

Understanding Plan Fees



Participants in retirement plans incur certain fees as they save for their future.

Plan sponsors need to decide whether the fees charged are fair for the services received, which can be hard to determine without knowing exactly what the plan is paying for. Since fees affect participant savings, review them closely.

All companies or individuals assisting with your plan receive compensation for their work. This includes advisors, recordkeepers, administrators, custodians and others. Begin by reviewing your service agreements to understand how each provider is compensated.

Common plan fees may include::

- Annual administration fees
- A per-account fee and/or an asset fee, typically stated as a percentage of assets.
- Plan document services or plan consulting services.

It's easier to review and compare fees when they're clearly listed in service agreements. Still, some payments aren't always easy to spot.

In some cases, service providers are compensated through revenue-sharing arrangements tied to the plan's investment options. These payments can include 12b-1 fees, sub-transfer agency fees, shareholder service fees and finder fees.

Mutual fund companies may compensate providers for performing administrative or recordkeeping functions. Additional payments may be directed to broker-dealers, who in turn compensate the advisors involved in the plan.

Such payments are common and constitute part of a fund's operating costs. Over time, these expenses can affect participant earnings.

Plan sponsors should ask providers how they get paid and if revenue sharing is involved. It's important to verify that the payment matches the value provided.

Service providers deserve to be paid for their work. The important thing is to know how they are paid and make sure the payment matches the services they provide.



Fee Transparency

Fees should be transparent, straightforward and easy to communicate.

When all plan costs are disclosed transparently, sponsors can more effectively review and communicate them to employees. Clear disclosure of fees also empowers participants to make informed decisions about their savings.

This includes:

- Selecting investment options with attention to managing overall expenses.
- Utilizing share classes appropriate to the plan.
- Applying any available revenue sharing to offset plan or participant costs.
- Maintaining clear agreements with all service providers.

When fees are displayed transparently in enrollment materials and statements, employees gain a clearer understanding of their plan and its role in achieving their long-term goals.

Considering a Pooled Plan

For employers evaluating options, a pooled plan can provide a coordinated approach to managing administration, service and pricing.

Taking the time to review the fee structure of any plan supports informed decision-making.

Join our retirement plan today

Reach out to a retirement specialist to explore your options and find the right plan for your organization. Take action now to secure the right fit for your needs.

For more information, call 800-923-2732 or visit myplanconnection.com.