a theoretical debate into a number.

> IN PLAIN WORDS
>
> A performance fee with no high water mark is like paying the lifeguard every time a wave carries you back to the shore, even when it was the wave that knocked you down in the first place. The European rules of 2020 removed the worst versions: what remains still has to be read, not merely suffered.

4.3 The Italian case, and how to defend yourself

Italy has known the worst season of this item: quarterly charging structures, benchmarks with little coherence, recovery mechanisms absent or reset every year. The European tightening has cleaned up a great deal, but practical vigilance remains with the saver, because old products stay in portfolios and the terms are read in the documents, not in conversations. There are three defences, all of them free. **First**: look for the item in the KID and in the prospectus — if it is there, it must be described with its benchmark, period and mechanism. **Second**: ask for the amount actually charged over the past few years, which appears in the MiFID report as a separate item. **Third**: weigh it in the total — a performance fee that doubles the cost of an already expensive product is the signal that the overall price is out of the market, and chapter 11 will say what to do about it.

A practical rule that makes life much simpler for ordinary portfolios: in low-cost index builds the performance fee **does not exist** — not because it is forbidden, but because it would make no sense in a product that declares it follows an index. Whoever takes that road removes the problem at the root; whoever chooses active management keeps it, and then had better know how to read it.

KEY TAKEAWAYS

- It is an additional charge on top of the TER: the three knots are the benchmark, the recovery mechanism and the frequency.
- The 2020 ESMA guidelines require a coherent benchmark, a high water mark (or equivalent) with a period of as a rule five years, and no more than one charge a year.
- An incentive to asymmetry remains: the manager shares in the gains, not in the losses.
- Three defensive questions: measured against what, with what recovery and period, how much has it cost in euros in recent years (MiFID report).
- In index builds the item simply does not exist: the problem can be removed at the root.

The costs given here are orders of magnitude: the real ones are in the documents of your own products.

II



PART TWO · CHAPTERS 5–8

What they **cost.**

The mandatory report almost nobody opens, the inducements that move Italian asset management, the mathematics of compound interest running backwards — and the frictions no document shows.

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05 The document **nobody opens.**

Once a year, under a European legal obligation, your bank sends you a document that says exactly what investing has cost you: in euros, in per cent, and by how much those costs have reduced the return. It is the most valuable document you will receive — and the surveys say only one investor in three finds it clear and complete (Moneyfarm survey, 2026, of eight hundred investors). This chapter teaches you to find it and to read it in five minutes.

5.1 What it is and when it arrives

It is required by **MiFID II**, the European directive on investment services in force since 2018: every intermediary must give clients a statement of costs **ex ante** — before investing, on the products proposed — and **ex post**, that is an annual account of what has actually been paid. The document generally arrives **by the spring**, covering the previous year, more often in the secure area of the online banking site than by post, under different names from one bank to the next: "Costs and charges report", "Costs disclosure", "Cost report". That is why many people have never seen it: not because it was not sent, but because it is one attachment among many in a digital archive nobody visits.

What it contains, by law: the **costs of the service** (advice, custody, dealing), the **costs of the products** (the ongoing charges of what you hold, including any performance fees), the **inducements received** by the intermediary — the subject of chapter 6 — and the total, expressed both in **euros** and as a **percentage** of the amount invested. And, above all, the **effect of costs on the return**: what you would have earned gross and what you actually earned net.

5.2 How to read it in five minutes

The method is simple and is done once a year. **One**: find the total in euros and set it beside an expense you know — the car insurance, the holidays, a loan instalment. It moves the cost out of the department of "abstract percentages" and into that of "real money", and it is the single gesture that changes the most conversations. **Two**: find the total in per cent and compare it with the reference points of chapter 3 — above 2 per cent you are in the high band of the Italian market; below 1 you are in efficient territory. **Three**: look at the split between product costs and service costs, and ask yourself whether the service

you receive is worth its line. **Four**: look for the **inducements** item — it is the part of your cost that the intermediary collects from the manufacturers, and reading it explains many portfolio choices better than a thousand conversations.

One technical caution, so as not to be misled: the percentages in the report are calculated on bases that can vary (average assets, opening value), and comparisons between banks should be made prudently. But the order of magnitude is reliable, and that is what is needed: nobody decides on the third decimal place — you decide by knowing whether you are paying 0.8 or 2.5.

> IN PLAIN WORDS
>
> The MiFID report is your portfolio's medical record: it says what has been taken from you and where. Nobody obliges you to read it, and that explains why the industry has stopped fearing it. The law has already done its part; the rest is opening the attachment.

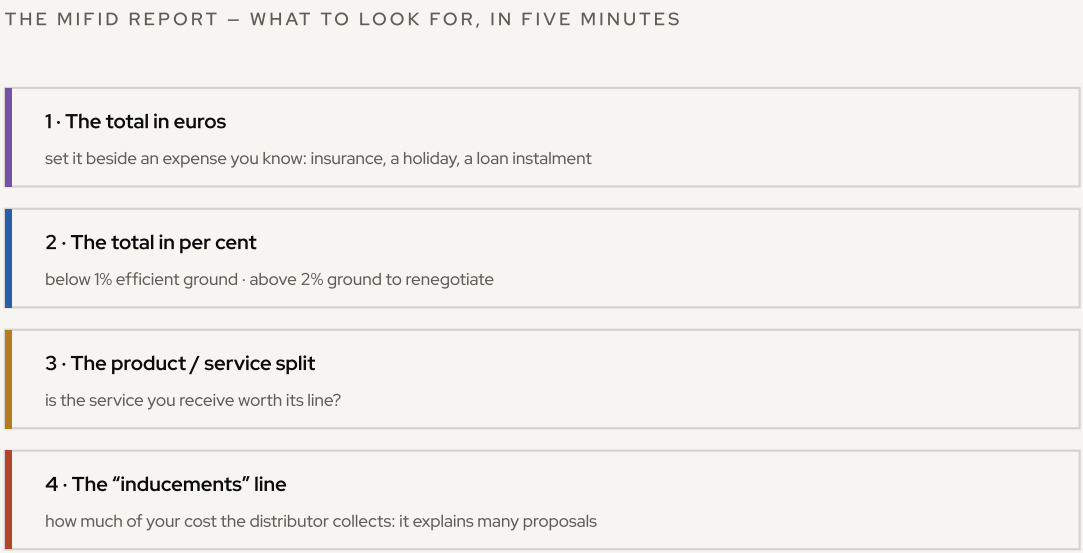

FIGURE 4 The report in four steps — MiFID II; a scheme of method

5.3 What to do with it (the conversation that follows)

The report is not there to make you indignant: it is there to help you **negotiate** and **decide**. With the number in hand, the conversation with your intermediary changes in kind — from "how are the markets doing?" to "this is the price I pay: what do I get in exchange, and can we do better?". It is a legitimate question, which serious professionals welcome and the others dodge: the reaction alone is information.

