RADiUS
Wealth Management LLC

A RADIUS WEALTH MANAGEMENT GUIDE FOR EMPLOYERS

How to Read Your 401(k) Fee Disclosure

Where plan costs appear, how to add them up, and how to judge whether they are reasonable. With a worksheet you can fill in from your own documents.

INCLUDES AN ALL-IN COST WORKSHEET

Radius Wealth Management LLC · 1 Marina Park Drive, Boston, MA 02210 · radiuswealth.com
Published November 2026 · For educational purposes only

WHY IT MATTERS

When Did You Last Compare Your Plan's Fees?

Plan fees are usually small percentages taken quietly from investment returns. Over a working career, small percentages compound into large differences.

The U.S. Department of Labor illustrates this with an example: an employee with a $25,000 balance and 35 years until retirement, earning an average of 7% a year before costs. With fees and expenses of 0.5% a year, the account grows to about $227,000. With fees of 1.5%, it grows to about $163,000. A one-percentage-point difference reduces the balance at retirement by 28%.

Source: U.S. Department of Labor, *A Look at 401(k) Plan Fees*. The example is hypothetical, assumes no further contributions, and is not a prediction of any investment's return.

For employers, fees are also a fiduciary matter. ERISA requires plan fiduciaries to ensure that the plan pays only reasonable expenses for the services it receives. That does not mean choosing the cheapest option. It means knowing what the plan pays, knowing what it gets for that money, and comparing both against the market from time to time. Questions about plan fees are not limited to the largest plans.

The two disclosures you should have

DOCUMENT	WHO RECEIVES IT	WHAT IT SHOWS
408(b)(2) service provider disclosure	The employer (the plan's responsible fiduciary), from each covered service provider, before the service starts and when it changes.	Services provided, whether the provider is a fiduciary, and all direct and indirect compensation it expects to receive.
404a-5 participant fee disclosure	Every eligible employee and participant, at least annually.	Each investment's expense ratio and performance, plus administrative and individual fees charged to accounts.

Larger plans also report service provider compensation on **Schedule C** of Form 5500, which is public.

WHERE COSTS APPEAR

The Four Buckets of 401(k) Cost

BUCKET	WHAT IT PAYS FOR	WHERE TO FIND IT
1. Investment	Managing each fund: the expense ratio, deducted inside the fund. Usually the largest single cost.	404a-5 disclosure (expense ratio column) or fund fact sheets. Note the share class.
2. Recordkeeping & administration	Participant accounts, website, statements, transactions; plan document, testing and Form 5500 preparation.	408(b)(2) disclosures from the recordkeeper and TPA, and their invoices.
3. Advisory	The plan adviser's services to the committee and to employees.	The adviser's 408(b)(2) disclosure and agreement.
4. Transaction & individual	Fees charged to the individual who uses a service: loan setup, distributions, QDRO processing.	404a-5 disclosure and the recordkeeper's fee schedule.

Direct and indirect compensation

Direct compensation is billed to the plan or the employer, so it appears on invoices or statements. **Indirect** compensation is paid to a provider by someone other than the plan, most often out of the funds' expense ratios through **revenue sharing**. It shows up in the 408(b)(2) disclosure, sometimes in a separate fund-by-fund schedule, and is easy to miss.

CLUES THAT REVENUE SHARING IS PRESENT

- Fund share classes labeled for retirement plans with higher costs (for example, R1 to R4, or "Service," "Admin," "Retirement" classes) when a lower-cost class of the same fund exists
- Terms such as 12b-1 fee, sub-transfer agency (sub-TA), shareholder servicing or administrative service fee
- A recordkeeper fee shown as "paid through investments" or "offset by revenue"
- An adviser paid "per the fund prospectus" or by commission

Revenue sharing is legal and not automatically a problem. What matters is that you know its size, that the total is reasonable for the services, and whether any excess is credited back to the plan or participants (sometimes through an ERISA budget or fee-leveling account).

WORKSHEET

Find Your Plan's All-In Cost

Gather your plan's most recent 408(b)(2) disclosures, the 404a-5 participant disclosure, and a recent plan asset statement. Convert every fee to dollars per year, then add them up. For asset-based fees, multiply the rate by plan assets. For fund expenses, the most accurate approach weights each fund's expense ratio by the assets in that fund; a simple average is a reasonable first estimate.

ITEM	RATE OR AMOUNT	DOLLARS PER YEAR	SOURCE DOCUMENT
A. Plan assets		$	
B. Number of participants with balances			
C. Fund expenses (asset-weighted expense ratio × A)	%	$	
D. Recordkeeping, asset-based and per-participant		$	
E. TPA and administration fees		$	
F. Adviser fees		$	
G. Other plan-level fees (audit, trustee, etc.)		$	
H. Less: revenue sharing credited back to the plan		– $	
Total annual cost (C + D + E + F + G – H)		**$**	
All-in cost as a % of assets (Total ÷ A)	%		
Cost per participant (Total ÷ B)		**$**	

Be careful not to count revenue sharing twice. If a recordkeeper is paid entirely through fund revenue, its compensation is already inside line C; list it in the source column for reference, but don't add it again in D.

