

SIMPLYPUT

Retirement Savings Education, Simplified

Third Quarter 2020


The Cost of Investing


Whether you are planning a vacation, remodeling your house, or simply going out to eat, there are costs to doing business. And saving for retirement and investing in the market are no different. Unfortunately, investment fees are often hidden, misunderstood, or not as obvious as some everyday costs. Understanding the costs associated with investing may seem confusing, but it doesn't need to be.

Any fee with a  symbol next to it is a fee deferred comp participants do **NOT** pay.


Common Investment Fees

Below is a list of the common fees you may encounter throughout your retirement savings journey. Lucky for you, the MO Deferred Comp Plan keeps their costs low in comparison to many other retirement savings plans.

 **12-b1 Fee:** This annual cost essentially covers marketing and promotion expenses. This fee is often hidden within a fund's expense ratio and the amount is difficult to determine.

 **Front-End Load Fee:** These fees are a one-time charge or commission that you, the investor, must pay to purchase a specific class of mutual funds.

EXAMPLE: If you invest \$100,000 in a mutual fund that has a 5% front-end load, you'll pay an up-front fee of \$5,000 and your initial investment will be reduced to \$95,000. The \$5,000 fee, or at least a portion of it, would then go to the financial professional and investment company.

 **Back-End Load Fee:** Back-end loads, also known as surrender fees, occur when you, the investor, take money out of your account.

EXAMPLE: If you have \$100,000 saved for retirement in an account with a 4% back-end load fee, you would pay \$4,000 upon withdrawing your entire balance. Again, this fee, or a portion of it, would then go to the financial professional and investment company.

What's an expense ratio?

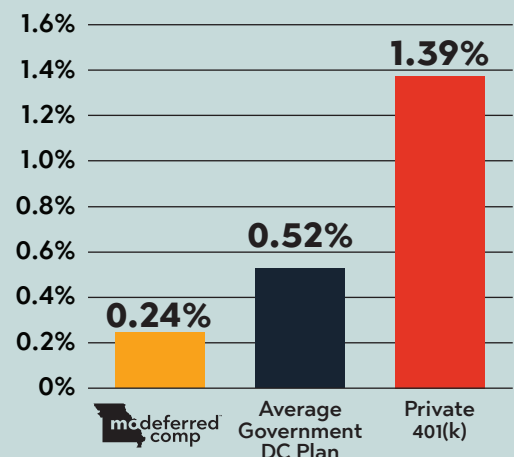
The expense ratio measures the recurring annual fee you pay for investing in a fund. It appears on your statement as a percentage and is calculated by dividing the total operating expenses of the fund by the fund's total assets. Generally speaking, the lower the fund's expense ratio, the less you pay to invest in it.

EXAMPLE: If your investment has an expense ratio of 1% and you have \$1,000 in your account, then your annual expense is \$10.

Deferred Comp's average expense ratio is 0.24%.

(a combination of a 0.09% administrative fee and an average 0.15% investment management fee)

Total Average Cost of Savings Plans¹



¹ National Association of Government Defined Contribution Administrators (NAGDCA) 2019 Benchmarking Study & 401k Source

Trade Commission: This fee would be incurred each time you buy or sell stocks. These fees typically go to the financial advisor overseeing the transaction or the institution overseeing the trade.

Administration & Operating Costs: This expense covers day-to-day expenditures like staff salaries, call centers, account recordkeeping, technology, education, legal, audit and more.

Deferred comp's education specialists do NOT earn a commission on the money you contribute to the deferred comp plan or the investment options you choose.

Investment Management Fee: An investment management fee is a percentage or flat dollar amount charged to you each year by a financial institution or person for managing a portfolio of investments.

EXAMPLE: If you invested \$50,000 in a fund with a 1.5% investment management fee, **you would pay \$750 in fees that year.**

Remember, not all fees can be found easily; nor are they transparent. If you have concerns, speak up and don't be afraid to ask questions. To help get you started, check out the **Investment & Financial Advisor Checklist**, located on the plan's website, for a list of questions about investment products and the prospective advisors who might be selling them.

No matter if you are saving with the deferred comp plan or another savings plan or company, we want you to be an educated investor and make informed decisions regarding your retirement savings. Understanding the fees you pay will help you save with confidence.

Not all investment fees are bad! These costs cover things like investment management, participant education, day-to-day customer service and more. You want to make sure the price you are paying is fair, as those tiny fees can take a big bite out of your investment returns.

Lower Fees for Deferred Comp Participants

The MO Deferred Comp Plan is one of the lowest-cost plans in the nation and as of July 1, 2020 our fees were reduced even more! As a deferred comp saver, you pay only \$12 a year (\$3 per quarter), previously \$15 a year, in addition to 0.09% of assets (part of the investment option expense ratio) for plan administration.

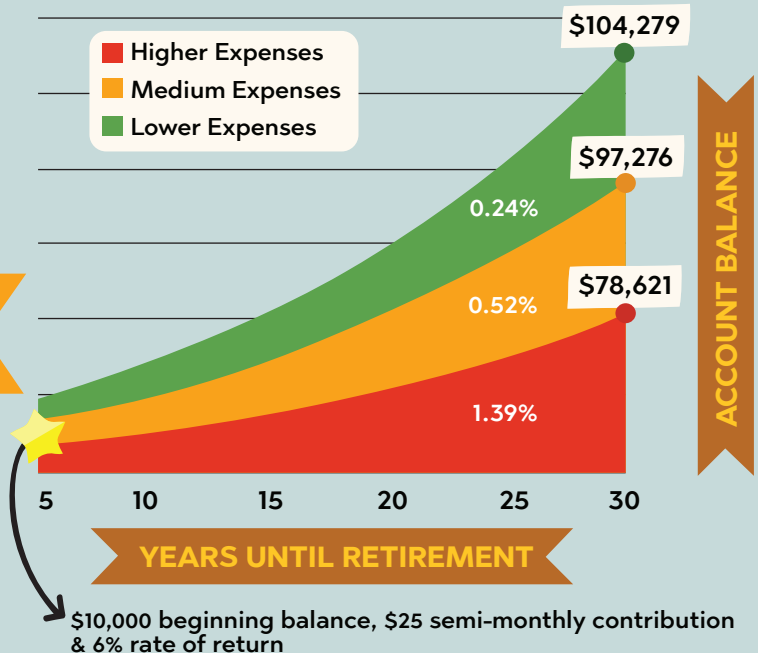
As of July 1, 2020, MO Deferred Comp's cost was reduced from \$15 to \$12 a year!

The cost of the plan includes plan administration fees and investment management fees. The administration fee covers the cost of deferred comp staff, local customer service, call center, education, mailings, printed materials, technology and tools, recordkeeping and the general administration of the plan.

In addition, each investment option charges an investment management fee for the operation of the fund that is included in the expense ratio. The annualized investment management fees are deducted daily from the funds.

Want more information on deferred comp costs? Visit www.modeferredcomp.org or call **1-800-392-0925**.

The Impact of Expenses (Expense Ratios) On Your Retirement Savings Balance



Learn more at
www.modeferredcomp.org
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