

Mutual Fund Expense Ratios in 401(k) Plans Continued to Decline in 2017

Mutual Fund Expense Ratios in 401(k) Plans Continued to Decline in 2017

Washington, DC; June 19, 2018—The cost of investing in mutual funds through 401(k) plans fell again in 2017, according to “The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2017,” a research paper released today by the Investment Company Institute (ICI). The report also shows that participants who invest in mutual funds in their 401(k) plans tend to hold lower-cost funds.

Mutual Fund Expense Ratios in 401(k) Plans Have Declined Substantially Since 2000

Mutual funds represented 67 percent of the \$5.3 trillion in 401(k) plan assets at year-end 2017. The average expense ratios that 401(k) plan participants incurred for investing in equity, hybrid, and bond mutual funds each fell in 2017, continuing a long downward trend since 2000. For equity mutual funds, 401(k) plan participants incurred an average expense ratio of 0.45 percent in 2017, compared with 0.48 percent in 2016 and 0.77 percent in 2000. The average expense ratio that 401(k) plan participants incurred for investing in hybrid mutual funds fell to 0.51 percent in 2017, from 0.53 percent in 2016 and 0.72 percent in 2000. The average expense ratio that 401(k) plan participants incurred for investing in bond mutual funds fell to 0.33 percent in 2017, from 0.35 percent in 2016 and 0.61 percent in 2000.

“The continuing decline in mutual fund fees in 401(k) plans demonstrates a vibrant, competitive marketplace driven by plan sponsor and investor awareness and demand for lower-cost funds,” said Sarah Holden, ICI’s senior director of retirement and investor research. “Since mutual funds represent two-thirds of assets held in 401(k) plans, this downward trajectory greatly benefits retirement savers as 401(k) plans have grown in popularity as an attractive benefit for employers to offer their workers.”

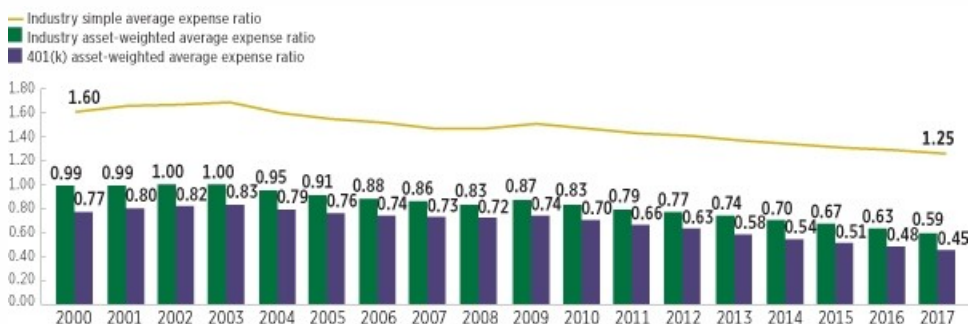
401(k) Mutual Fund Assets Are Concentrated in Lower-Cost Funds

In 2017, 401(k) plan participants incurred an asset-weighted average expense ratio of 0.45 percent for equity mutual funds, which was less than the industrywide asset-weighted average expense ratio of 0.59 percent. Further, this was less than half the industrywide simple average of 1.25 percent for all equity mutual funds offered in the United States in 2017.

ICI uses asset-weighted averages to measure the expense ratios that mutual fund investors actually incur for investing in mutual funds. The simple average expense ratio, which measures the average expense ratio of all funds offered for sale, can overstate what investors actually paid because it fails to reflect the fact that investors tend to concentrate their holdings in lower-cost funds.

401(k) Equity Mutual Fund Investors Tend to Pay Lower-Than-Average Expense Ratios

Percent, 2000–2017



Note: Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute, Lipper, and Morningstar

For related research on fund fees, see [“Trends in the Expenses and Fees of Funds, 2017,”](#) which reports industry trends. For additional information about 401(k) plan fees, see [The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401\(k\) Plans, 2015](#). For more information on 401(k) plans, please visit our [401\(k\) Resource Center](#).

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.