

A woman wearing a straw hat and a white shirt is sitting in a wooden boat on a body of water. She is holding a small rainbow flag. In the background, there are large, steep, rocky cliffs under a clear blue sky.

Retirement Plan Fees Explained

When saving for retirement, every dollar matters. What many participants don't realize is that retirement plans come with fees — and even small fees can make a big difference in long-term savings. This guide will help you understand the common types of fees you may see in your plan so you can be an informed participant.

Important: This guide is for educational purposes only. It is not investment, tax, or legal advice. For personalized guidance, consult a licensed professional.

Why Fees Matter

Fees are the cost of managing, administering, and servicing retirement plans. While fees are a normal part of investing, they reduce the growth of your account over time. Understanding them helps you know what you're paying for.

Common Types of Retirement Plan Fees

1. Administrative Fees

- Cover plan management costs such as recordkeeping, compliance, and customer service.
- These fees may be charged as a flat dollar amount per participant or as a percentage of assets.

What it means for you: These are the costs of running the plan and ensuring it operates within IRS and Department of Labor rules.

Understanding them helps you know what you're paying for.

2. Investment Fees

- Charged by the funds you invest in (such as mutual funds, index funds, or target date funds).
- Often expressed as an **expense ratio** (for example, 0.50% means \$5 annually for every \$1,000 invested).
- Actively managed funds generally charge more than index funds.

What it means for you: Higher fees reduce your net returns over time. Even small differences add up significantly over decades.

3. Service Fees

- Fees for optional services, such as taking a loan, processing a hardship withdrawal, or using managed account services.
- May be charged only if you use those services.

What it means for you: These are not ongoing fees, but one-time charges tied to specific actions.

4. Trading or Transaction Fees

- Some funds may include fees for buying or selling investments.
- Less common in retirement plans but possible in certain investment options.

What it means for you: These costs usually apply when changes are made to investments.

How to Find Your Fees

- Review the **annual fee disclosure** your employer is required to provide.
- Check your plan website or account portal for the expense ratios of each fund.
- Ask your HR or benefits team for a breakdown if you need clarity.

A vertical bar with three colored segments: dark blue at the top, orange in the middle, and light blue at the bottom.

Review the annual fee disclosure your employer is required to provide

Key Takeaways

- All retirement plans have fees.
- Understanding them helps you know what you're paying for.
- Even small fee differences can add up to thousands of dollars over time.

Disclosures

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Ask Henri

Have More Questions? Ask Henri.

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Reminder: Henri provides education only, not investment, tax, or legal advice. For personalized recommendations, we can connect you with a licensed professional in our network.

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