THE CALCULATION OF TIERED FEES

When you use tiered rates, the portfolio management fee is calculated by applying different rates to different portions of the portfolio.

In this document, we will show you the calculation of each tier in the example shown on the right, based on a tiered rate schedule with five breakpoints. In this example, the portfolio value is large enough to meet all five break points.

This document shows you the calculation of tiered fees when using a rate schedule for billing. See the Billing Scenarios list on our website for more information and instructions for creating these billing scenarios.

Also, for more information about setting up the billing statement to include this section, see Anatomy of a Billing Form – Total Portfolio.

1 First, determine the amounts charged in each breakpoint. This is shown on the billing statement after the portfolio value range.

In this step, we are using the values circled in the image on the right.

2 For the first break point, multiply the range amount – in this case $250,000.00 – by the applicable rate – in this case .25%:

\[ \$250,000 \times 0.0025 = \$625.00 \]

3 Next, multiply the second range amount – in this case $500,000 – by its applicable rate – in this case .23%:

\[ \$500,000 \times 0.0023 = \$1,150.00 \]

4 Multiply the third range amount – in this case $750,000 – by its applicable rate – in this case .21%:

\[ \$750,000 \times 0.0021 = \$1,575.00 \]

5 Multiply the fourth range amount – in this case $1,250,000.00 – by its applicable rate – in this case .19%:

\[ \$2,500,000 \times 0.0019 = \$4,750.00 \]

6 Multiply the last range amount – in this case the remaining $2,172,838.73 – by its applicable rate – in this case .17%:

\[ \$172,838.73 \times 0.0017 = \$293.05 \]

7 Add the fees from all calculated tiers:

\[ \$625.00 + \$1,150.00 + \$1,575.00 + \$4,750.00 + \$293.05 = \$8393.05 \]
Tip
Remember that additional adjustments can be applied to the fee, such as adjustments for capital flows, discounts, service/sales tax, etc.