

GET (K)ONNECTED 403(B) PLAN NEWSLETTER



ARE YOU SAVVY ABOUT THE SHARE CLASSES IN YOUR PLAN?

What's the difference between the American Funds Growth Fund of America R5 (RGAFX) and the American Funds Growth Fund of America R1 (RGAAX)? On one level - absolutely nothing. Both funds are based on the exact same pool of investments. They have the same manager, the same holdings, and the same investment objectives. The **gross** investment return for each fund is identical.

How then do they differ? These funds represent different share classes of the same fund. Each share class has its own expense structure represented by the fund's expense ratio. In this case, the expense ratio for the R5 share class is .38% while the expense ratio for the R1 share class is 1.45%. Because the R1 share class has higher expenses, its **net** investment return is more than 1% lower.

Why are the expenses for one share class so much higher than the other? The management fees for both funds are identical because they are managed identically. The difference lies with the amount of "revenue sharing" payments paid by the mutual fund company to other plan providers. The R5 share class is cheaper because there are no revenue sharing payments embedded in the fund's expense ratio, whereas there are in the R1 share class.

Who receives the revenue sharing payments? Typically, 12-b1s are paid to your broker or financial advisor for assistance in the selection and monitoring of plan investments (and potentially other services like plan design, participant education and enrollment meetings). SSFs and Sub-TAs are typically paid to the recordkeeper for keeping track of share ownership at the plan and participant account level.

ALTHOUGH THESE
EXPENSES DO NOT
SHOW UP AS A LINE
ITEM ON AN ACCOUNT
STATEMENT, THEY ARE
VERY REAL

The bottom line? Share classes matter. The higher the operating expense, the lower the return. Although these expenses typically do not show up as a line item on a statement, they are very real. If you have a 403(b) plan or are considering one, be sure to consider the share class as you evaluate the cost of your plan. If your investment menu includes funds with large 12b-1 payments, be sure you know who is receiving these payments and what services they are providing. Further,

be sure that the compensation structure of your financial adviser does not create a conflict of interest. Many professionals have pointed out that 12b-1 payments create, at a minimum, the appearance of a conflict of interest. Because all fund families do not offer share classes with 12b-1 payments, the selection of funds for your plan may be based on criteria other than what's best for the plan or plan participants.

CHECK OUT OUR SHARE CLASSES!

Don't pay too much! As an adopting employer of our pooled employer plan, you will have access to share classes chosen to minimize fund expense and maximize participant returns. If your current plan includes high-cost share classes, it is likely because your providers are being paid through revenue sharing payments or because your plan is too small to qualify for less expensive share classes. In our plan, plan providers are not paid through revenue sharing payments. This means that funds can be selected with only a single objective in mind - what is best for plan participants. Further, the Plan can leverage its size to access share classes not available to smaller plans. This means that your participants will earn more and pay less.

When it comes to different share classes of the same fund, cheaper is always better.

If you would like more information about joining a pooled employer plan, contact us today! We will arrange a plan consultation with a retirement specialist to help you determine if joining a pooled employer plan is the right move for your company.

Name of the Company: _____

Form of Entity (check one):

Corporation

S Corporation

Non-Profit/Tax-Exempt

Sole Proprietorship

LLC

LLP

Partnership

Other

Business Product or Service: _____

Company Address: _____ City: _____ State: _____ Zip: _____

Company Phone: _____ Fax: _____

Company Contact: _____

Name: _____ Title: _____

Email: _____ Phone: _____

Alternative Contact: _____

Name: _____ Title: _____

Email: _____ Phone: _____

Return this form to:

Mark Rubinstein, Retirement Plan Sales Contact

Americas 403b PEP

Email: mrubinstein@inclinepension.com

adoptersales@ameritas.com

