

Truth behind 401(k) plan expenses

By [Palen Financial, Davenport, IA](#)

Most individuals and companies servicing employers in the 401(k) industry (fund companies, record-keepers, insurance agents, brokers and advisors) claim to act in the best interest of investors, when in actuality that couldn't be further from the truth. In reality, there are few plan providers that offer efficient investment options with unbiased motivation- and very few that disclose all fees to the plan sponsor (company owner) in their entirety. Some even claim to operate the 401(k) plan for free!

That's because most 401(K) plan providers exclude the investment related expenses from their pricing all together. Unlike administrative fees, investment fees are not directly billed. Instead, they are simply extracted from the participant balances each reporting period. These fees are extracted for as long as participants contribute to the plan. The more a participant contributes, the more they are penalized.

There are also trailing commissions, trading fees, 12b-1 fees and sub-transfer agent fees to name a few. ALL HIDDEN and RARELY DISCLOSED. What does this mean to you? As a plan provider, you are likely paying upwards of 2% to 3% more in fees than you should be. Let's look at what this means in dollars to your plan.

Using a plan that has \$1.5 million in plan assets today with \$150k in annual contributions and a 7% annualized rate of return-your plan would be worth roughly \$12 million in 20 years. But, because of undisclosed hidden fees costing your plan an additional 2% per year, your plan only grew to \$8.9 million allowing the plan provider to pocket the difference of over \$3 million!

Sadly, this is quite normal and exactly why the Department of Labor is working toward the solution. In the meantime, find out for yourself if your 401(k) plan provider is telling you the whole truth. Scan the footnotes and read the small print in your plan proposal. You will likely see language that refers you to a prospectus or a notation that reads: *for complete information on fees please request...* or some variation of that.

An alternative option is to acquire the services of a firm that can help you uncover all of the hidden fees for you. We will work with you to eliminate all conflict of interest problems from your plan. We are a registered investment advisory firm and we are held at the highest regard of law as a "fiduciary."

We have NO self-interest dealings, NO affiliation with fund companies, NO compensation perks from mutual funds or other investment companies, and FULL DISCLOSURE OF OUR SOURCE OF INCOME IN WRITING!