Also note which of these costs the company pays directly. They still belong in the total when comparing plans, but they don't reduce employees' balances.

A WORKED EXAMPLE

Putting the Worksheet to Use

The figures below are **hypothetical** and chosen only to show the arithmetic. They are not benchmarks and do not describe any actual plan or provider.

ITEM	RATE OR AMOUNT	DOLLARS PER YEAR
A. Plan assets		$4,000,000
B. Participants with balances	60	
C. Fund expenses	0.45%	$18,000
D. Recordkeeping	0.20%	$8,000
E. TPA ($2,500 base + $40 per participant)		$4,900
F. Adviser	0.50%	$20,000
G. Other plan-level fees		$0
H. Revenue sharing credited back		$0
Total annual cost		**$50,900**
All-in cost as a % of assets	**1.27%**	
Cost per participant		**$848**

With a total in hand, the committee can ask useful questions. How does $50,900 compare with what similar plans pay for similar services? Which bucket is largest, and is it the one delivering the most value? Is the adviser fee buying fiduciary oversight and employee education, or only a product? Would lower-cost share classes of the same funds reduce line C?

What "reasonable" means

The DOL does not set a maximum fee. Reasonableness is judged against the services the plan receives and what the market charges for comparable services to plans of similar size. Two plans with the same all-in cost can be in very different positions if one receives fiduciary advice, strong employee education and a 3(16) administrator, and the other receives none of them. That is why benchmarking compares services as well as price, and why the record of the comparison is as important as the result.

BENCHMARKING

Comparing Fees Independently

Benchmarking means comparing your plan's fees and services against plans of similar size and design. There are three common ways to do it, and many committees use more than one:

- **Benchmarking report.** A provider or adviser compares your plan against a database of plans of similar asset size and participant count. Fast and inexpensive; the quality depends on the data and on whether services are compared alongside price.
- **Request for information or proposal (RFI/RFP).** You ask several providers to price your actual plan. More work, but it produces real, current quotes.
- **Targeted negotiation.** You share the benchmark with your current providers and ask them to respond. Some plans improve their terms without changing providers.

Whichever method you use, record what you compared, what you found, what you decided and why, and keep it in the plan's fiduciary file.

Red flags worth a closer look

- You have not received a 408(b)(2) disclosure, or cannot find one for each provider.
- You cannot state the plan's total cost in dollars.
- Higher-cost share classes are used when lower-cost classes of the same funds are available to the plan.
- Much of the menu is managed by the recordkeeper's affiliates, with no documented comparison to alternatives.
- The adviser is paid by commission or through the funds, and the agreement does not say the adviser is a fiduciary.
- Asset-based fees have grown with the plan for years, but services have not changed and no one has renegotiated.
- The plan has not been benchmarked or put out for proposal in the last several years.

A COMPLIMENTARY FEE REVIEW

Send us your plan's most recent 408(b)(2) disclosures. Radius Wealth Management will complete this worksheet for your plan, show what each provider is paid and for which services, and, if useful, lay out what an alternative structure would cost, including our own advisory fee. We explain what we find in plain terms, with no cost and no obligation. Start at **radiuswealth.com/business-owners** or call **(617) 765-2200**.

RELATED GUIDES FOR EMPLOYERS

- *The 401(k) Fiduciary Checklist*: forty questions for owners, HR and finance
- *Bundled vs. Unbundled 401(k): Who Does What in Your Plan*

SOURCES

- U.S. Department of Labor, EBSA: *A Look at 401(k) Plan Fees*; *Understanding Retirement Plan Fees and Expenses*; *Fiduciary Responsibilities: Fee Disclosure Rules* fact sheets.
- DOL regulations 29 CFR 2550.408b-2 (covered service provider disclosure) and 2550.404a-5 (participant-level fee disclosure); Form 5500 Schedule C instructions.
- ERISA section 404(a)(1)(A) (paying reasonable plan expenses).

Radius Wealth Management LLC · 1 Marina Park Drive, Boston, MA 02210 · team@radiuswealth.com · (617) 765-2200

Important disclosures. This guide is provided for general educational purposes only and is not legal, tax, accounting or personalized investment advice, nor an offer or solicitation to buy or sell any security. All examples are hypothetical and for illustration only; they do not represent any actual plan, provider or investment, and are not benchmarks. Lower fees do not by themselves make a plan better or ensure better outcomes, and a fee review may not identify savings for every plan. Investing involves risk, including the possible loss of principal. Consult your ERISA counsel, third-party administrator and tax professional about your plan. Radius Wealth Management LLC does not provide legal or tax advice. Radius Wealth Management LLC is a Registered Investment Adviser; registration does not imply a certain level of skill or training. Information is believed to be accurate as of November 2026 and is subject to change. Additional information is available in our Form ADV Part 2A and Form CRS at radiuswealth.com/disclosures.