

Reducing 401(k) Fees

In an **article** for AdviceIQ, Jim Blankenship offers some tips on how to minimize your 401(k) fees. Kept unchecked, the fees can become a significant drag on your investment performance.

When evaluating a plan, Blankenship says investors should consider its internal expense ratio—the measure of what it costs an investment company to operate a fund—and the costs associated with managing the plan.

Blankenship also highlights the impact of these costs on your investment returns. For example, if your investment returns average 8%, that doubles your investments, on average, every nine years. A 1% fee deducted from the average investment return means doubling takes a bit more than 10 years. A 2% fee brings you down to a 6% net average return, so now your account won't double until 12 years.

To help manage the fees you pay on your 401(k) plan, Blankenship suggests the following:

- Lobby your company to offer lower-cost options
- If possible, roll your account into an IRA with lower-cost investment options
- Invest the bulk of your retirement funds outside the high-fee 401(k) plan in an IRA or Roth IRA

For more information on lowering the fees of your 401(k) and mutual fund investments, be sure to read these AAI articles:

- **Achieving Greater Long-Term Wealth Through Index Funds**
- **Help With 401(k)s and 403(b)s**
- **A Checklist for Rolling Over a 401(k)**
- **The Good and Bad of Large 401(k) Plans**

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