

TRS FINANCIAL AWARENESS VIDEO SERIES

VIDEO #14: Understanding 403(b) Fees

Transcript

Meet Sheila. Sheila is a child nutrition services team member at an elementary school. She's been a TRS member for 11 years. Sheila's daughters want to adopt a dog, but she's not sure what type of dog would be best suited to her family's lifestyle. She's facing a similar situation with her school's 403(b) plan - Sheila wants to save for retirement, but she's not sure which 403(b) investment products would be best suited to her financial goals.

As with owning a pet, there are costs associated with investing in a 403(b) plan. There are investment management fees, product administration fees, and other service fees. Investment management fees compensate professional money managers for selecting the securities in a fund's portfolio and managing it based on the fund's investment objectives. Product administration fees pay for services like record keeping, call center support, and quarterly statements. Product fees may also include mortality and expense fees, surrender fees, or advisory fees, in addition to other service fees.

Fees vary from product to product, and if you don't keep an eye on them, they can take a huge bite out of your savings. Over time, even small differences in fees can grow into big differences in returns.

For example, let's say you invest \$20,000 in an account with annual fees of 0.5% and earn an average of 6% per year. After 30 years, you'd have almost \$99,000. If the annual fees were just one percent more, you'd only have about \$73,000 - a difference of \$26,000.

Before committing to a 403(b) contract, make sure you understand the fees involved. Ask questions so that you understand what you will be charged, how often, and why. Lists of example questions are included in the resources provided with this video, as well as information about specific types of fees. For information on fees associated with specific registered products, visit the 403(b) Product List on the TRS website.

Like deciding to bring home a new pet, selecting a 403(b) investment product is a significant decision that requires research and preparation. Taking time

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to understand and compare the fees you'll be charged could benefit you for many happy years to come.

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TRS does not explicitly or implicitly endorse or approve any individual type of retirement plan and/or investment product offered by other retirement plans.

All investing is subject to risk, including the possible loss of all the money you invest. Before investing, consider your investment objective, risks, charges and expenses. You should not assume that you will have the same investment returns or tax consequences discussed in the video series.