The three possible answers are all acceptable, provided they are explicit. "**That is the price, and it includes this**": then you weigh whether the service is worth the figure — chapter 10. "**We can review it**": this happens more often than people think, above all by replacing the dearer product classes with the leaner ones from the same house. "**It is not possible**": then the choice comes back to the client, with the tools of chapters 11 and 12. In all three cases you have moved from the invisible to the negotiable — which is exactly the purpose of this guide.

KEY TAKEAWAYS

- MiFID II requires ex ante disclosure and an annual ex post report: it usually arrives by the spring, often only in the secure online area.
- It contains service costs, product costs, inducements received by the intermediary, the total in euros and in per cent, and the effect on the return.
- Reading it in five minutes: the total in euros beside a familiar expense, the total in per cent against the market reference points, the product/service split, the inducements item.
- The percentages rest on varying calculation bases: what counts is the order of magnitude, not the decimal.
- It is for negotiating, not for indignation: "this is what I pay, what do I get, can we do better?" — and the reaction is already information.

The costs given here are orders of magnitude: the real ones are in the documents of your own products.

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06 Who pays **whom.**

In Italy financial advice is almost always "free", and it never is. The money that pays the distribution networks comes out of the fees of the products and flows back to whoever sold them: they are called inducements, or retrocessioni, and they are the silent engine of Italian asset management. Understanding them explains why you are offered what you are offered — and why Europe has been dealing with them for ten years.

6.1 The flow of the money

The mechanism is straightforward. The management company charges the fund a fee — say 2 per cent a year. Of that 2, a substantial part — often **half or more** — does not stay with the manager: it is **passed back** to the bank or the network that distributed the product, as payment for the service of distribution and advice. The client sees none of this: he pays a single cost, inside the product, and receives a service presented to him as included. Hence the most widespread and most misleading sentence in Italian saving: "you don't pay for the advice".

There are two consequences, and they should be stated without rancour. The first is that the cost exists and is high: the inducement is the structural reason why funds distributed by the Italian networks cost more than the European average. The second is the **conflict of interest**: for equal quality, a product that pays back more suits whoever distributes it better. That does not mean every proposal is made in bad faith — it means the incentive exists and pushes, on average, in one precise direction. The law recognises this: which is exactly why it imposes transparency, and requires inducements received to be shown in the report of chapter 5.

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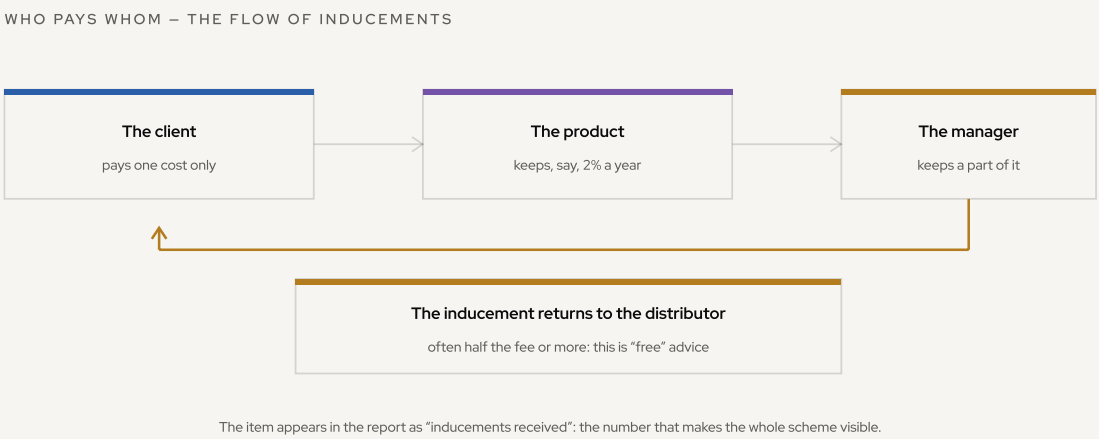

FIGURE 5 The flow of inducements — Illustrative diagram

6.2 Independent and non-independent advice

MiFID II introduced a sharp distinction that few Italian savers know about. **Non-independent advice** – the model of banks and networks – **may** receive inducements, provided they improve the quality of the service and are disclosed. **Independent advice** may receive none at all: whoever describes himself that way is paid **by the client only**, and the autonomous financial advisers and advice firms entered in the dedicated section of the register kept by the **OCF** are so by definition of law. It is not a personal promise: it is a constraint you can verify in thirty seconds by consulting the register, as chapter 12 explains.

The European debate on a general ban on inducements has been running for years. The latest chapter is the **Retail Investment Strategy**: after a long negotiation, in **December 2025** a political agreement was reached that does **not** ban inducements – not even in execution-only services, where no advice is given, as the Commission had proposed: it requires instead that they bring a **tangible benefit** to the client and that their cost be shown separately from the other charges, and it adds a **value for money** framework designed to push out of the market products that are too dear for what they offer. The timescale is long: transposition and application will bring effective entry into force towards the **end of the decade**. Translated for whoever is reading today: these remain the rules of the game for years to come, and the only immediate defence is knowing how they work.

> IN PLAIN WORDS
>
> "The advice is free" almost always means "the advice is already inside the price of the product, and we are not discussing the price". Nobody gives away a continuing professional service: the only useful question is where the fee is written down – and how much it is.

6.3 What changes for you

Three practical consequences close the chapter. **One**: read the **inducements** item in the report. It is the number that says how much of your annual spending ended up with the distributor, and it makes this whole chapter concrete. **Two**: when you receive a proposal, ask **how much that product pays back** compared with the alternatives considered. It is a perfectly legitimate question and a surprisingly rare one; the answer — or the embarrassment — is worth an hour of analysis. **Three**: know that **different classes of the same fund** exist: many houses have a "retail" class that pays inducements and an "institutional" or **clean share class** that does not, and costs as much as a point less. Asking whether the leaner class is available is, in certain cases, the quickest way to halve the cost without changing manager or strategy.

A balanced closing: the inducement model has a real historical merit — it brought millions of Italians to invest, with a capillary service no fee-only model could have built. The problem is not that it exists: it is that the price stays invisible and non-negotiable. Making it visible, as the report does and as this guide does, is not there to demolish the model: it is there to put it in competition with the others — which is what the European legislator has been trying to do for ten years.

KEY TAKEAWAYS

- Part of the fund's fee — often half or more — flows back to the network that distributed it: the inducement, engine of Italian asset management.
- Consequences: a high cost and a structural conflict of interest — for equal quality, the product that pays back more suits the distributor.
- Non-independent advice: may receive inducements, with disclosure. Independent advice: may not, by law — verifiable on the OCF register.
- Retail Investment Strategy, agreement of December 2025: no ban on inducements, not even in execution-only; a tangible benefit for the client, the cost shown separately, a value for money framework; full application towards the end of the decade.
- Three moves: read the inducements item, ask how much the product proposed pays back, ask whether a clean share class of the same fund exists.

