

Breaking down

Retirement plan fees and expenses

Your employer’s retirement plan is a great way to save for tomorrow.

The retirement plan offers valuable tax advantages, as well as access to a wide selection of investment options. Of course, to cover the costs of running the plan, the service provider has to charge certain fees. You should understand these fees so you can see how they can impact your retirement savings.

What are you paying for?

There are three types of expenses and fees associated with retirement plans:

- 1 **Investment management expenses** — cover the costs of offering and managing the plan’s investments.
- 2 **Plan administrative fees** — pay for the day-to-day administrative services and recordkeeping of the plan.
- 3 **Participant transaction fees** — pay for individual transactions or services.

Here’s a closer look

Investment management expenses

Most investment options in your organization’s retirement plan charge you a percentage of your investment to cover investment management costs. This expense will automatically be taken from your investment option’s overall return, and a portion of it may be used toward the plan’s administrative fees.

What’s this mean?

Let’s say you have \$1,000 invested in an investment option. The investment expense ratio of this option is 0.5 percent, and its actual investment performance is 5.5 percent. See the detailed example below.

Example – Investment Expense	Percentage return	Dollar amount
Initial contribution		\$ 1,000.00
Actual investment performance	5.5%	\$ 55.00
Minus investment expense	-0.5%	-\$ 5.00
Total amount after investment performance and fees	5.0%	\$ 1,050.00

For illustrative purposes only.

Plan administrative fees

Along with investment management expenses, there are several daily services available for your account. So when the plan charges you administration expenses, these are the kind of services you’re paying for:

- Setting up and tracking participant retirement accounts
- Daily updates to account balances
- Printing, mailing and online access to plan statements
- Telephone and online account access

Your plan fiduciary (typically the plan sponsor) will decide to collect administrative fees using a number of options:

- Paid from the investment expense
- Deducted as a percentage from investment earnings
- Deducted as a dollar amount from your account
- Billed directly to your employer
- Any combination of the above

Again, let's use the example of \$1,000 invested in an investment option. This time, a plan administrative fee of 0.1 percent is applied.

Example – Percentage of Investment Earnings	Percentage return	Dollar amount
Initial contribution		\$ 1,000.00
Actual investment performance after investment expense	5.0%	\$ 50.00
Minus plan administrative fees	-0.1%	-\$ 1.00
Total amount after investment performance and fees	4.9%	\$ 1,049.00

For illustrative purposes only.

Does your employer match your contributions?

If so, that's great! Check out how administrative fees affect your account. Let's assume your employer matches 4 percent to your 8 percent salary contribution with a plan administrative fee of 0.1 percent.

Example – Percentage of Investment Earnings		
Participant initial contribution (8% of salary)		\$ 1,000.00
Employer matching contribution (4% of salary)		\$ 500.00
Total initial contribution		\$ 1,500.00
Actual investment performance after investment expense (5.0%)		\$ 75.00
Plan administrative fees (0.1%)		-\$ 1.50
Total amount after investment performance and fees		\$ 1,573.50

For illustrative purposes only.

This means your employer added \$573.50 to your \$1,000 contribution. Nice!

Participation transaction fees

Your employer's retirement plan may charge fees for individual transactions. These fees may be deducted directly from the accounts involved in the transaction.



Questions?

Give us a call at **800.547.7754**. We'll be happy to explain any expenses and fees in more detail.



This piece is not a comprehensive list of retirement plan fees. A retirement plan may charge fees for other types of services, such as plan loan, early withdrawal and redemption fees. Examples provided are hypothetical and for illustrative purposes only and are not indicative of the performance of any specific investment. The investment return and principal value of an investment will vary. Past performance is no guarantee of future results. Investments are subject to market risk and fluctuate in value.

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