RETIREMENT REPORT

County of San Mateo, CA | Deferred Compensation Plan

Spring 2025

Expense Report

Understand Expense Ratios To Help Maximize Your Retirement Savings

A mutual fund expense ratio is a critical metric to understand when managing a retirement Plan account. It represents the annual fee that a mutual fund charges its investors, expressed as a percentage of the fund's total assets. This fee covers the operational costs of the fund, such as management fees, administrative costs, and other expenses like marketing or distribution (sometimes referred to as 12b-1 fees).

In a retirement plan, where mutual funds are common investment options, the expense ratio directly affects your investment returns. For example, if a fund earns an annual return of 8% and has an expense ratio of 1%, your net return is reduced to 7%. Although this may seem minimal, the cumulative impact over decades of investing can significantly reduce your retirement savings due to the compounding effect of costs.

A Positive Trend

According to the Investment Company Institute, 401(k) mutual fund expense ratios have decreased by 60% since 2000. They report that fund providers have continued to lower fees to stay competitive.

Doing Your Homework

Expense ratios can vary widely depending on the type of mutual fund. Actively managed funds (which aim to outperform the market) typically have higher expense ratios. Index funds or passively managed funds (which track a market index) often have lower expense ratios. When choosing funds for your retirement plan, cheapest isn't necessarily best. Evaluate whether the fund's historical performance justifies its costs and aligns with your retirement goals.

Here are two good sources of information on your plan's investment offering:

- Your retirement plan resources. Most retirement plans provide detailed information about investment options and associated expense ratios. In addition, your annual plan fee disclosure document outlines all the fees related to the plan, including fund-specific expense ratios.
- Fund provider websites. Websites of mutual fund providers offer detailed expense ratio data for their mutual funds. Look for the fund's prospectus or fact sheet, which breaks down fees and performance.

Retirement in Motion

Tips and Resources That Everyone Can Use

Knowledge Is Retirement Power

According to the *Employee Benefit Research Institute*, nearly 1 in 3 retirees (31%) say they spent more than they can afford in 2024—up from just 17% saying the same in 2020. Anticipating certain expenses later in life can alleviate financial anxiety and allow you to enjoy your retirement with confidence. Check out *"10 Costs to Include in Your Retirement Budget"* from U.S. News & World Report. Keeping these key costs at the center of your planning efforts can help keep your budget on track.

Q&A

How often should I review my 401(k) investments?

It's a good idea to review your retirement plan portfolio at least once a year. You'll want to review your goals, time horizon, risk tolerance and portfolio performance. As your life and financial markets evolve, your preferred asset allocation can drift off course. To stay aligned with your preferred asset allocation, you may need to periodically rebalance your portfolio by selling some assets that have grown in value and buying others that have lagged. And if your priorities and goals change, you may need to adjust your asset allocation.

Quarterly Reminder

If you anticipate receiving a tax refund this year, consider creating an emergency fund with some or all of it. It's important to have this money available for when something unexpected comes up, such as a car, refrigerator or dishwasher breaking down. Aim to have 3–6 months of living expenses saved in an account that is separate from your checking account.

Tools & Techniques

An investment strategy in which retirement plan contributions are deducted automatically from your paycheck is known as *dollar cost averaging*. Specifically, it's when you buy investments in steady increments instead of investing a lump sum all at once (e.g., $100 every week or 5% from every paycheck). When prices are low, you get more shares for your money. When prices are high, you buy fewer shares. This strategy can potentially help lower your average cost per share over time as you fund other financial goals. It's important to note that while this approach doesn't necessarily guarantee a profit or protect you against loss, it's a very practical and disciplined way to invest.

Corner on the Market

Basic Financial Terms To Know

International Monetary Fund (IMF). The IMF is an international organization that promotes global economic growth and financial stability, encourages international trade and reduces poverty. Based in Washington, D.C., the organization currently comprises 190 member countries.

Whom do I call for help?

Account Information

Balances | Investment Changes | Personal Info

Contact: Empower

1-800-743-5274

www.retiresmart.com

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