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Excerpts from Wall Street Journal – May 16, 2016, by Anne Tergesen

401(k) Fees...Are Heading Lower

...a new Labor Department rule that would hold financial advisers to higher standards of behavior for retirement accounts will likely lead smaller plans—where fees remain highest—to cut costs, experts say.

According to Vanguard Group, investors in a plan that charged 0.25% a year could in theory amass 20% more money over a four-decade career than they could in one that charged 1.25%, all else being equal.

Chobani LLC, a Norwich, N.Y. yogurt manufacturer, reduced its annual plan expenses from about 1.5% of assets in 2013 to about 0.50% in 2014 as it switched mainly to index funds, according to a Wall Street Journal analysis of the plan's filings with the Labor Department. (click on the link from our site to see the math behind this)

...Earp Meat Co., an Edwardsville, Kan., food distributor, reduce administrative fees from about 1% of plan assets a year to 0.41%. In all, the plan will save more than \$17,000 a year in fees on the \$2.9 million employees have invested...(see the math on this example, too)

Matt Sommer, director of retirement strategy at Janus Capital Group, predicts the change will drive many brokers out of the 401(k) business because of concern about legal liability. Those advisers who are willing to act as fiduciaries, meanwhile, will enter the small-plan market and “drive down fees” by selecting lower cost investments, he said.

Dillon Capital Management Comments:

We have been making this case for years. 401(k) plans do not have to pay high fees for administration and investment advice! That's the old-school way of brokers and insurance companies.

The savings described above don't even include an estimate of how much more a plan can add by focusing on better investment results for its participants. Due to SEC regulations, we are not allowed to provide illustrations that suggest better investment performance, but we can provide a comparison or your plan's fund lineup against our Index-Plus Lineup, upon your request.

There are no tricks. Contact us today and I promise you a valuable education on these matters with no sales pressure tactics. Thank you for your time.

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