

Understanding Plan and Investment Fees: A Glossary of Key Terms

Wrap Fee is an inclusive fee generally based on the percentage of assets in an investment program, which typically provides asset allocation, execution of transactions, and other administrative services.

New fee disclosure rules will make it easier for participants in employer-sponsored retirement plans to find out how much they are paying to participate in their plan. But the terminology can be confusing. Below is a handy glossary that can help you interpret all those items on your quarterly account statement, fund fact sheet, or fee disclosure statement.

12b-1 Fee -- A charge assessed to mutual fund shareholders to cover that fund's shareholder servicing, distribution, and marketing costs.

Administration/Recordkeeping Fees -- Costs for providing recordkeeping and other plan participant administrative-type services.

Advisor Fees -- Paid to an advisor for services provided to the plan, including selection of investment options and any participant advice or guidance.

Basis Point (bps) -- A unit of value that is equal to 1/100 of 1%. For example, 10 basis points is equal to 0.10%.

Benchmark -- A standard by which a particular security or mutual fund can be measured. For mutual funds, the benchmark is typically a broad market index, such as the S&P 500, for a fund that invests primarily in large U.S. equities.

Brokerage Fees -- Charges for the administration and maintenance of a self-directed brokerage account.

Commission -- A fee paid to a broker or other intermediary for executing a trade.

Contract Administration Fee -- A charge for costs of administering an insurance or annuity contract. This charge can include costs associated with the maintenance of participant accounts

and all investment-related transactions initiated by participants.

Distribution Fees -- The costs typically associated with processing paperwork and issuing a check for a separation-of-service distribution, retirement distribution, hardship withdrawal, or other in-service withdrawal.

Expense Ratio -- The cost of investing and administering assets, including management fees, in a mutual fund or other collective fund. This fee is expressed as a percentage of total assets.

Loan Fees -- Separate fees may be assessed for the origination, processing, and maintenance of a loan.

Management Fee -- Fee charged for the management of pooled investments such as collective investment funds, insurance/annuity products, mutual funds, and individually managed accounts.

NAV (net asset value) -- The per-share value of an investment, such as a mutual fund or exchange-traded fund.

QDRO (qualified domestic relations order) -- A legally binding order that creates or recognizes an alternate payee's (such as former spouse or a dependent child) right to receive all or a portion of a participant's retirement plan benefits.

Sales (Load) Charge -- A front-end load is a charge assessed when an investment in a mutual fund is made. A back-end load is a charge that is due upon the sale or transfer of the investment. A back-end load may be reduced and/or eliminated over time.

Separate Account -- An asset account established by a life insurance company, separate from other funds of the life insurance company, offering investment funding options for pension plans.

Surrender/Transfer Charges -- Fees an insurance company may charge when either an employer terminates a contract (in other words, withdraws the plan's investment) before the term of the contract expires or a participant withdraws an amount from the contract.

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