

# Understanding fees and expenses in your workplace savings plan.

Fees and expenses are a part of every workplace savings plan. Knowing the costs associated with your plan, relative to the return or services you receive, can help you become more confident in making investment decisions.

**Understanding fees and expenses.** Some fees and expenses are associated with the administration of the plan, and are not within your control. Others are connected to specific investment options you select, services you utilize, or transactions you execute in your workplace savings plan account.

The plan sponsor may pay some of the fees, while others are paid by you. One thing to keep in mind is that higher fees are not necessarily bad, and lower fees are not necessarily good. What's important to consider is the balance between what is paid and the service, support, and performance you receive in return.

**Which fees and expenses are generally associated with workplace savings plans?** Most fees and expenses associated with your workplace savings plan fall into one of the following three categories: asset-based fees, plan administrative fees and expenses, and individual fees and expenses. We'll cover each type here.

## 1. Asset-based fees

This category is often the largest component of retirement plan costs, and includes management fees and other operating expenses of your plan's investment options. This is often referred to as the investment option's total annual operating expense, or expense ratio.

### Who pays them?

All shareholders in the investment option (or within a share class) pay its expense ratio, regardless of whether the shares are purchased inside or outside a retirement plan. These fees are not directly deducted from your workplace savings account, so you will not see them on your plan account statement. Instead, they are typically deducted from the investment option's assets, resulting in a reduction in the investment option's return.

### ACTION PLAN

- Understand different types of fees and expenses.
- Learn how fees and expenses are calculated.
- Make more informed investment decisions.

### How are they calculated?

Asset-based fees for mutual funds are typically calculated by adding management fees and other fund operating expenses. They are often expressed as either a gross amount (gross expense ratio) or a net amount (net expense ratio). The Department of Labor (DOL) requires that expense ratios for investment options offered in workplace savings plans be disclosed as a gross amount. The difference between gross and net is that the net expense ratio reflects the actual fee paid by the participant and is determined by subtracting from the gross expense ratio any expenses that are being absorbed or waived by the investment option on either a temporary or permanent basis. You can find net expense ratios for your plan's investment options on NetBenefits.com. These expenses will affect the return of your investment option. It is important to understand the distinction between gross expense ratios and net expense ratios when you are comparing expenses of different investments.\*

\*Detailed information about a mutual fund's fees and expenses can be found in its prospectus. The prospectus will also indicate if the fund waives or reimburses any of its fees and expenses, thus lowering the expenses that a shareholder pays. You can find the expense ratio information for your plan's investment options on NetBenefits.com. Keep in mind that for some investment options, the gross and net expense ratio are the same.

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You can estimate the amount you will pay in asset-based fees for a given investment option by multiplying your balance in the investment option by the expense ratio.

#### EXAMPLE

**\$10,000** invested in Investment Option A  
**x 0.0084** = expense ratio of 0.84%  
**\$84 fee reflected in the investment option's performance<sup>†</sup>**

<sup>†</sup>This calculation represents an estimate of an annual fee (versus a partial-year fee).

Non-mutual fund expense ratios may be calculated using methodologies that differ from those used for mutual funds; however, they are intended to reflect similar information. Please refer to the investment materials of these options for additional information on fees and expenses.

#### NEW PARTICIPANT DISCLOSURE NOTICE

Most plan participants will receive a new "Participant Disclosure Notice" required by the Department of Labor. The Notice provides plan- and investment-related information to help recipients make informed decisions about their workplace savings plan. The Notice includes information about participant rights under the plan, rules related to providing investment direction, and details about the plan's investment options. These details include the investment options' gross expense ratio. Please keep this in mind when reviewing the Notice. To assist you in estimating the amount of asset-based fees that would be paid for a given investment option, the Notice also includes the dollar amount based on a \$1,000 investment, along with the percentage.

#### Keep in mind

Asset-based fees can vary significantly among investment options and often reflect, at least in part, the risks and complexities of the option's investment strategy. For example, expense ratios for international stock funds are typically higher than expense ratios for domestic stock funds. Domestic stock funds are, in turn, usually more expensive than bond funds. Also remember that management fees, which are part of the expense ratio, are usually higher for actively managed funds than for index funds.

It's important to note that as your account assets fluctuate, even if the asset-based fee remains the same, the estimated dollar amount of the fee may change because the percentage is calculated on your current account balance.

