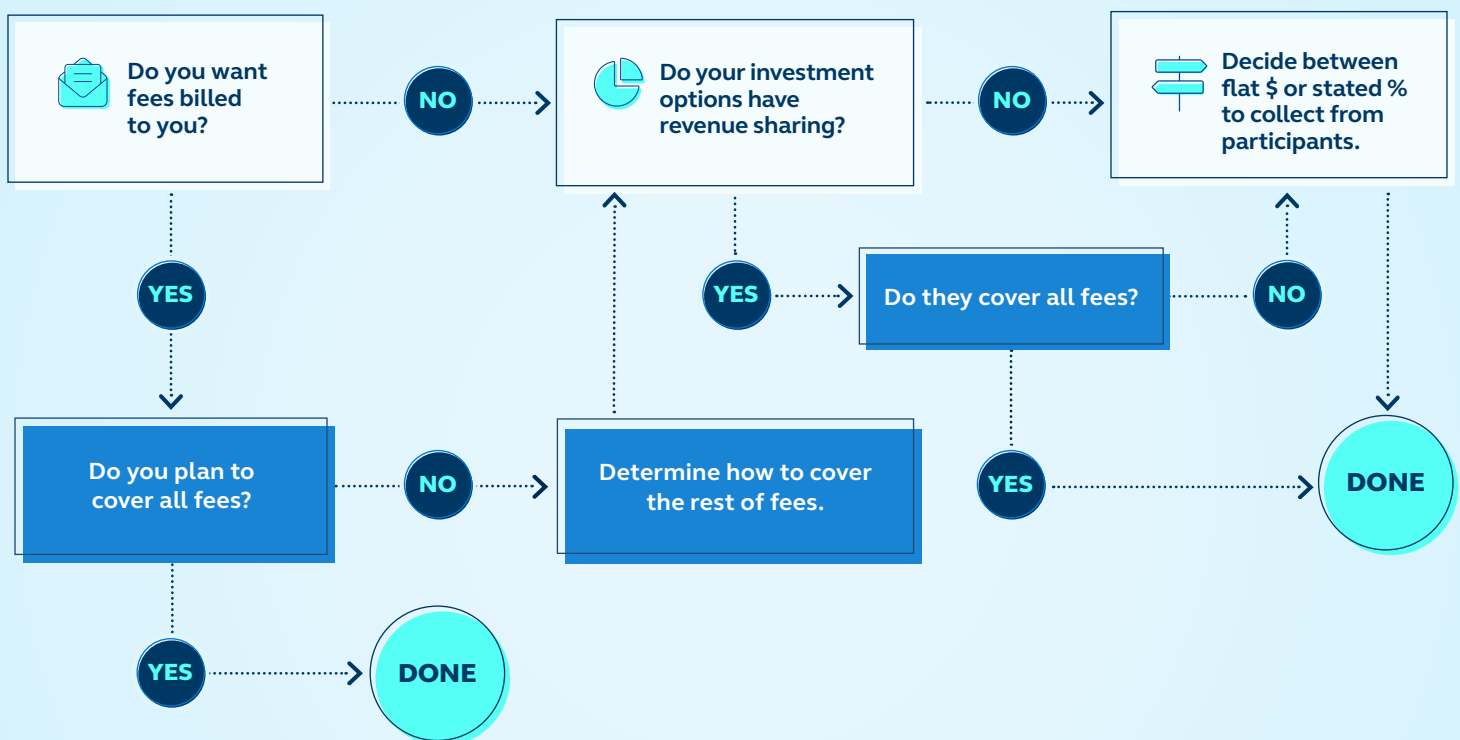


# How fees associated with your retirement plan are paid is important

## Here's some help for the decisions you make.

There are many ways to decide how to pay the various fees that come with your organization's retirement plan. This decision tree can help. Consider the options you have and understand what they mean.

**Important:** Along with the decisions you make, the reasons why you made them matters from a fiduciary standpoint. Document and file your organization's decision-making process for how you collect and pay for retirement plan fees.



