Revenue Sharing: What you should know

What is revenue sharing?

Some call it “hidden fees.” Others, “indirect payments.” Revenue sharing refers collectively to fees that service providers (insurance companies, payroll providers, banks, brokerage houses, mutual funds) charge to plan sponsors and participants.

These fees can be so complex and “under the radar” that many sponsors do not understand their consequence or magnitude. The fact is, revenue sharing is how companies like yours might be paying for their retirement plan. Or put another way, leaking money.

Your plan might appear “free,” since you’re not receiving any invoices. But—as the saying goes—there’s no such thing as a free lunch.

Specifically, revenue sharing refers to several kinds of fees that are buried in the administration of your retirement plan:

- **12b-1 fees**
  - These fees are deducted from the assets of mutual funds. They are therefore charged directly to the participants invested in that fund. 12b-1 fees are used to compensate broker-dealers

- **Sub transfer agency fees - Shareholder servicing fees**
  - Paid by mutual funds to 401k recordkeeping firms to help subsidize recordkeeping costs (i.e., keeping track of share ownership at the plan and participant account level, communicating fund information to participants, etc.

All of these forms of revenue sharing have, as their source, the participants’ investments in mutual funds.

If your 401(k) profit sharing plan has a million dollars or more in plan assets, the plan may be eligible to receive these revenue sharing credits—instead of the fees going to the insurance company or payroll provider (or whoever is providing custodial and recordkeeping services).

Contact us for a complimentary review of your 401k plan. We are here to help you.