



Fees Matter!

401(k) plans have received a lot of attention lately in the media relating to the fees employers (sponsors) and employees (participants) are paying. Rightly so. Whether you are an employer or an employee, you need to understand the fees assessed against your plan balance as they can dramatically impact your retirement savings.

Fees can be paid by either the employer or the employee. Fees can be outright charges or wrapped up in the cost of the investments. Until now, many fees were never disclosed clearly to employers and employees.

The Department of Labor (DOL) recently issued new rules which require disclosure of all fees in a complete and understandable format. The plan sponsor and plan participants should receive an annual written fee disclosure detailing the fees, and, if the plan is participant directed, include fees associated with the investment choices. In addition, the quarterly participant statements must detail the fees charged.

Fees do matter. The DOL estimates that an employee with \$25,000 in a 401(k) account earning 7 percent per year and being charged a fee of 0.5 percent annually would have \$227,000 after 35 years. But if that same plan charges 1.5 percent in fees, the employee's balance drops to \$163,000, or 28 percent less than the lower-fee plan.

Fees can vary greatly from plan to plan. According to one industry source, smaller 401(k) plans have fees typically ranging from 0.4 percent to 2 percent. That is a wide range.

Sometimes comparing fees is like trying to compare apples to oranges and maybe even a watermelon or two. Services provided, as well as fees, must be considered. While I would advise that the highest bidder is rarely the best option, the lowest bidder is not always the best option either if cut-rate or no service is provided.

Determining what fees are reasonable and who should be your 401(k) provider can be a very daunting task as most employers are in the business of running their companies, not becoming 401(k) plan experts. So where should you begin? Start by reviewing the annual notices and reports and asking questions of your plan provider if the fees are not clear.

Please contact Debi Combs or Karen Ellis at (918) 744-0553 if you would like more information about the retirement plan services Trust Company of Oklahoma offers. 



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