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SAVINGS

Labor Dept. releases new 401(k) fee rules

Your quarterly statement will be getting a new look and a lot more information, but you won't see it until 2012.

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Quarterly 401(k) statements are going to start offering more guidance about exactly where your money is going.

The Department of Labor says it will require companies providing 401(k) accounts to lay out all the fees and other charges in plain language beginning Jan. 1, 2012. The new regulations, announced by Secretary of Labor Hilda Solis, will affect about 483,000 retirement plans. She said the 72 million workers enrolled in 401(k) plans will begin to have the detailed information they need to do easy comparisons of the costs of their investment choices.

Companies must begin to lay out the administrative expenses, including accounting and recordkeeping fees, and the charges that apply to the individual choices a worker makes, such as fees charged for loans.

Solis said current laws don't require sufficient information that allows workers to make the best investment decisions. "Even if workers were given abundant investment information, they didn't always receive it in a user-friendly format," Solis said. "Again, the law simply didn't require it."

The charges for administrative expenses must be laid out in the quarterly reports workers receive and also be made available online. What's more, the fees and expenses associated with the funds a worker chooses must be explained as a percentage of assets held, and also expressed as a dollar amount for each \$1,000 invested.

Performance data must be provided for the various mutual funds offered including 1-year, 5-year, and 10-year returns. Comparisons to appropriate benchmarks must also be provided for those time periods to enable investors to assess how their funds are performing.

"Workers now can make apples to apples comparisons among their plan's investment options," Solis said. The disclosure rules also require that workers have access to an easily understood glossary of terms to help explain the investment options, fees, and other details.

These rules can help fill an important knowledge gap because many investors don't know that more than a half a dozen fees may be charged against their 401(k) account for recordkeeping, administration, investment advisory, brokerage and management services.

In addition, at least eight kinds of indirect fees and expenses could be charged. These are often shaved off the top of the account's investment gains.

The Department of Labor has said an increase of one percentage point in fees will reduce overall retirement income by 28 percent over a lifetime of saving.

In July, the department released new rules that required companies providing 401(k) plans and services to employers to spell out the fees they charge the employers. Companies must be in compliance with those disclosure rules by July, 16, 2011.