

Forum:[Hack Forums](#)

Thread: [Advice on expected returns from Private investor](#)

Platinum_Points - March 2, 2021, 8:53 am

Hi Guys!

Google hasn't been as useful as i had hoped so thought i would try here! I am trying to work out how much you could earn from your own money if you had a private investor invest for you, not the ones where they get paid for commissions etc, thinking more the ones with a flat fee for there services like a Mazars of SJP.. Aka You'd be asked to pay 1/2% a year for investments for you. What i am trying to work out is how much they should be making you a year? So far i have come to the conclusion on a medium risk it is 5% and high risk is 7.5% over a 10-20 year period. Anyone else use a private investor and know over a 10 year period how much on average they made % a year, obviously some years it is down and sometimes it is up, but i wondered on a 10 year period how much you would expect. Just looking for a rough guide!

Thanks!

MartyMcFly - March 3, 2021, 8:44 am

The goal of any investment manager is to beat the returns of the overall market - so you essentially need to benchmark their performance against the S&P500 every year. A private investor is considered to be worth it if their return exceeds the performance of the S&P + their fee. So if the S&P returned 5% in a year then that advisor would need to return at least 5.5% for the year if their fee is 0.5%. Likewise, an advisor can still be good if they lose you money so long as they lose you less money than you would have lost had you just invested in the S&P.

I would recommend reading the book A Random Walk Down Wall Street. It is a classic and essential reading. The premise of the book is that it is very hard for advisors to beat the S&P in the long term once you consider their fees.

Platinum_Points - March 3, 2021, 11:17 pm

(Mar 3, 2021 09:44 AM)MartyMcFly Wrote: [\[CITE\]](#) The goal of any investment manager is to beat the returns of the overall market - so you essentially need to benchmark their performance against the S&P500 every year. A private investor is considered to be worth it if their return exceeds the performance of the S&P + their fee. So if the S&P returned 5% in a year then that advisor would need to return at least 5.5% for the year if their fee is 0.5%. Likewise, an advisor can still be good if they lose you money so long as they lose you less money than you would have lost had you just invested in the S&P.

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Thanks Marty thats a great insight! Sadly i dont know enough about the stock market to invest myself with large amounts and therefore is why i am looking at a private investor, i also want to go with this option to leave all the work to them and happy to pay there fee for this. The figure 5/5.5% was the figure i have seen a lot floating round so seems a good benchmark!

Originally i was hoping it would be more the 8% range, but maybe that was more bullish!

Fees plus inflation results in around 2/3% so you're actually only making 2% a year doesn't seem great :-/!

Will give the book a read!

MartyMcFly - March 4, 2021, 7:57 am

(Mar 4, 2021 12:17 AM)Platinum_Points Wrote: [\[CITE\]](#) Thanks Marty that's a great insight! Sadly I don't know enough about the stock market to invest myself with large amounts and therefore is why I am looking at a private investor, I also want to go with this option to leave all the work to them and happy to pay their fee for this. The figure 5/5.5% was the figure I have seen a lot floating around so seems a good benchmark!

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Will give the book a read!

The 5% was just an example - the stock market has returned a lot more in recent years :) My recommendation is that you look into Index Investing. Read up on it - you can get much better returns doing that than most private investors and it is no work / thought for you.

You may also consider using a service like Betterment or Wealthfront - it's essentially an AI that does the investing for you.

Her Goblin - March 4, 2021, 8:17 am

(Mar 2, 2021 09:53 AM)Platinum_Points Wrote: [\[CITE\]](#) Hi Guys!

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Thanks!

I personally manage all my own investments, however, if I were to trust someone else to make money with my money, I would pay them proportionate to how much money they make me, and would shy away from a flat rate fee.

Reason being, that if the money manager has an incentive of making more money depending on how much money he makes you, he will work harder to make you as much as possible in return.

If the money manager is just making flat fee, there's nothing stopping him really from just throwing your money in the S&P or anything else for that matter (which you could do by yourself with zero braincells), and collecting his fee from you regardless.

Just IMO. If there's more money to be made on the table, most people will work harder.

Ivex - March 5, 2021, 6:03 am

You don't need to know a lot about the markets to invest yourself. If you invest into a few index

funds: S&P 500, FTSE 100, an emerging markets ETF, a real estate REIT and maybe some gold, you can just put money into there each month knowing you're low risk and likely to get steady returns.