

Mutual Fund Expense Ratios in 401(k) Plans Have Trended Downward Since 2000

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Washington, DC; July 11, 2019—The cost of investing in equity and hybrid mutual funds through 401(k) plans fell again in 2018—while the average expense ratio of bond mutual funds remained stable, according to “[The Economics of Providing 401\(k\) Plans: Services, Fees, and Expenses, 2018](#),” a research report released today by the Investment Company Institute (ICI). The report also shows that participants who invest in mutual funds in their 401(k) plans tend to hold lower-cost funds.

“In this vibrant marketplace, funds compete to provide cost-effective and diversified investment options for investors,” said Sarah Holden, ICI’s senior director of retirement and investor research. “Mutual funds represent the majority of assets held in 401(k) plans and the continuing decline in fees greatly benefits 401(k) plan participants building their retirement nest eggs. Both plan sponsors and investors pay close attention to fees and fuel the competitive pressure to bring them down.”

Equity and Hybrid Mutual Fund Expense Ratios Continued Long-Term Downward Trend in 2018

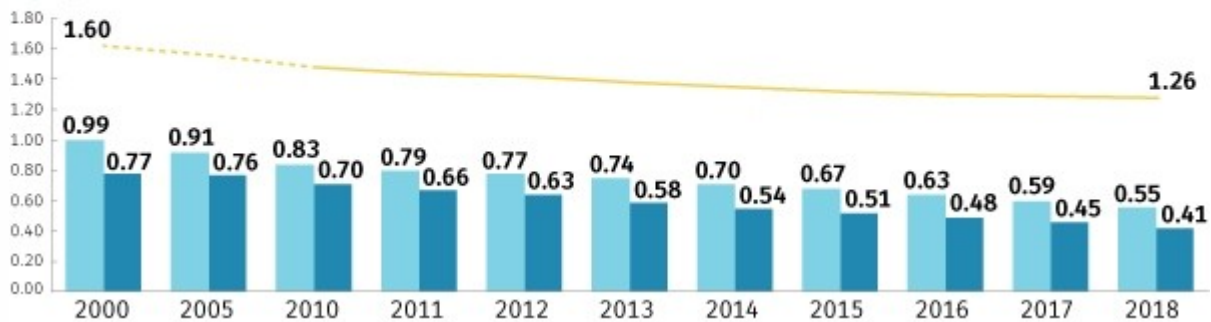
Mutual funds represented 63 percent of the \$5.2 trillion in 401(k) plan assets at year-end 2018. The average expense ratios that 401(k) plan participants incurred for investing in equity and hybrid mutual funds fell in 2018, while those for bond mutual funds stayed the same. For equity mutual funds, 401(k) plan participants incurred an average expense ratio of 0.41 percent in 2018, compared with 0.45 percent in 2017 and 0.77 percent in 2000. The average expense ratio that 401(k) plan participants incurred for investing in hybrid mutual funds fell to 0.49 percent in 2018, from 0.51 percent in 2017 and 0.72 percent in 2000. The average expense ratio that 401(k) plan participants incurred for investing in bond mutual funds remained the same at 0.34 percent between 2017 and 2018, down from 0.60 percent in 2000.

401(k) Equity Mutual Fund Investors Tend to Pay Lower-Than-Average Expense Ratios

Percent

— Industry simple average expense ratio
■ Industry asset-weighted average expense ratio
■ 401(k) asset-weighted average expense ratio

Equity mutual funds



Sources: Investment Company Institute, Lipper, and Morningstar

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

ICI uses asset-weighted averages to measure the expense ratios that investors actually incur for investing in mutual funds. The simple average expense ratio, which measures the average expense ratio of all funds offered for sale, 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 2018, 401(k) plan participants incurred an asset-weighted average expense ratio of 0.41 percent for equity mutual funds, which was less than the industrywide asset-weighted average expense ratio of 0.55 percent. Further, this was about one-third of the industrywide simple average of 1.26 percent for all equity mutual funds offered in the United States in 2018.

For related research on fund fees, see [“Trends in the Expenses and Fees of Funds, 2018,”](#) which reports industry trends. For additional information about 401(k) plan fees, see [The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401\(k\) Plans, 2016](#). For more information on 401(k) plans, please visit our [401\(k\) Resource Center](#).

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