

# RETIREMENT PLAN .. COST .. GUIDE



FISHER INVESTMENTS®  
401(k) SOLUTIONS



# Calculating Your 401(k) Plan's True Costs

How to Know if You're Overpaying  
for Your Company's 401(k) Plan

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## INTRODUCTION

# Getting the Best Deal for Your 401(k)

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As an employer offering a 401(k), you're helping your employees prepare for the future. You're also making a lot of decisions. From service providers to investment options—each decision carries real responsibility.

For instance, you have a fiduciary responsibility to make sure your plan's fees are reasonable for the services you receive in return. (Some plan sponsors have been sued by employees for not making sure of that.) At the end of the day, you want to ensure you and your employees aren't overpaying for your plan.

But how can you tell if you're getting a good deal for your 401(k) plan? Calculating your plan cost is the best way to make sure. It can also help you determine if your plan includes revenue sharing—a common practice that lacks transparency and creates conflicts of interest.

## Step-by step process to estimate your fees:

### Step 1:

Understand fee types

### Step 2:

Identify if your providers are revenue sharing

### Step 3:

Collect plan documents

### Step 4:

Identify fees in plan documents

### Step 5:

Enter fees into fee estimator

### Step 6:

Benchmark your plan

# 401(k) Fees—What Exactly Are You Paying For?



One of the things that makes understanding 401(k) costs difficult is the variety of fees you pay and the number of service providers collecting those fees.

Fees typically fall into four categories:

- **Investment Fees**
- **Administrative Fees**
- **Advisory Fees**
- **Ancillary Fees**

## Investment Fees

Also called “Fund Fees,” these are associated with investments within a plan. These fees are typically deducted directly from plan assets and help cover management, marketing, and distribution of different funds employees invest in.

## Administrative Fees

These fees are paid to a recordkeeper and/or a third-party administrator (TPA) for the day-to-day operation of a 401(k) plan. The recordkeeper provides investment access, transaction activity, and reporting for the plan sponsor and participants. The plan administrator or TPA provides plan document management, tax form preparation, compliance testing, loans and distributions, and disclosures. For many plans, these services are “bundled” and performed by the same provider.

## Advisory Fees

These fees are charged by a broker, investment manager, financial advisor, or plan consultant to cover your 401(k) plan’s fund lineup management, investment advice, fiduciary support, employee education and enrollment, and plan design consulting.

## Ancillary Fees

These fees cover services such as annual audits or legal counsel to help you understand how the Employee Retirement Income Security Act (ERISA) impacts your company and how you can remain in compliance with laws and regulations. These fees may not apply to all plans.



**95% of plan fees are paid by employees.\***

	Investment Fees	Administration Fees	Advisory Fees	Ancillary Fees
Who are you paying?	Service providers to the fund, including investment managers and administrators	Recordkeeper and/or TPA	Investment Adviser	Auditor ERISA Counsel Others
What are you paying for?	Managing the funds, including investment management fees	Day-to-day management of a plan	Services provided by a plan advisor	Annual audit, ERISA counsel, etc.
How is it calculated?	Percentage of the assets invested in the specific fund	Base fee + per participant fee; sometimes as asset-based fee	Percentage of assets	Varies
Who typically pays?	Employees: fees are deducted from the funds in which employees are invested	Employees: fees are deducted from plan assets	Employees: fees are deducted from plan assets	Employer

\*Source: 401(k) Advisors, Inc.

## Revenue Sharing: Why It's Hard To Know What You're Really Paying

Tracking all of those different service providers and the fees they charge is tricky enough. Unfortunately, many providers also participate in a practice known as revenue sharing that can make 401(k) costs all the more confusing and complex – not to mention expensive.

**So, what is revenue sharing?** It's when a recordkeeper, third-party administrator, or advisor receives kickbacks, incentives, or commissions from each other or from the funds in your 401(k) plan. This means not only are those service providers charging you directly, they're also getting indirect payments you may not know about. Many service providers pad their profits using these tactics, which really only benefit them—not you.

