



LJCooper Provides Easy Solution to Impending Dept. of Labor 401(k) Disclosure Requirement

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Labor Department Requires 401(k) Fee Disclosure

(Bloomberg News) Employer-sponsored 401(k) retirement plans will have to disclose fees that savers pay on investments and transactions by 2012, the U.S. Department of Labor said.

“Participants will be able to understand the dramatic effect fees play in the returns that they get,” Assistant Secretary of Labor Phyllis Borzi said in a conference call today.

“...Retirement plans will have to disclose fees that savers pay on investments and transactions...”

The regulations, which will apply to the plans by January 1, 2012, will require companies to provide investors information on administrative and investment fees charged to their accounts in their quarterly statements, the Labor Department said.

Regulators and legislators have been studying fees for 401(k) plans as more workers use them to save for retirement. An estimated 72 million participants have 401(k)-type retirement plans with assets totaling about \$3 trillion, the department said.

“Participants really haven’t been confronted with the fees they pay,” said David Wray, president of the Profit Sharing/401k Council of America, a Chicago-based non-profit association of employers that sponsor retirement plans. While investors have been able to get many details on fees upon request or by searching through paperwork, “the difference here is some of that information is going to be given to you whether you ask for it or not,” he said.

Explanation Of Costs

Participants new to the plans must receive an explanation of costs when first signing up for an account, the department said. The regulations also will require 401(k) providers to give participants enough information to allow cost comparisons with other investment choices and a Web site with additional details.



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“This rule provides uniform disclosure to workers about what they pay for investment options in their retirement plans,” Secretary of Labor Hilda Solis said today.

Fidelity Investments, the largest U.S. provider of 401(k) plans, has been enhancing participant statements, its online presentation of fees and its marketing materials to provide more disclosure, Beth McHugh, vice president of market insights for the Boston-based company, said in an interview yesterday. The new features will be ready by the government’s deadline at the latest and “will go beyond the regulations,” she said.

Fidelity, Putnam Accounts

About 11 million workers have their employer-sponsored retirement plans with Fidelity, which manages \$735 billion in 401(k) account assets, the firm said.

Putnam Investments announced yesterday it will start disclosing to participants this month more information online about the fees they pay on each investment. The Boston-based money manager has about \$17 billion in 401(k) assets.

The Department of Labor announced a separate rule in July that would enhance disclosure of 401(k) fees by requiring plan providers to report to plan sponsors direct and indirect compensation received in connection with account services. That requirement will take effect July 16, 2011, the Labor Department said.



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