
Small plan participants pay as much as 1.97% in annual fees

By Editor Test Thu, Feb 28, 2013

The average target date fund expense in a large plan is .98%, while the balanced fund average is 1.12%. The average target date fund expense for a small plan is 1.37%, while the balanced fund average is 1.45%, according to the 13th edition of the 401k Averages Book.

If the average 401(k) small plan participant is earning an investment return of 6% a year, he or she is losing about 25% of that to fees. For the average large plan participant, the fee bite on a 6% return would be about 16%.

That's based on the latest data from the 13th Edition of the 401k Averages Book, which shows that the average total plan cost for a small retirement plan (up to 50 participants and \$2,500,000 in assets) is 1.46% (down slightly from 1.47% over the past year), with a range of .38% to 1.97%. For a large retirement plan (1,000 participants/\$50,000,000 assets), the average total plan cost is 1.03%, down from 1.08% over the past year.

Investment expenses for small plans declined to an average of 1.37% from 1.38% while the large plan average investment expense declined to 1% from 1.05%. The Department of Labor's 408(b)(2) disclosure regulations were cited as putting downward pressure on fees.

Although "401k fees have been trending down over the years, the Department of Labor's fee disclosure regulations helped bring a great deal of attention to 401k plan fees," said Joseph Valletta, co-author of the 401k Averages Book.

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The 13th Edition separates the costs of target date funds from the costs of traditional balanced and risk-based funds for the first time. Published since 1995, the [401k Averages Book](#) is available for \$95.

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