### Revenue Sharing Model



**Why is revenue sharing a problem?** First and foremost, it can make you think you're paying less than you actually are—and that's never good. Not only can revenue sharing make it difficult to know what employees are truly paying for each service, it also creates conflicts of interest. For example, is your advisor including funds in your plan because they're the right fit for your employees or because the advisor is getting a cut of the fund fees? These indirect payments could cost you and your employees more than you think, both now and in the future.

#### Did you know?

**OVER  
50%**



of 401(k) plans include revenue sharing\*

\*Based on actual 401(k) plan data collected by Fisher Investment Fee Analysis Team 2021.



### Did you know?



On average, revenue sharing accounts for ~39% of all-in plan fees\*

\*Based on actual 401(k) plan data collected by Fisher Investment Fee Analysis Team 2021.

**How can I tell if my advisor is revenue sharing?** This can be difficult to identify because revenue sharing payments can be included within other provider's statements. For example, advisor commissions can be included in fund costs as 12b-1, Sub TA, commissions and revenue sharing fees. One way to determine if revenue sharing is occurring is to have an independent third-party (like Fisher) review the plan. Contact us at 844-238-1247 or by filling out a request [here](#) to request a complimentary fee analysis.

**How do I avoid problematic revenue sharing?** The simplest way is to partner with a fee-only retirement advisor who acts as an ERISA 3(38) fiduciary—someone legally required to make decisions in the best interest of participants. Look for services and solutions that put your interests first, with a clear fee structure that avoids opaque commissions or fees. For example, Fisher Investments not only assumes the primary fiduciary liability for your investments, but we also have a cost structure that is transparent, up-front and easy to understand.

	Non-Fiduciary	3(21) Co-Fiduciary	3(38) Investment Manager
Obligated to make decisions in your best interest	No	Yes	Yes
Responsible for Investment Recommendations	None	Yes	Yes
Makes Investment Decisions	No	No	Yes
Participates in Revenue Sharing	Very common	Sometimes	Rarely
Full 3(38) Investment Manager Coverage	No	No	Yes

## How To Find What You're Paying

To calculate the total cost of your plan, you'll need to round up a few documents to discover what fees you're paying, how much you're paying for each, and who you're paying:

### Fee Documents



- 408(b)(2) Plan Fee Disclosure
- Service Provider or Third-Party Administrator (TPA) Invoices
- Plan Asset Statement
- 404(a)(5) Participant Fee Disclosure

Some of these documents can look very different from plan to plan. If you're having trouble finding them, ask your recordkeeper or service provider to share the most recent copy with you, then check the chart below to see what fees are disclosed on each form.

	Fee Documents			
Document Name	408(b)(2)	404(a)(5)	Plan Asset Statement	TPA Invoices
What it is	Plan Fee Disclosure	Participant Fee Disclosure	Accounting of the total plan assets in each fund	Invoices accounting for fees from ancillary services
Fees Shown	Fees paid at the plan level: Recordkeeping fees, Administration fees, Advisory fees, Investment fees	Fees paid at the individual participant level: fund fees, certain ancillary fees	Fund fees	Fees that are direct billed to the Plan Sponsor, typically administration fees and/or ancillary fees
Where to Find It	Provided annually Available on demand on plan website	Provided annually Available on demand on plan website	Provided quarterly Available on demand on plan website	Distributed by provider(s) as needed
Who Provides it	Recordkeeper	Recordkeeper	Recordkeeper	TPA, Auditor, or other ancillary providers



## Feeling overwhelmed?

You're not alone. Make sense of how much you're paying by contacting a Fisher Small Business Specialist for a free fee analysis at 844-238-1247 or [www.fisherinvestments.com/en-us/business-401k-services](http://www.fisherinvestments.com/en-us/business-401k-services).

## Navigating Your Documents

The following sections outline what these documents are and how to find the fees in each.

