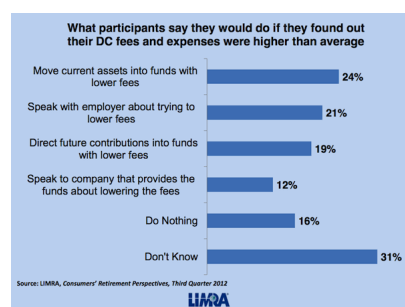


Most participants still oblivious of plan fees: LIMRA

By Editor Test Wed, Aug 29, 2012

As many predicted, the Labor Department's 401(k) fee disclosure initiative hasn't stirred a hornet's nest. But we're only two months into the sunshine era.



Two-thirds of Americans with defined contribution (DC) plans or IRAs say they spend “less than five minutes” perusing their retirement plan disclosures, and 20% say they “rarely or never” read the disclosure paperwork, according to a new LIMRA survey.

Younger plan participants (age 18-35) are more likely to report reading their disclosures and are more likely to reach out to their employer for information about their retirement account than older participants, the survey showed.

“With the implementation of the Department of Labor’s new fee disclosure rule, LIMRA wanted to gauge participant sentiment throughout the process,” said Alison Salka, corporate vice president, LIMRA Retirement Research. “Not surprising, almost 9 out of 10 participants either did not know the fees they paid or did not think they paid any fees for their employer-sponsored retirement plans.

“As participants are provided more detailed information about their retirement plans’ structure and fees, we are interested to see how they respond. This survey is part of a series to track consumer knowledge and understanding of the information and the subsequent actions (if any) they take.”

Only 12% of plan participants said they could estimate the amount of fees and expenses they paid on their retirement plan account. Three-quarters of these participants said they felt the fees and expenses were reasonable. Interestingly, 56% of those who estimated the fees and expenses thought their fees were more than 2%, which is more than double the all-in median fee for a defined contribution plan participant (based on plans included in a 2011 Investment Company Institute study).

LIMRA also asked participants what action they would take if they found out their fees and expenses were higher than average. (See chart below.) One-quarter said they would move their assets into funds with lower fees, one-fifth said they would talk to their employer about trying to lower the fees but nearly half said they would take no action or they didn’t know what they would do. While men are slightly more likely than women to say they would take no action than women (19% vs. 13%), women are more likely to not to know how they would react (36% vs. 26%).

“This study underscores consumers’ lack of understanding about how their retirement plans are administered,” noted Salka. “This offers an opportunity for plan sponsors and providers to educate participants on the value and benefits of the plan.”

