

ETFs vs. Mutual Funds

Two of the major investment options for investors today are mutual funds and ETFs. Understanding the differences (and similarities) between them can be helpful in deciding how to invest.



	Exchange-Traded Funds (ETFs)	Mutual Funds
Diversification	<ul style="list-style-type: none"> With more than 1,700 different ETFs in the US alone, investors have many options, from ETFs representing broad market indexes to those focused on specific market niches, currencies, or commodities. 	<ul style="list-style-type: none"> Investors have the choice of almost 10,000 professionally-managed mutual funds, most of which target broad market or style categories.
Valuation	<ul style="list-style-type: none"> Intraday NAV (iNAV) is updated every 15 seconds based on last available price of individual index components. 	<ul style="list-style-type: none"> Net asset value (NAV) is calculated once a day at market close (4pm ET).
Pricing	<ul style="list-style-type: none"> ETF Share prices are determined by market forces (through the bid-ask spread). Shares may trade at premiums or discounts to iNAV. Like stocks, ETFs are priced throughout the trading day. 	<ul style="list-style-type: none"> Funds are priced--once--at the end of the day. Investors buy and sell shares at previous market day's NAV (no bid-ask spread).
Taxes	<ul style="list-style-type: none"> ETFs typically generate fewer taxable events for shareholders due to their lower turnover. Dividends and capital gains are usually reinvested rather than returned to shareholders as taxable events. Investors trade shares on secondary market, so there are typically no forced redemptions. 	<ul style="list-style-type: none"> More frequent turnover of holdings and dividend payouts may result in capital gains and higher tax liabilities. In the event of redemptions, mutual fund may need to sell underlying stocks, resulting in capital gains.
Transparency	<ul style="list-style-type: none"> ETFs must disclose all holdings daily, as well as market performance, iNAV, volatility, expense ratios and other metrics. 	<ul style="list-style-type: none"> Mutual funds may only publish a full list of holdings on a monthly, quarterly, or annual basis (with a lag).
Expenses	<ul style="list-style-type: none"> ETFs may offer lower expense ratios Frequent trading may result in higher transaction costs. Investors may need to pay brokerage commissions, but they are typically no more than about \$20. 	<ul style="list-style-type: none"> Mutual funds may have higher expense ratios, due to administrative and overhead costs (often ranging from 0.50% to 1.00%). Frequent trading may result in higher transaction costs. Investors may need to pay load costs (unless buying no-load funds).

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Exchange-traded funds tend to distribute fewer capital gains than traditional open-end mutual funds due to the in-kind redemption process, which allows the ETF to swap out low cost-basis securities. Be advised that this process defers taxes, but does not eliminate them. Investors will owe capital gains taxes on gains made in their own ETF shares. ETFs do not sell individual shares directly to investors and only issue their shares in large blocks. Exchange traded funds are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. ETF shares are bought and sold at market price (not NAV) and are not individually redeemed from the fund.

An investor should consider investment objectives, risks, charges and expenses before investing. To obtain a prospectus, which contains this and other information, please contact your advisor or visit the fund website. Please read the prospectus carefully before investing.