

Website Calculates the Big Bite Fees Take Out of 401(k), Other Plans

How Much of Your Retirement Cash Is Being Skimmed Off?

by Bonnie Biafore

In 2010, assets in 401(k) plans topped \$3 trillion. So, for many people, their 401(k) plan is the cornerstone of their retirement portfolio. Eighty percent of the people invested in 401(k) plans believe they don't pay any fees, but they're so mistaken. 401(k) plans with less than \$10 million in assets often carry fees close to 2 percent a year. This adds up, as you'll see shortly. Although 401(k) fees will be more transparent in the future, the website BrightScope can show you how much you're paying now and provide ammunition to persuade your employer to get a better plan.

Note: The Employee Benefits Security Administration released a rule that requires 401(k) plan administrators to disclose fees and expenses on 401(k) statements. The rule becomes applicable for plan years that start on or after Nov. 1, 2011, with compliance required beginning Jan. 1, 2012 (*see "Mutual Fund Matters," October*). This transparency is long overdue. Even with this rule, BrightScope has a lot to offer. First of all, BrightScope is a financial information company whose mission is to help you retire in dignity.

Its website provides free information about company 401(k) plan investments and fees. BrightScope rates plans so that you can see how effectively your plan helps you reach your retirement goals. The company pored over the federal 5500 forms that plans file to map 90 percent of the money invested in 401(k)s for more than 50,000 plans.

Plan administrators have a fiduciary responsibility to act both prudently and in the best interest of plan participants and beneficiaries. But some employers haven't done the best job choosing the 401(k) plan they offer. In some cases, their employees have filed lawsuits regarding expensive 401(k) plans.

Obtaining fee information is easy with BrightScope. The website is well-designed and easy to navigate. On the homepage, type your company name into the Look Up a Company 401k or Financial Advisor box and click Search. Or you can click the 401k Ratings Directory link below the Search box to view an alphabetical list of the company plans that BrightScope rates. In this example, I selected the first company in the list, A&A Manufacturing Company, Inc.

The company's plan page (*see screen capture, this page*) shows the company's rating on a graph, indicating where it sits within its peer group. The BrightScope peer group algorithm creates a unique peer group for every plan it rates, which takes into account the number of plan participants, the level of assets in the plan and the indus-

try of the plan sponsor. The best plan in each peer group gets a blue ribbon, whereas the plans within the top 15 percent receive red ribbons. Companies with high asset values in their plans often offer very competitive fees. It's the smaller companies with lower asset values that most likely might be excessively costly.

In this example, A&A Manufacturing is just above the average for its peer group. But the BrightScope analysis shows what you might be sacrificing by not being in the best plan in that group, in this case, another seven years of work or as much as \$132,000 in retirement savings. (BrightScope uses an average participant to calculate these sacrifices, which might not apply to you. Click the "How is this calculated?" link below the right side of the graph to get the details.)

Scroll down on the plan page to see ratings for each component of the plan. For example, A&A Manufacturing is above average in Company Generosity, which represents its contributions to employee accounts. On the right side of the page, you can see the Top 3 holdings for the plan.

To obtain an analysis of your fees based on the funds in which you invest and your account balance, click the Personal Fee Report label between the graph and the Plan Component Ratings section. (You must register for a free account to do this.) You fill in your age and annual salary. In the "Are you currently employed by this company?" box, choose Yes if you're still working for the company. Then, you select the funds in which you invest and the current balance. The page lists the Top 3 investments for the plan, but you can add a fund if you invest in additional ones.

The personal fee report shows the annual fees you pay and compares them to the average fee someone investing in a low-cost individual retirement account would pay. For example, this hypothetical employee pays 1.19 percent annually, compared with 0.32 percent for a low-cost IRA. The report shows an example of the decrease in your retirement account balance because of the higher fees. To view the details behind this analysis, click the View Detailed Calculations link.

Because employers often contribute to employees' 401(k) accounts, these plans are a good deal even with high fees. Those employer contributions are like free money. But suppose you leave the company and are no longer eligible for employer contributions. The BrightScope fee report helps you determine whether it makes sense to move your money from the orphaned 401(k) to



Web Watch

an IRA or your new employer's 401(k). To see how this works, change the "Are you currently employed by this company?" box to No.

BrightScope has a few other handy resources, including a blog that discusses timely matters related to financial advice. One recent posting listed a chart of the various types of disclosures about advisers. These disclosures address concerns such as customer complaints, civil proceedings and sanctions, and they explain why they matter to the investor. The FAQs page is quite robust with thorough answers to a long list of relevant questions.

The Newsroom gathers up-to-date financial news that affects your 401(k) plan and retirement packages. Contributors run the gamut of respected news sources such as *SmartMoney*, *Investment News*, *The Wall Street Journal*, *Forbes* and others. The Newsroom includes links and videos as well as opinionated articles debating plans.

One additional point: BrightScope can offer fee reports for free to plan participants because it makes money in other ways. The good news is that its revenue

streams don't create a conflict of interest. The company markets its financial products to asset managers for mutual fund companies, financial managers and financial advisers. For example, financial advisers can pay a fee to include more information on their BrightScope listing. **B**

Link of the Month

If you're tired of phone menu trees, two websites provide tools for reaching a real person. Dial A Human lists companies, their phone numbers and instructions for reaching a person. At Get Human, click Phone Number + Shortcuts to see a list of companies, phone numbers and instructions.

Websites of Interest**BrightScope**

www.brightscope.com

Dial A Human

www.dialahuman.com/

GetHuman

<http://gethuman.com/>