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07 The compound **bill.**

So far the costs have been percentages: small numbers with a decimal point, easy to minimise in one's head. This chapter turns them into euros and years — because the only way really to understand a recurring cost is to see what it does to compound interest. It is the simplest chapter in the guide and the hardest to forget.

7.1 One hundred thousand euros, twenty years, four prices

The assumptions are stated and deliberately neutral: **€100,000** invested, markets returning **5 per cent gross** a year, no further contributions, a horizon of **twenty years**. Only the annual cost changes — here meaning the **cost of the products and of the service, taxes excluded** (the 0.2 per cent stamp duty must be added to every line and does not change the comparisons). At **0.3 per cent** — a plain index build — the capital becomes about **€250,600**. At **1 per cent**: **219,100**. At **2**: **180,600**. At **3** — no exaggeration, for certain Italian insurance products or discretionary mandates —: **148,600**.

The comparison that counts is between the first and the third, that is between an efficient build and a portfolio of distributed active funds: **seventy thousand euros of difference** on a hundred thousand invested. It is not a market loss, it does not depend on a crisis, nobody's skill comes into it: it is the **sum of the withdrawals** and — above all — of the returns those withdrawals could no longer produce. And it is a robust result: change the level of returns and the substance does not change, because cost works on the capital, not on the profit.

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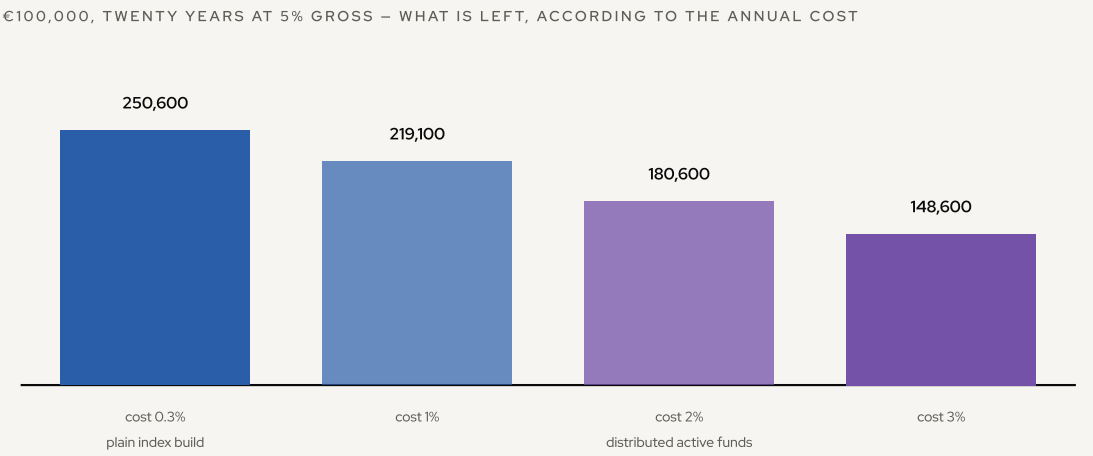

FIGURE 6 The final capital by level of cost — Hypothetical example; assumptions stated in the text

7.2 Why it hurts so much: compound cost

The reason is that cost **compounds just as return does**, in reverse. Every euro taken this year is not merely a euro lost: it is a euro that over the following nineteen years will generate nothing at all. Over long horizons the share of final capital that disappears grows more than proportionally: one point of annual cost eats about **9 per cent** of the final sum at ten years, **17** at twenty, **25** at thirty – and two points, respectively, 17, 32 and 44. Whoever invests for retirement – that is, over the longest horizons – is, paradoxically, whoever pays the highest price for every tenth of a point.

There is an even more merciless way of looking at it, and it is the ratio between cost and **real return**. If a cautious portfolio returns 3 per cent gross and inflation runs at 2, the gross real return is 1: a cost of 2 per cent does not erode a margin, it **cancels it and turns it upside down**, converting an investment into a certain loss of purchasing power. That is why costs matter far more in cautious portfolios than in equity ones: when the expected return is small, the cost takes all of it.

> IN PLAIN WORDS
>
> Cost is the only variable of your investment that you know in advance with certainty. The markets are a hypothesis, inflation a forecast, your own needs an unknown: the cost is a fact, written in black and white. And it is the only one you can act on today, with a guaranteed effect.

7.3 The three optical illusions

The chapter closes by taking apart the three ways the mind minimises all this. **First illusion – "it's only one per cent"**: the percentage looks small because we compare it with a hundred, but the right term of comparison is the **return**, not the capital. A cost of 1 on an expected return of 5 is one fifth of every-

thing the investment will produce: you say "twenty per cent", not "one". **Second illusion — "but this year I made money"**: cost is not judged on one year's result, which is dominated by the market; it is judged on the sum of twenty. **Third illusion — "I'm spending it on service"**: that may be true, and it is legitimate — but then it must be measured, because the service will have to produce **at least** that difference to be worth the price. It is exactly the sum chapter 9 will do, with a real family.

The working message, as simple as a rule of cookery: on recurring costs you fight in **tenths of a point**, and every tenth won stays won for ever. No other portfolio decision offers so certain a return for so contained an effort.

KEY TAKEAWAYS

- €100,000, 5% gross, 20 years: at costs of 0.3% it becomes ~250,600; at 1% ~219,100; at 2% ~180,600; at 3% ~148,600.
- Between an efficient build and distributed funds lie ~€70,000 on €100,000 invested: not the market, but the sum of the withdrawals and the returns forgone.
- One point of annual cost eats ~9% of the final sum at 10 years, ~17% at 20, ~25% at 30 (two points: 17, 32, 44): the longest horizon pays most.
- In cautious portfolios the cost can cancel the entire real return: it matters more there than in equities.
- Three illusions: "it's only 1%" (compare it with the return, not the capital), "this year I made money", "I'm spending it on service" (then measure it).

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08 The invisible **frictions.**

The MiFID report is a great step forward, but it does not contain everything: some items escape it by construction, others are not even costs in an accounting sense — and yet they erode wealth in exactly the same way. This chapter gathers the invisible frictions, from currency conversion to the dearest of them all, which has no line in any document because we produce it ourselves.

8.1 The frictions of the market

The first friction is the **bid-ask spread**: the difference between the price at which you can sell and the price at which you can buy. On a large, liquid ETF it is a fraction of a tenth of a point; on thin instruments — small bonds, niche ETFs, unlisted certificates — it can be worth **more than the commission** you pay the broker. It is fought with three habits: preferring liquid instruments, using limit orders rather than "at best", and avoiding the opening and closing minutes, when spreads widen.