Method	What is it?	Considerations	Impact to participants
 <p><b>Fees billed to your organization.</b></p>	<p>The fees associated with your plan are billed to you—and you pay the bills out of your annual budget.</p>	<ul style="list-style-type: none"> <li>• Employee satisfaction with benefits—since you pay the fees of the plan, this is typically most appreciated by your employees.</li> <li>• You may receive a tax deduction for plan-related fees paid by you.</li> <li>• You may need to account for these fees in your annual budget.</li> </ul>	<p>Participants generally appreciate a truly paid benefit.</p> <p>It may allow them to save more for retirement by not having fees reduce their account balance.</p>
 <p>A way to collect fees from participants:</p> <p><b>Paid from participant accounts as a flat-dollar amount or a stated percentage.</b></p>	<p>You can arrange to have retirement plan fees taken from participant accounts. This can be a flat-dollar fee that's the same for everyone or a stated percentage of plan assets.</p>	<ul style="list-style-type: none"> <li>• Flat-dollar fee <ul style="list-style-type: none"> <li>– Everyone pays the same dollar amount</li> <li>– It may be high for new participants just starting out</li> </ul> </li> <li>• Stated percentage <ul style="list-style-type: none"> <li>– The percentage is the same for all participants</li> <li>– The amount some participants pay will be more than others</li> </ul> </li> <li>• With participant account balances varying, the impact of fees paid directly by participants may not be equitable.</li> </ul>	<p>Can be perceived as all participants paying the same depending on your method.</p>
 <p><b>Revenue sharing:</b> Used to pay for all or a portion of plan fees.</p>	<p>Revenue sharing is a fee placed on investments by the investment provider to help cover certain management and marketing expenses. If available, it will likely differ by investment option. With this method, revenue sharing is used to offset plan fees.</p>	<ul style="list-style-type: none"> <li>• If all plan fees are covered this way, participants see one fee that is inclusive of plan fees and investment fees.</li> <li>• These fees are part of an investment option's fees and vary by investment, meaning some people may pay more than others based on their balance and choices of investment options.</li> <li>• Participants are not able to distinguish the amount of plan fees from the investment fees for the investment options they are using.</li> </ul>	<p>The revenue sharing amount varies by investment.</p> <p>With revenue sharing being part of an investment option's fees, participants can reach the misconception that there are no fees to the plan, because they don't see a dollar amount listed on their statements.</p>

Method	What is it?	Considerations	Impact to participants
<p>Choosing zero-revenue sharing investment options may be one way to do it.</p> <p>Note that this isn't a payment method, but a way to typically lower the investment management expense.</p>	<p>You can offer investment options that provide no revenue sharing, but must decide how to cover plan fees. This can be one—or a combination of—the methods listed above.</p>	<ul style="list-style-type: none"> <li>• This can be one of the simplest methods.</li> <li>• More easily understood.</li> <li>• You still must decide how any remaining fees will be paid and if/how you collect from participants.</li> </ul>	<p>If/how you decide to collect the plan fees from participants, they will be paying at least a portion of plan fees and will see that on statements.</p> <p>Removes the outcome where some participants pay more plan fees than others based on the investment options they choose.</p>
<p>If using revenue sharing (see explanation above): <b>Fee adjustments to participants is another way to do it.</b></p> <p>Note that this isn't a payment method, but a way to even out what is paid among participants.</p>	<p>Participants pay this fee if they invest in an investment option that has revenue sharing.</p> <p>In this arrangement, your retirement plan service provider will adjust applicable revenue sharing to participants' accounts on an investment-by-investment basis (may be monthly or quarterly).</p> <p><b>This is done to either:</b></p> <ul style="list-style-type: none"> <li>• Get participants to zero revenue (therefore the participants are not paying for plan fees via the investments they are using).</li> <li>• Or to a set percentage of plan fees that everyone pays.</li> </ul>	<ul style="list-style-type: none"> <li>• You can create the effect of zero-revenue sharing investment options even if they aren't available to you.</li> <li>• The participants' statements may be confusing to some because they'll see fee adjustments on their statements, but it is transparent.</li> <li>• You still must decide how any remaining fees will be paid and if/how you collect from participants.</li> </ul>	<p>If/how you decide to collect the plan fees from participants, they will be paying at least a portion of plan fees and will see that on statements.</p> <p>Removes the outcome where some participants pay more administrative fees than others based on the investment options they choose.</p>

**There are various methods of collecting and paying plan fees—and we're here to help.**



**If you have questions or want assistance, contact your financial professional or Principal® representative.**

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