

401(k) Plan Participants Paid Less in 2014 to Invest in Mutual Funds Than in 2013

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Washington, DC, August 19, 2015—401(k) plan participants' cost of investing in long-term mutual funds (equity, hybrid, and bond funds) was less in 2014 than in 2013, consistent with the pronounced downward trend since 2000, according to an annual research report that the Investment Company Institute (ICI) released today. In addition, the study confirmed prior ICI research showing that participants who invest in mutual funds in their 401(k) plans tend to hold lower-cost funds.

According to the report, "[The Economics of Providing 401\(k\) Plans: Services, Fees, and Expenses, 2014](#)," 401(k) participants paid an average expense ratio of 0.54 percent of assets for equity mutual funds—the most common type of mutual funds in 401(k) plans—down from 0.58 percent in 2013. That's less than half of the average expense ratio of 1.33 percent for all equity funds offered in the United States in 2014. The difference reflects the fact that 401(k) participants tend to concentrate their assets into lower-cost mutual funds.

"The data underscore the significant trend of declining mutual fund fees in 401(k) plans since 2000," said Sean Collins, ICI's senior director of industry and financial analysis. "In this competitive market, funds are striving to provide not only better services, but also lower prices, to the benefit of mutual fund investors saving for retirement in 401(k) plans."

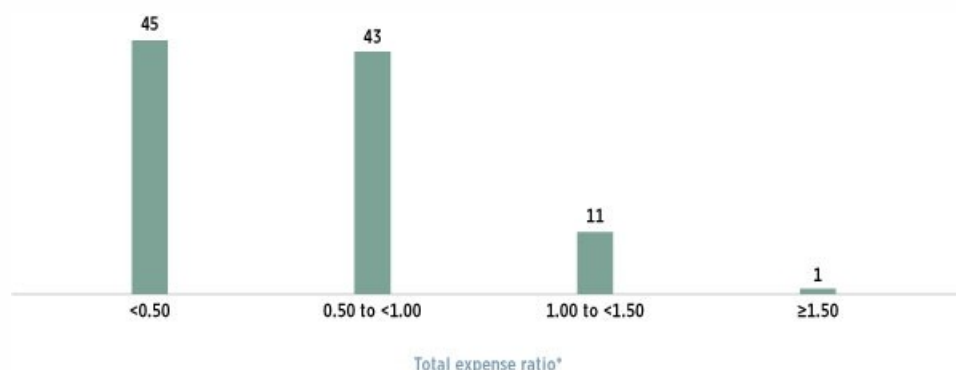
Long-Term Downward Trend of Fund Fees Paid by 401(k) Participants Continues

Since 2000, the average expense ratio paid by 401(k) participants for equity mutual funds has fallen by 30 percent, from 0.77 percent of assets in 2000 to 0.54 percent in 2014. The fees that 401(k) plan participants paid for hybrid and bond mutual fund investments also fell from 2000 to 2014, by 24 percent and 28 percent, respectively. From 2013 to 2014, hybrid fund expenses fell from 0.57 percent to 0.55 percent, while the expense ratio for bond mutual funds in 401(k) plans dropped from 0.48 percent to 0.43 percent.

At year-end 2014, 88 percent of 401(k) plan equity fund assets were invested in mutual funds with expense ratios of less than 1.00 percent, and 45 percent of such assets were invested in equity funds with expense ratios of less than 0.50 percent.

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

Percentage of 401(k) equity mutual fund assets, 2014



*The total expense ratio includes fund operating expenses and the 12b-1 fee.

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

Sources: Investment Company Institute and Lipper

Regulatory Requirements Impose Costs on 401(k) Plans

The report explains that regulatory and other requirements of offering a 401(k) plan impose costs on participants in addition to the costs of investing in mutual funds and other products offered in the plan. Employers are fiduciaries to the participants in their plan and thus are obligated to ensure the reasonableness of costs that participants pay for plan services. Employers and plan participants generally share the costs of operating 401(k) plans.

For related research on mutual fund fees, see [“Mutual Fund Expenses and Fees”](#) in the 2015 Investment Company Fact Book, which reports industry trends. For additional information about 401(k) plan fees, see [Inside the Structure of Defined Contribution/401\(k\) Plan Fees, 2013](#) and [The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401\(k\) Plans](#). For more information on 401(k) plans, please visit our [401\(k\) Resource Center](#).