The second is **currency conversion**. Buying an instrument denominated in dollars with euros involves a conversion the intermediary carries out applying its own margin — between 0.1 and 1 per cent per transaction, depending on the bank. It is a one-off cost but repeated at every movement, and for anyone trading often on foreign markets it becomes a serious item: asking what **currency margin is applied** is one of the most profitable and least frequent questions there is. The third is **portfolio turnover** — your own and the manager's: every purchase and sale pays commissions and spreads, and in heavily traded funds this cost lives outside the TER, inside the return.

8.2 Structural costs and tax costs

Then there are costs that do not appear as such because they are **differences of structure**. The most elegant is the one told by the sister guide on taxation: two identical ETFs on the same index can have different returns because the fund's domicile determines the withholding suffered on American dividends — up to **0.3 points a year** that appear under no heading of cost, but live in the value of the unit. In the same family: **distributing** rather than accumulating, which brings the tax forward and takes years of compounding away from it; and **idle cash**, which has no explicit cost but pays stamp duty (a flat annual charge on a current account, 0.2 per cent if it sits in a deposit account or a money market fund) and loses every year the purchasing power eroded by inflation.

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Finally, the item no document will ever report: the **cost of waiting**. The months spent "waiting for the right moment" with the capital sitting in the account are, statistically, the largest expense of cautious savers — and it appears in no report because it is not a withdrawal: it is a return that was never asked for.

IN PLAIN WORDS

Frictions are the sand in the gears: each one negligible, all of them together measurable. The difference between a portfolio that is looked after and one left to run is almost never in the spectacular choices — it is in ten tenths of a point recovered in silence.

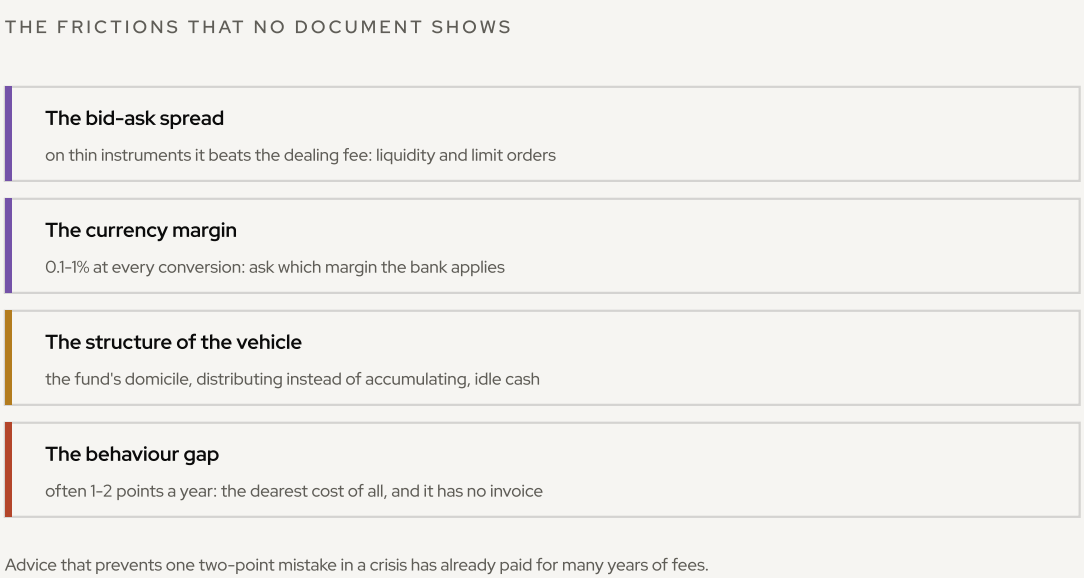

FIGURE 7 The invisible frictions — Market orders of magnitude; illustrative diagram

8.3 The dearest cost of all: the behavioural one

Research on investor behaviour has been telling the same story for decades: the **return actually obtained** by savers is systematically lower than that of the funds they invested in. The cause is not the product: it is the moment at which people get in and get out. You buy what has just risen, you sell what has just fallen, you abandon the plan exactly when it is needed most — and that gap, which the studies frequently place at around **one or two points a year**, is no less real than the TER: it simply has no invoice.

This figure overturns a hasty conclusion the rest of the guide might suggest — "cut costs to the bone and do it yourself". If advice costs 0.8 per cent but prevents a two-point behavioural mistake in a single crisis, it has **already paid for many years of fees**. If it does not prevent it, that is money badly spent. This is not an adviser's rhetoric: it is the criterion with which chapter 9 will compare three real builds, counting also the value of what the service ought to produce. Cost must be minimised, yes — but **for a given level of what you receive**, and what you receive must be measured with the same coldness as the tenths of a point.

KEY TAKEAWAYS

- Bid-ask spread: on thin instruments it can exceed the commission — liquid instruments, limit orders, avoid the open and the close.
- Currency conversion: a margin of 0.1-1% at every conversion; asking for it explicitly is one of the most profitable questions there is.
- Invisible structural costs: the fund's domicile (up to 0.3 points on US dividends), distributing rather than accumulating, idle cash paying stamp duty and inflation.
- The cost of waiting — months spent waiting for the right moment — appears in no report and is among the dearest of all.
- The behaviour gap is often worth 1-2 points a year: advice that prevents it has already paid for itself; advice that does not is money badly spent.

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III

PART THREE · CHAPTERS 9–13

What to **do.**

Three builds compared over twenty years, the line between a fair cost and a private tax, seven moves to cut them — and the three ways of paying for advice, the author's declaration included. The glossary closes.

09 Three builds, **twenty years.**

A family with €200,000 to invest for twenty years, and three ways of doing it: the typical bank portfolio, the efficient build looked after by an adviser paid a fee, and index do-it-yourself. The same markets, the same risk, three prices — and three results that tell everything this guide has explained so far, including the part that is uncomfortable for the person writing it.

9.1 The three builds and their price

Common, stated assumptions: **€200,000**, a horizon of **twenty years**, a balanced portfolio returning **5 per cent gross** a year, no further contributions. Only the total cost changes, and it changes because the choices change.

A — the typical bank portfolio: active funds distributed by the network — a balanced portfolio, with ongoing charges that in products distributed in Italy usually sit around **1.8 per cent**: the top edge of what an average between equity funds at 1.8-2.3 and bond funds at 1-1.5 would suggest, because home-made balanced funds cost almost as much as equity ones —, advice "included" (that is, paid for by the inducements of chapter 6) and 0.2 of stamp duty. Total cost: about **2 per cent** a year. **B — the efficient build with fee-based advice**: index ETFs at 0.25 on average, an independent adviser at 0.8, stamp duty 0.2. Total: **1.25**. **C — index do-it-yourself**: the same ETFs, no advice, stamp duty. Total: **0.45**.

