

ICI Reports Continued Downward Trend in Mutual Fund Fees in 401(k) Plans in 2015

ICI Reports Continued Downward Trend in Mutual Fund Fees in 401(k) Plans in 2015

Washington, DC, July 14, 2016 – The cost of investing in equity mutual funds through 401(k) plans fell again in 2015, marking a 31 percent decline since 2000, according to an annual research study that the Investment Company Institute (ICI) released today. The study, “[The Economics of Providing 401\(k\) Plans: Services, Fees, and Expenses, 2015](#),” also affirmed prior ICI research that shows that participants who invest in mutual funds in their 401(k) plans tend to hold lower-cost funds.

Long-Term Trend of Declining Mutual Fund Expenses Continued in 2015

According to a separate ICI survey, mutual funds are a vital component of the 401(k) investment landscape, comprising 60 percent of the \$4.7 trillion in 401(k) plan assets at year-end 2015. The average expense ratios that 401(k) plan participants incurred for investing in equity, hybrid, and bond funds fell in 2015 for the sixth straight year. For equity funds, 401(k) plan participants incurred an average expense ratio of 0.53 percent, compared to 0.54 percent in 2014. The average expense ratio that 401(k) plan participants incurred for investing in hybrid funds fell to 0.54 percent in 2015, compared to 0.55 percent in 2014. And the average expense ratio that 401(k) plan participants incurred for investing in bond mutual funds fell to 0.38 percent in 2015, from 0.43 percent in 2014.

“The data underscore the significant trend of declining fees since 2000 that 401(k) plan participants have paid to invest in mutual funds,” said Sean Collins, ICI’s senior director of industry and financial analysis. “There is a vibrant and competitive market for investors to shop among mutual funds and other investment products, which has fueled the trend in declining fees to the benefit of investors.”

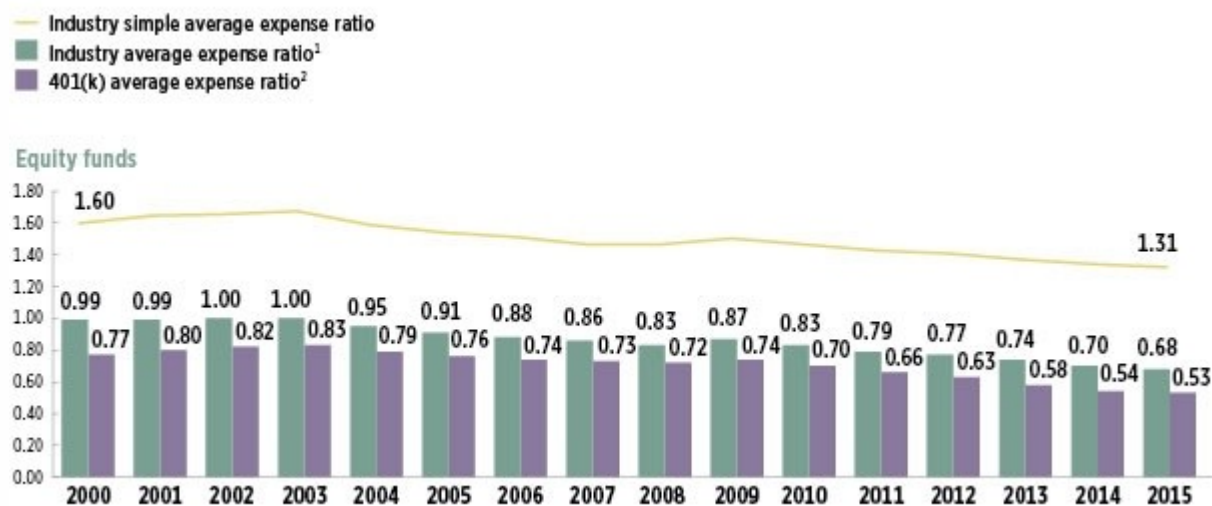
401(k) Plan Participants’ Mutual Fund Assets Are Concentrated in Lower-Cost Funds

ICI, like other providers of mutual fund data, uses asset-weighted average expense ratios to measure the expense ratios that mutual fund investors actually incur for investing in mutual funds. A different measure, the simple average expense ratio, merely measures the average expense ratio of all funds offered for sale. A simple average can overstate what investors actually paid because it fails to reflect the fact that investors tend to concentrate their holdings in lower-cost funds.

In 2015, 401(k) plan participants incurred an asset-weighted average expense ratio of 0.53 percent for equity funds, which was less than the asset-weighted average expense ratio of 0.68 percent incurred by all investors in equity funds. Further, this was less than half the industrywide simple average of 1.31 percent for all equity funds offered in the United States in 2015.

401(k) Mutual Fund Investors Tend to Pay Lower-Than-Average Expenses

Percent, 2000–2015



¹The industry average expense ratio is measured as an asset-weighted average.

²The 401(k) average expense ratio is measured as a 401(k) asset-weighted average.

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

Sources: Investment Company Institute and Lipper

For related research on mutual fund fees, see [“Mutual Fund Expenses and Fees”](#) in the 2016 Investment Company Fact Book, which reports industry trends. See also [“Average Expense Ratios for Equity, Hybrid, and Bond Mutual Funds Hit 20-Year Lows,”](#) and [“Factors Contributing to the Decline of Expense Ratios in 2015.”](#) 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, 2013](#). For more information on 401(k) plans, please visit our [401\(k\) Resource Center](#).

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete.

Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.