Twitter Thread by Abhishek



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Drip, Drip, Drip

On stuff that's out of sight, out of mind.https://t.co/K4IpxTAIeY

— Morgan Housel (@morganhousel) December 5, 2018

@passivefool

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TWEET

There's a lot of stuff that works like this.

Fidelity Investments has 27 million customers and does $18.2 billion in revenue per year. So the average Fidelity investor is paying $675 a year in fees. But almost none receive a bill or write a check. Auto-deducted fees are out of sight, out of mind. A retiree with $1M in mutual funds may be paying $10,000 a year, easily one of their biggest household expenses. Virtually all funds work like this. It's not for bad intentions; it's the cleanest, easiest, payment structure. But you can imagine the fireworks that would come from getting a bill in the mail from your fund manager during an underperforming year and having to write out a check. It would be pitchforks and torches.

Opportunity costs are also always out of sight, out of mind. Imagine if every