The final capital after twenty years: **A ≈ €361,200**, **B ≈ 417,600**, **C ≈ 487,000**. Between the bank portfolio and the efficient one with advice lie **€56,400**: more than a quarter of the initial capital, obtained without guessing anything at all, simply by changing the price of what one owns. And the assumption is a prudent one: with an equity-heavy portfolio, where ongoing charges approach 2.3, the gap would climb back above eighty thousand.

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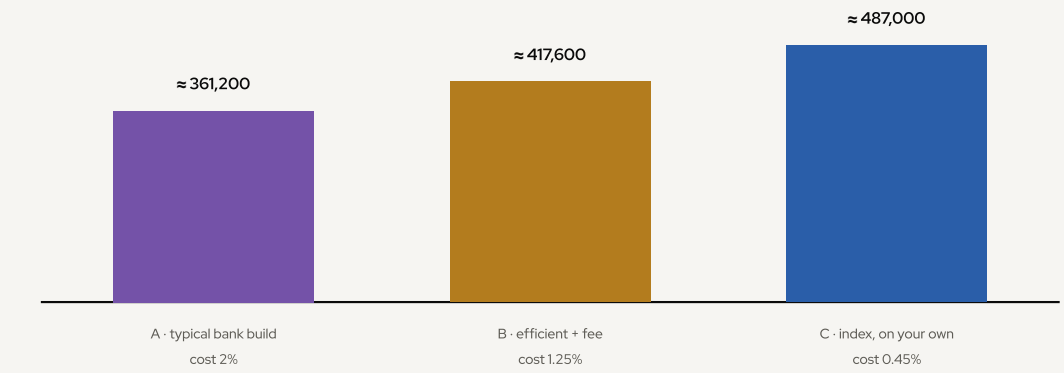

FIGURE 8 Three builds compared

Case recomposed for illustration; assumptions in the text

9.2 The uncomfortable part: what the adviser costs

The honest comparison does not end there, because between B and C there is another difference: **€69,400**, which is the twenty-year price of independent advice in this example. It is a number the writer has every interest in not showing, and it is instead the heart of the chapter: **fee-based advice is a cost too**, visible but real, and like every cost it has to earn its place.

The right question therefore becomes: **does that service produce more than €69,400 of value in twenty years?** The sources it can come from are measurable and should be demanded: preventing one or two behavioural mistakes in the crises (chapter 8: on their own they are often worth more than the entire fee), choosing tax-efficient vehicles (the sister guides on taxation and on succession contain tens of thousands of euros of difference for estates of this size), keeping the discipline of contributions, avoiding the wrong products proposed by others. If these things happen, the answer is yes with a wide margin. If the adviser merely picks the same ETFs the client would have picked himself, the answer is no — and it has to be said.

> IN PLAIN WORDS
>
> The most useful number in this guide is not the saving of the efficient portfolio over the bank one: it is the one separating advice from do-it-yourself. Because it is the only number that obliges whoever sells advice — the author included — to prove he is worth his price, instead of merely criticising other people's.

9.3 What the case teaches

Three lessons, in order of weight. **One: the big jump is the first one**. Moving from a portfolio at 2 per cent to one at 1.25 is worth fifty-six thousand euros; going down further, from 1.25 to 0.45, is worth sixty-nine thousand but requires giving up a service. The priority for anyone reading this guide is the **first move**, not the last. **Two: cost is always judged together with what it buys**. Portfolio A is not dear because it costs 2: it is dear because at that price one could have a great deal more — real advice included. **Three: do-it-yourself is not free**. It costs time, discipline and one's own fallibility in the bad moments; for whoever possesses all three it is the most efficient choice there is, and this guide says so openly.

The method, reproducible in an afternoon with your own numbers: take the **total cost** from the report (chapter 5), work out the final capital at twenty years with that cost and with the realistic alternative, and look at the difference. Then ask yourself what you receive for that difference. If the answer is clear and convinces you, you have a good deal. If it is not, chapter 11 explains the moves — and chapter 12 the models to choose between.

KEY TAKEAWAYS

- €200,000, 20 years, 5% gross: typical bank build (2%) ≈ 361,200; efficient with fee-based advice (1.25%) ≈ 417,600; index do-it-yourself (0.45%) ≈ 487,000.
- The first jump is worth €56,400: it is the priority move for anyone — and with a more equity-heavy portfolio it would exceed €80,000.
- The uncomfortable part: between advice and do-it-yourself lie €69,400 — the fee is a cost too, and must earn its place.
- The sources of value to demand: behavioural mistakes prevented, tax efficiency, discipline, wrong products avoided.
- Do-it-yourself is not free: it costs time, discipline and one's own fallibility in the bad moments — for whoever has them, it is the most efficient choice.

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10 When a cost **is fair.**

A guide about costs risks producing a simple and mistaken reflex: pay as little as possible, always. But the lowest price is almost never the right objective — the right objective is the best ratio between what you pay and what you receive. This chapter draws the line between the cost that buys something and the cost that is merely a private tax.

10.1 What every euro buys

There are costs that pay for **real goods**, and they should be acknowledged. **Infrastructure**: custody of securities, execution, information security, protection of deposits — services that have a price and that nobody gives away. **Management**, when it does something that cannot be replicated cheaply: access to closed markets, selection in opaque niches, strategies that require structures. **Advice**, when it produces the four things chapter 9 listed — behaviour, tax, discipline, mistakes prevented. **Guarantee**: in with-profits life policies, the ratchet effect and the protection of capital have a cost because somebody takes the risk. And **simplicity**: for many families, having a single point of contact instead of three platforms is worth a price — saying so is not naive, it is realistic.

And there are costs that **buy nothing at all**. The entry charge that pays only for the placement. The active fund that tracks the index at three times the price — the "index hugger" of chapter 3. The performance fee with no recovery of past losses. The double layer: an expensive product inside an expensive wrapper, each with its own reason, together with none. On these you do not negotiate the price: you change the product.

10.2 The test of the three questions

To tell the two cases apart, three questions are enough, to be asked of every item in the report. **What do I receive for this line that I would not have without it?** — if the answer is precise (a service, an access, a guarantee) the cost is a price; if it is vague ("professionalism", "the solidity of the institution") it is a tax. **How much does the same thing cost elsewhere?** — the market for products is transparent and the comparison takes minutes: a global equity index fund costs 0.2, and whoever asks 2 for it must explain what he adds. **What happens if I stop paying for it?** — if the answer is "nothing of consequence", you have found an item to eliminate.

The criterion should be applied with one caution about balance: **the fair cost is not the same for everyone**. Someone with €30,000 and no desire to deal with it has different needs from someone with €800,000 and a business to hand on. For the first, a simple portfolio and a contained cost are worth more than any advice; for the second, a serious service can be worth ten times its price, and saving on advice is the best way to lose money on tax and on succession.