### The 408(b)(2) Plan Fee Disclosure

The 408(b)(2) fee disclosure document lists the providers serving a plan and states who's being paid from the 401(k) plan assets, how much, and under what circumstances.

This typically means fund fees

This can include ancillary fees and sometimes advisor fees

Service	Annual Fee (\$)	Annual Fee as Percentage of Assets (%)
Recordkeeping	\$11,400	0.57%
Administration	\$1,400	0.07%
Investment Provider	\$9,600	0.48%
Other	\$7,400	0.37%
<b>Total</b>	<b>\$29,800</b>	<b>1.49%</b>

### Third-Party Administrator Invoice

This is the invoice(s) from the provider you've hired to administer your 401(k) plan. This document is only applicable if the third party-administrator (TPA) sends you a direct invoice for payment. If they don't provide an invoice, they likely deduct their fees from plan assets, which means their fees will be included on the 408(b)(2).

## INVOICE

Jan 1–March 30

ABC Third Party Administrator

Invoice to XYZ Company 401(k) Plan

Item	Description	Amount
401(K) Plan Administration	Quarterly Fee	\$350

This is a quarterly invoice.  
The annual fee is **\$1,400**



**Pro Tip:** Invoices often reflect a quarterly fee instead of an annualized fee. If the fee is shown as quarterly, be sure to convert it to an annual fee for your calculation.

## Plan Asset Statement

This document outlines the amount of assets your company's 401(k) plan has in each fund.

Fund Name	Assets	Average Annual Return As of MM/DD/YYYY		Annual Fund Operating Expense			
		1 Year	5 Years	Net Expense Ratio	Gross Expense Ratio	12-b-1 Fees	Sub-TA Fee
Fund 1	\$200,000	X%	X%	0.35%	0.45%	0	0.10%
Fund 2	\$200,000	X%	X%	0.48%	0.56%	0.05%	0.10%
Fund 3	\$200,000	X%	X%	0.61%	0.65%	0.15%	0.10%
Fund 4	\$200,000	X%	X%	0.30%	0.40%	0	0.10%
Fund 5	\$200,000	X%	X%	0.66%	0.67%	0.22%	0.10%
Average Weighted Expense Ratio				0.48%			

To calculate the total fund fees in the plan, take the weighted Net Expense Ratio for each fund and total them up. This is done by multiplying each Fund's weighting (assets in the fund divided by total plan assets) by the Fund's Net Expense Ratio, then adding them together.

These fund fee types often indicate revenue sharing

## The 404(a)(5) Participant Fee Disclosure

The 404(a)(5) fee disclosure document lists any fees paid at the participant level. Below is an example of a fee that you might find in a 404(a)(5) participant disclosure.

Asset Value	Account Fee
0-\$100,000	30bps
\$100,001-\$500,000	25bps
\$500,001-\$1,000,000	20bps
\$1,000,001-\$5,000,000	15bps

Sometimes there are additional fees shown on the participant fee disclosures.



**Pro Tip:** Revenue sharing often shows up in the investment fees section of the Plan Asset Statement or 408(b)(2) fee disclosure. Terms like '12-b-1 fees', 'Sub-TA fees', and 'commissions' can be a clue that revenue sharing is taking place within your plan.

## Calculating a Rough Estimate

Now that you've pulled together all of the available plan information, you can calculate a rough estimate of the total fees you're paying and begin to get a picture of the real costs of your 401(k) plan.



