

Case Study: Even large, sophisticated 401(k) clients need help understanding fees

How one advisor delivered quantifiable results on fees/fee levelization and earned the client's trust.



Build your retirement business

ADVISOR PROFILE

- Retirement plan consulting and wealth planning financial services firm with over 200 retirement plan clients and several billion in retirement assets
- Specialized and focused in corporate retirement plan consulting

PROJECT SCOPE

This experienced professional was hired to perform a fee review and analysis for a large, publicly traded technology firm with thousands of participants and hundreds of millions in retirement plan assets.

PROJECT FINDINGS

Through benchmarking analysis, the specialist discovered:

- There was no set fee schedule (e.g., defined plan administrative fees) from the existing service provider.
- The revenue sharing on one investment option appeared to be out of line.
- An absence of fee levelization.
- The company's investment committee had a member with a deep understanding of investments, but not as much about plan fees and variations to retirement plan fee structures.

DELIVERABLES/RECOMMENDATIONS

The financial professional and supporting team, who are known for their strong but fair negotiations for plan clients' fees, notified the client early on that they may see an immediate fee reduction related to the one investment option from the service provider. And that's exactly what happened, which gave instant credibility with the client and the entire investment committee.

The retirement specialist's final report included a thorough review of the client's existing fee structure and revenue-sharing arrangements in place with the current fund lineup. The report also included an analysis of the current service agreements, including calculations on per-head fees versus basis point fees. Specifically, they:

1. Helped the plan sponsor understand how revenue sharing worked and that participants were paying different amounts towards plan administrative fees.
2. Educated the decision-making team on the concept of fee levelization as a way to help even out the plan fees participants were paying.
3. Helped them evaluate the impact of fixed dollar fees versus asset-based fees.

"This was a very sophisticated 401(k) client who never had an outside, independent party evaluate their fees," said the experienced retirement plan professional. "So that was a little surprising to us as we perform a fee benchmarking analysis for our clients every year."

RESULTS

The knowledgeable team helped this client:

- Lower their plan's total administrative fees by a significant amount annually.
- Better understand retirement plan fees and variations to their fee structures.
- Implement fee levelization and full fee transparency for employees.
- Move to a dollar-per-head administrative fee (all participants pay the same).
- Rewrite all service provider agreements.
- Implement fee levelization with minimal concerns from participants.

Want help teeing up the fee levelization conversation? Check out more helpful tools and resources at principal.com/valueadd or contact your local Principal® representative or our Advisor Support Team at **800-952-3343**.



Intended for financial professional/institutional use.

Not indicative of future results. Results will vary based on retirement plan characteristics.

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PQ11486YY-03 | 2913742-052023 | 05/2023