> IN PLAIN WORDS
>
> The question is not "how much does it cost?", it is "how much does it cost compared with what". The lowest price wins only for identical goods — and in finance the goods are never identical: the service changes, the guarantee changes, and so does who answers when things go wrong.

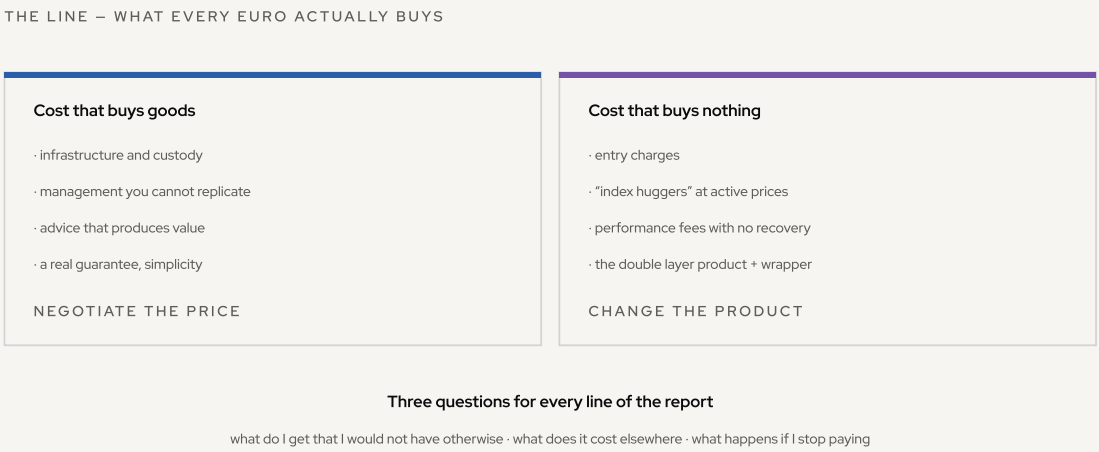

FIGURE 9 Cost that buys, cost that does not — A scheme of method

10.3 The threshold of decency (and when dear is worth it)

Reduced to numbers for orientation, the Italian market offers useful reference points. For an **ordinary portfolio** of listed instruments, the total cost — products plus service, taxes excluded — should stay **below 1.5 per cent**; below 1 you are in efficient territory, above 2 you are in territory to renegotiate. It is not a law: it is the band within which, today, alternatives are accessible to anybody. Whoever pays much more must be able to point to what he receives in addition; if he cannot, the answer is in the chapters that follow.

Finally there are the cases in which **dear really is worth it**, and they should be stated because they exist: access to private markets for large estates (the sister guide tells that story), the policy with its guarantee for the stability reserve of an elderly person, specialist management in a niche where indexing does not exist, integrated advice for families with a business, property and an open succession. In all these cases the high price is a **price** — not an abuse — because it buys something the low-cost market does not offer. The difference between the two worlds is not how much it costs: it is whether you know **what** you are paying for.

KEY TAKEAWAYS

- Costs that buy real goods: infrastructure, management you cannot replicate, advice that produces measurable value, guarantee, simplicity.
- Costs that buy nothing: entry charges, index huggers, performance fees with no recovery, the double layer of product + wrapper.
- Three questions on every line: what do I get that I would not have without it, what does it cost elsewhere, what happens if I stop paying.
- Market reference points: below 1% efficient territory, below 1.5% acceptable, above 2% to be renegotiated.
- Dear is sometimes worth it: private markets, real insurance guarantees, niches with no index, integrated advice for complex families.

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11 How to cut them.

Knowing how much you pay is of little use if you do not know what to do about it. This chapter is the working programme of the guide: seven moves in order of effectiveness, from the simplest — asking for a document — to the most demanding — changing your counterparty. None requires technical skill; all have a certain effect, which is the rare characteristic of this subject.

11.1 The first four: informing yourself and asking

One — retrieve the report. Look in the secure online area for the latest "costs and charges report", or ask for it in writing: it is your right and the intermediary must provide it. Without that number everything else is opinion. **Two — read the KID of what you hold.** At most three pages per product, with the table of costs and the annual impact: twenty minutes are enough for the first three products in the portfolio, which usually make up eighty per cent of it. **Three — ask for the bill in euros, not in per cent.** "How much did it cost me in euros last year, all in?" is the question no document dodges, and it moves the conversation from abstract ground to concrete ground.

Four — ask for the in-house alternatives. Before changing bank, check whether yours has leaner instruments: many houses have **different classes of the same fund** (chapter 6), ETF-based lines, reduced-cost mandates for assets above a threshold. It is the move with the highest return per unit of effort: the same relationship, the same contact, half the cost — and in many cases you only have to ask, because nobody offers it spontaneously.

11.2 The other three: simplify, consolidate, negotiate

Five — simplify the portfolio. Portfolios stratified by sedimentation — eight funds bought over fifteen years, three policies, two mandates — cost more than they return and are ungovernable. Reducing them to a few clear building blocks lowers the cost, improves legibility and makes visible what was previously scattered. **Six — consolidate the positions.** Accounts at four different institutions multiply fixed charges, minimum stamp duties, custody rights and — above all — make it impossible to see the whole picture. Consolidating does not mean giving everything to one house: it means ceasing to pay four times over for the infrastructure of the same estate.

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Seven — negotiate, then if necessary move. Terms are more negotiable than clients believe, especially above certain thresholds: dealing commissions, custody rights, advice fees, access to better classes. The correct sequence is always the same: first ask, then compare, then decide. And if you decide to move, move with method — **transferring the securities** rather than liquidating them where possible, so as not to crystallise capital gains, and the tax on them, before time (the sister guide on taxation explains why). Capital losses already accrued, by contrast, are not lost by liquidating: the intermediary certifies them and they stay usable for four years, at another intermediary too.

> IN PLAIN WORDS
>
> Seven moves, none of them difficult. The first costs five minutes and produces the number missing from every conversation; the last costs a few weeks and is worth, for an average estate, tens of thousands of euros. Between the two, none requires guessing anything at all about the markets.



FIGURE 10 The seven moves — A scheme of method

11.3 The mistakes not to make while cutting

Three warnings, because the hunt for costs has its own traps. **Do not liquidate everything on impulse**: leaving a portfolio in one block can crystallise taxable gains, trigger surrender penalties on policies and leave the capital out of the market at the wrong moment — the cost of waiting of chapter 8. Cutting

costs is a project of months, not a gesture of one afternoon. **Do not confuse price with quality in reverse**: cheap and dreadful instruments exist — tiny illiquid ETFs, exotic products with a low TER and a very high spread. Low cost is a condition, not a sole criterion.