### Need help?

Time deprived or haven't found the documents you need? Fisher will conduct a fee analysis for you free of charge. Contact a Fisher Small Business Specialist at 844-238-1247 or [www.fisherinvestments.com/en-us/business-401k-services](http://www.fisherinvestments.com/en-us/business-401k-services)

**Use this quick reference to locate the specific fee information you need for this calculation:**

Information you need	Where to find it	Your amount*
Number of plan participants	The 408(b)(2) fee disclosure	
Recordkeeping fee	The 408(b)(2) fee disclosure	
Fund fees (Average expense ratio)	The 408(b)(2) fee disclosure	
Advisory fee	The 408(b)(2) fee disclosure or plan advisor invoice	
Administrator fee	TPA invoice(s)	
Amount of total plan assets	Plan asset statement	
Participant fees	The 404(a)(5) fee disclosure	

\*Make note here of fees as both a percentage (%) and dollar amount (\$) for purposes of calculation

Some of these fees are expressed as percentages; some are expressed as a dollar amount; others are a combination of both percentage and dollar amount. Be sure to document them all.

## Now you're ready to input your numbers into the Plan Fee Estimator.

Download the retirement plan cost estimator template to calculate the estimated true cost of your plan.

[DOWNLOAD THE ESTIMATOR](#)

## What's reasonable?

Almost every 401(k) plan is different. They feature different fund options and fees, different administrative and advisory fee structures, different plan sizes, available education and service—you get the idea. Given these differences, how do you know what's a reasonable cost to pay for your plan?

Cost is only one side of the equation when it comes to plan fees. Of course you don't want to pay any more than you need, but saving a little now could cost you a lot later. What are you getting in return for those fees? We warn prospects against being penny wise and pound foolish. For example, spending 25 basis points more on a plan advisor who delivers a higher quality fund line up and increased participation and deferral rates may lead to a better return on investment for your plan.

**Use this quick reference chart to better understand the services your plan advisor should deliver.**

	Criteria	Your Plan	Fisher Advantage
<b>Plan Performance</b>	Higher than average plan participation. Industry average is 60%. Fisher average is 69%. <sup>1</sup>		✓
	Higher than average participant deferral rates. Industry average is 7.1%. Fisher Average is 8.2%. <sup>1</sup>		✓
	A low cost, high performing fund lineup.		✓
<b>Plan &amp; Investment Guidance</b>	Plan advisor commits in writing to receive no form of revenue sharing.		✓
	Plan offers a variety of investment solutions, including a self-directed brokerage account, to meet the wide range of needs of investors.		✓
	Access to open architecture funds, institutional share classes.		✓
<b>Participant Support</b>	Regular in-person, one-on-one meetings to increase employee participation and improve retirement readiness.		✓
	Language support in English and Spanish, and translation services for most other languages.		✓

<sup>1</sup>Industry Average rates based on the 2020 Vanguard Retirement Plan Access™ Study-Small Business Edition. The Fisher Client Average rates are based on Fisher plans utilizing Ascensus as their recordkeeper as of 12/31/2021.

	Criteria	Your Plan	Fisher Advantage
Simplified Plan Administration	Dedicated single-point-of-contact for plan servicing, troubleshooting and vendor management assistance.		✓
	High-touch transition management for a seamless shift to a new plan.		✓
	Plan advisor that partners with the company's employee that administers the plan to streamline payroll and plan administration processes.		✓
Legal Protection	Provides full 3(38) fiduciary coverage including responsibility for selection and ongoing maintenance of the fund lineup.		✓
	Create and help maintain a fiduciary audit file.		✓
	Annual benchmarking for fees, services and performance.		✓

## Benchmarking Your Plan

Once you've calculated your plan fees, it's very important to determine whether those fees are reasonable. It is the legal responsibility of the plan fiduciary to make sure plan fees are reasonable; in fact some plan sponsors have been sued for unreasonable 401(k) plan fees. The best way to assess whether fees are reasonable is to benchmark them—compare your plan fees to other plans that are similar to yours. This is where it's critical to have a specialized provider to help.

**A free Fee Analysis from Fisher will calculate your plan fees, and also benchmark your plan fees against plans similar to yours.**



## Schedule a free Fee Analysis

A Fisher Small Business Specialist can complete a fee analysis of your 401(k) plan and help you understand what you're paying, what you're getting—and if it's a good deal. Schedule a consultation today for a complimentary fee analysis.

[Schedule a consultation](#)


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