## 2. Plan administrative fees and expenses

These are costs related to the administration of your workplace savings plan. Generally, they include charges for recordkeeping, consulting, accounting, legal and trustee services, and other administrative services.

#### Who pays them?

Each plan is different, but plan administrative fees and expenses are generally paid by one or a combination of the following: the plan sponsor, a direct deduction from participant plan accounts, or an offset through the asset-based fees of the plan's investment options. Generally, the Participant Disclosure Notice will indicate what the fees are and whether they are directly deducted from your plan account. In addition, any plan administrative fees directly deducted from your plan account will be reflected on your plan account statement. Any fees paid by the plan sponsor or offset through the asset-based fees of the plan's investment options are not directly deducted from your account and, therefore, they will not be reflected on your plan account statement.

#### How are they calculated?

Plan administrative fees are calculated based on the costs of services provided to the plan by the plan's recordkeeper and other service providers. In many instances, plan administrative fees deducted from your account are based on a fixed dollar rate per participant and can be determined by multiplying the per participant fee by the frequency imposed.

#### EXAMPLE

**\$30** recordkeeping fee per quarter  
**x 4** number of quarters in a year  
**\$120 annual recordkeeping fee per participant**

(This fee is reflected on your plan account statement.)

Other per participant fees may be deducted equally from all accounts, or deducted proportionately based on account balance and/or number of plan participants. These fees may also be described in your plan's summary plan description, or other plan communications.

### 3. Individual fees and expenses

This category includes charges associated with a service you utilize or a transaction you execute. For example, if your plan offers loans and you take one, a service fee may apply. Additionally, there are expenses incurred for transactions you may make with certain investment options (commonly referred to as shareholder fees), like short-term trading fees, or redemption fees.

#### Who pays them?

The plan sponsor may pay these fees or you may be responsible for paying them. If you are responsible for paying these fees, generally, they will be deducted from your workplace savings account and the deduction will appear on your plan account statement.

#### How are they calculated?

Individual fees are determined by the type of services you use or transactions you make. Be sure to note the frequency of the charges.

#### EXAMPLE

**\$125** loan setup (one-time fee)

**\$25** quarterly loan maintenance fee

x 4 number of quarters in a year

**\$100 annual loan maintenance fee**

(This fee is reflected on your plan account statement.)

Information regarding individual fees that may be deducted from your plan account will be included in the Participant Disclosure Notice that your employer may provide. These fees may also be described in the investment option's prospectus, the summary plan description, or other plan communications.

### Summary

The fees associated with your plan account are a combination of the asset-, plan administrative-, and individual-based fees. Asset-based fees are not charged directly to your plan account but, rather, are deducted from the investment option's assets and reflected in the performance and, as a result, its net asset value (NAV). Alternatively, some plan administrative and individual fees are deducted directly from your plan account; these fees may be recurring charges or a one-time charge. Any plan administrative or individual fees deducted from your plan account will be reflected on your plan account statement.

#### Choosing investment options

Your choice of investment options should not depend exclusively on its expense ratio or other fund fees and expenses, such as shareholder fees. It's important to consider the investment option's goals and objectives as they relate to your risk tolerance, time horizon, and financial situation. Understanding the type of investor you are can also help when choosing investment options. Fidelity has online educational tools to help you determine the type of investor you are, as well as how to evaluate investment options.

The return on your investment options is also an important consideration. Your investment options' return is a number that shows the historical performance of your investments at a given point in time. The key here is knowing what fees you are charged relative to the services and investment returns you receive. Performance information, net of fees, can be found on NetBenefits® and in the Participant Disclosure Notice.

#### HERE'S HELP

- Visit Fidelity NetBenefits®
- Call your plan's toll-free number

## Things to consider

Here are some ways you can stay informed regarding the fees and expenses in your workplace savings plan.

- Determine the asset-based fees for the investment options available in your plan by logging on to **NetBenefits.com**. From the home page, select your account, then click on the *Investment Performance and Research* link. From there, click on any of the investment options offered in your plan for detailed information, including fees and expenses.
- Consult your Participant Disclosure Notice, if provided by your employer, to understand what plan administrative and individual fees may be charged. Or call your plan's toll-free number for more information.
- Monitor any administrative and/or individual fees and expenses on your plan account statement. You can view your plan account statement any time by logging on to **NetBenefits.com**.
- View the *Evaluating Your Investment Options* on-demand workshop at **e-learning.fidelity.com**.

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Over time, the value of your account will vary and you may have more or less than the original amount invested.

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