And do not cut what protects you. Chapter 10 said it: the right insurance cover, the guarantee an elderly person's reserve needs, the advice that keeps you still in the crises are not costs to be zeroed — they are expenses to be sized. Intelligent cutting strikes what produces nothing and leaves intact what protects; blind cutting does the opposite, and usually notices too late. The chapter that closes — the twelfth — gives the last tool: the deliberate choice of a service model.

KEY TAKEAWAYS

- The first four moves: retrieve the report, read the KIDs of the three main products, ask for the bill in euros, ask for the in-house alternatives (clean share classes, ETF lines).
- The other three: simplify stratified portfolios, consolidate scattered accounts, negotiate — and only then, if necessary, move.
- When moving, transfer the securities rather than liquidating them: the tax on capital gains is deferred, and certified capital losses follow the client for four years.
- Traps: do not liquidate on impulse (tax, penalties, time out of the market), do not confuse low cost with quality (spread and illiquidity).
- Do not cut what protects: cover, guarantees and useful advice are to be sized, not zeroed.

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12 Who pays **the adviser.**

In Italy financial advice can be received in three ways, and each determines who pays the adviser — that is, in the last analysis, to whom he answers. This chapter compares them without discounts, the author's own included, because the choice of model is the most important decision this guide can help anyone to take.

12.1 The three models, and who pays whom

The inducement model — banks, networks of financial advisers authorised for off-premises offer: the service is formally free, the pay comes from the products distributed (chapter 6). Merits: reach, access with no thresholds, no fee to authorise, an all-round service for whoever has a small estate. Limits: a high and invisible cost, a structural conflict of interest, a range often confined to the house's own products. **The fee model** — autonomous financial advisers and advice firms, entered in the dedicated section of the **OCF** register: by law they **may receive no inducement whatever**, and are paid only by the client, typically with an annual percentage of the assets followed — in the Italian market as a rule between **0.5 and 1 per cent**, decreasing as the amounts rise, or else a flat fee or an hourly rate. Merits: no conflict on the product, an open universe of instruments, an explicit and negotiable price. Limits: the fee is visible and has to be paid with your own money; below a certain size of estate it is not economic; the service does not include execution, which stays with the client's bank.

The hybrid model, finally: many networks today offer paid advice services alongside distribution, and some banks offer ETF-based lines with a declared fee. It is the growing ground, and it is to be judged case by case with the questions of chapter 10 — because "paid for" does not automatically mean "without inducements".

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MODEL	WHO PAYS THE ADVISER	TYPICAL COST	THE WEAK POINT
Inducements (banks and networks)	the products distributed	1.8-2.5% a year, inside the products	invisible cost and conflict on the product
Fee (autonomous advisers and firms)	the client alone	0.5-1% a year, plus the products (0.2-0.4%)	a visible fee to pay; not worth it below certain thresholds
Hybrid (the networks' paid services)	both, in varying proportions	variable	"paid for" does not mean no inducements: it must be checked
No advice (do-it-yourself)	nobody	0.2-0.5% a year, products only	time, method and one's own fallibility in the crises

TABLE 2 The service models compared

12.2 How to check an adviser, in three minutes

Three checks, all free and public. **One — the register**: the roll kept by the OCF distinguishes advisers authorised for off-premises offer (tied to an intermediary) from **autonomous** advisers and **advice firms**: looking up the name tells you in thirty seconds which model you are dealing with. **Two — the direct question**: "do you receive inducements on the products you are proposing to me?". It is a proper question, and the clarity of the answer is already half the information. **Three — the document**: before signing up to any service, there is a disclosure statement declaring the nature of the advice, the costs and the inducements; if it is not handed over spontaneously, ask for it.

The reverse holds too: **a good adviser in a bank exists**, and is worth more than a poor independent one. The model determines the incentives, not the quality of the people. What the model guarantees is where the conflict sits, not who is competent: knowing where the conflict sits lets you ask the right questions of anybody.

> IN PLAIN WORDS
>
> "Who pays the adviser?" is the question that sums up this guide. Not because whoever is paid by the products acts in bad faith — but because no professional, in any trade, is indifferent to who signs his pay. Knowing it does not make you suspicious: it makes you an informed client.

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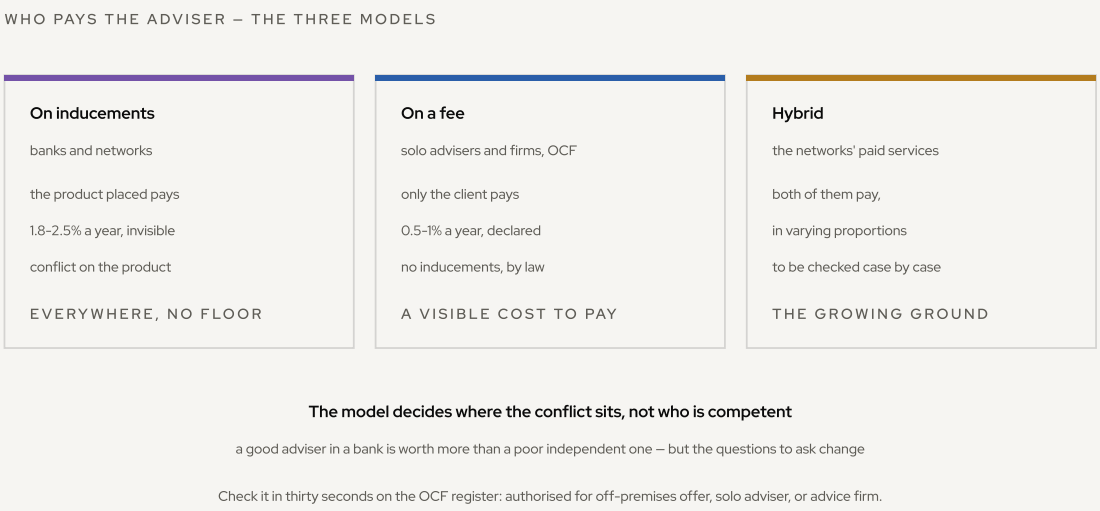

FIGURE 11 The three models of advice — MiFID II framework and the OCF register; indicative market costs

12.3 The author's declaration, and how to choose

As announced in chapter 1, the declaration that is owed: the writer practises in the **fee model** — independent advice, no inducements, payment from the client alone. This guide benefits from that, and it is right that the reader should know it while weighing what he has read. That is why chapter 9 also showed the uncomfortable number — what advice costs compared with do-it-yourself — and why chapter 10 listed the cases in which paying more is reasonable. A guide recommending its own model to everybody would be advertising; these pages try to be something else.

The criterion for choosing, to close. **Index do-it-yourself** is the best choice for whoever has method, time and stomach: it costs very little and it works, provided you do not betray yourself in the crises. The **inducement model** makes sense for small estates that want a point of contact and have no economical alternative — provided the cost is **known and negotiated**, not merely suffered. The **fee model** is worth it when the estate is large enough for the 0.5-1 per cent fee to cost less than the point and a half saved on the products, and above all when the estate has **complexity** — tax, property, a business, a succession — where the value of the advice far exceeds its price. None of the three is wrong in the absolute: what is wrong is choosing one without knowing which one you are choosing. And that is exactly what this guide was written against.

KEY TAKEAWAYS

- Three models: inducement-based (banks and networks, “free”, a high and invisible cost), fee-based (autonomous advisers and firms on the OCF register, no inducements by law, 0.5-1% typical), hybrid (to be judged case by case).
- A three-minute check: the OCF register (autonomous or authorised for off-premises offer), the direct question about inducements, the pre-contract disclosure.
- The model determines where the conflict sits, not the quality of the people: a good adviser in a bank is worth more than a poor independent one.
- The author's declaration: he practises in the fee model — which is why the guide also shows the cost of advice (ch. 9) and the cases where paying more is right (ch. 10).
- The criterion: do-it-yourself for whoever has method and stomach; inducements for small estates, but with the cost known and negotiated; a fee when the estate is large enough and complex.

The costs given here are orders of magnitude: the real ones are in the documents of your own products.

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13 The words **of cost.**

The words of cost, in alphabetical order and in plain English — from the bid-ask spread to inducements, from the KID to value for money. Once they are learned, every report, every information sheet and every conversation at the bank becomes legible.

13.1 B–E

Bid-ask spread. The distance between the buying and the selling price: an implicit cost that on thin instruments exceeds the declared commission.

Class (of a fund). Different versions of the same fund with different costs: the "retail" class pays an inducement to the distributor, the "institutional" or clean share class does not — and can cost as much as a point less.

Costs and charges report. The annual MiFID account: service costs, product costs, inducements received, the total in euros and in per cent, the effect on the return. As a rule it arrives by the spring.

Custody charges. The fee some banks apply for holding securities on deposit: a fixed item, often negotiable, sometimes waived on request.

Entry charge. The commission withheld from the amount paid in before the money is invested: paid once, but it starts you below zero. On the better products today it is nil.

> IN PLAIN WORDS
>
> If only one entry were to remain, it is "recurring cost": the percentage taken from your wealth every year, for every year you stay invested. All the rest of this guide — and the difference between €361,000 and €487,000 in chapter 9 — is a corollary of that one line.

13.2 H–M

High water mark. The all-time high the fund must beat before it can charge new performance fees: the mechanism that prevents the same stretch of recovery being paid for twice.

Inducements. The technical name in MiFID language for what Italians call retrocessioni: they must be disclosed to the client and appear as an item in the annual report.

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KID. The document, at most three pages long, compulsory before subscription: it contains the table of costs and the annual impact on the return. To be asked for before the conversation, not at the signature.

Management fee. The main item within the TER: it pays the manager and, where an inducement exists, also whoever distributed the product.

MiFID II. The European directive on investment services in force since 2018: it requires cost disclosure both ex ante and ex post, and distinguishes independent from non-independent advice.

13.3 O–R

OCF. The body that keeps the register of financial advisers: it distinguishes those authorised for off-premises offer from autonomous advisers and advice firms. Freely consultable.

Ongoing charges. The name the TER takes in European documents: the sum of the annual costs of the product, taken every day from the value of the unit.

Performance fee. An additional charge on results above a target: always to be read together with the benchmark, the recovery mechanism and the period (ESMA guidelines, 2020).

Retail Investment Strategy. The European package on which political agreement was reached in December 2025: no ban on inducements, a tangible-benefit test, their cost shown separately, a value for money framework. Full application towards the end of the decade.

Retrocession. The part of the product's fee that flows back to whoever distributed it: the economic engine of "free" Italian advice.

13.4 T–V

TER. Total expense ratio: management plus depositary plus administrative expenses. It does not include the manager's dealing costs, nor performance fees.

Transaction costs. What is paid on buying and selling — commissions and spread: the manager's are not in the TER, and yours are in no prospectus at all.

Turnover. How much the manager — or the investor — moves the portfolio around: every round pays commissions and spread, and lives outside the declared items.

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Value for money. The European principle that a product must offer value proportionate to its cost: the lever on which the reform is betting to push out of the market whatever is dear for no reason.

KEY TAKEAWAYS

- The key words are few: recurring cost, TER, inducement, costs report, KID — learned once, every document becomes legible.
- When the glossary's answer is not enough, the authority is the product's KID, the annual report and a direct question to the intermediary.
- No glossary replaces the method of chapter 9: your own total cost, the final capital at twenty years with and without — and the question of what you receive in exchange.

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CLOSING NOTE

The number is **only the beginning.**

This guide ends here; the decisions do not. Costs are the only variable of the outcome you know in advance and can change today — and like every important lever it pays off only in the service of a plan: a portfolio suited to your objectives, held at the right price, with someone beside you who is worth what they cost.

If reading has raised questions about your own situation — how much you really pay, what you receive in exchange, whether the service model you have is the one that suits you — that is the signal that the most useful part of the work begins now. The first move requires nobody: retrieve your own costs report and read it.

If you then want a confidential conversation, without obligation, the contact details are on the last page.

Massimiliano Silla

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To be read, **before deciding.**

This guide has an exclusively educational and informative purpose. It constitutes neither investment advice, nor a personalised recommendation, nor a solicitation of public savings, nor an offer of financial instruments. Investment decisions should be taken only after an assessment of one's personal situation — objectives, time horizon, capacity to bear losses — where necessary with the assistance of a professional.

Invested capital is at risk. The value of any investment can fall as well as rise; past performance is no guide to future results. The costs quoted are **orders of magnitude** for the Italian market, useful for orientation: the actual costs of one's own investments are to be read in the documents of the individual products (KID and prospectuses) and in the annual costs and charges report supplied by one's own intermediary. The accumulation examples are mathematical projections at a constant return, not forecasts: they serve to isolate the effect of costs, not to estimate future results.

The data and rules cited are updated to September 2026, unless otherwise indicated. Legislation — tax legislation in particular — changes over time: before any decision it is worth checking that the picture described is still current. The data come from public sources believed to be reliable (legislative texts, Consob, ESMA, Agenzia delle Entrate, market practice), which are however not guaranteed.

No specific issuer or product is recommended in this guide; structures and clauses are described in generic form. The numerical examples are hypothetical and serve only to illustrate the mechanisms described. The photographs of the part pages come from Wikimedia Commons (CC0 licence; photographs by Jeremy Bishop, Igor Ovsyannykov and Aaron Burden).

Declaration of interest. The author practises as an independent financial adviser and is remunerated exclusively by his own clients, receiving no inducements from the products he recommends: this is one of the three service models described in chapter 12, which discusses their merits, costs and limits openly. The reader should bear it in mind when weighing the pages that precede.

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