



Getting the Most from Your Plan:

A participant's guide to retirement plan fees



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What you need to know about fees

Many people find that their employer's retirement savings plan is the most cost-effective way to put aside money for the future. It offers tax advantages and saving benefits that are not typically available to individual investors.

Still, like any informed investor, you'll want to know what fees you'll pay as a plan participant. Fees do have an impact on investment earnings, which in turn affects how much money you can eventually accumulate for retirement.

This guide will help you learn:

- How plan fees work
- How to keep your costs down
- How to avoid or eliminate some fees
- How to determine which fees offer good value

The advantage is yours

As a participant in your employer's retirement savings plan, your pre-tax contributions result in immediate tax savings. Also, your earnings have the chance to grow without being reduced by current taxes.

Your plan also offers advantages that you would likely not have access to as an individual investor.

Buying power: Many employers are able to negotiate lower fees and/or increased services for their participants because of the substantial assets in their plans.

Access to funds: Plans often provide participants access to privately managed or collective funds and other investment options with lower fees and/or customized investment strategies.

Regulatory oversight: Retirement savings plans are administered under strict legal guidelines and with multiple levels of oversight.

Due diligence: Investment options are regularly monitored to ensure that they continue to meet performance and other criteria.



Fees pay for services

Your employer has gone through a rigorous process to develop plan services and provide investment options designed to help you meet your retirement planning goals.

It also takes a team of professionals and a lot of work to keep your plan running. The recordkeeper tracks your contributions, investment performance and other account information. The bank or other institution serving as trustee safeguards the assets. Investment managers research and analyze their investment portfolios, and buy and sell securities.

An independent consultant may offer advice regarding investments or plan administration. Other professionals may provide legal, audit, education and reporting services.

Some are behind-the-scenes services that your employer oversees, such as investment selection and services that keep the plan compliant with federal regulations.

Other services more directly benefit you, such as when you call or go online to make changes to your account, receive your statement, talk to human resources regarding your plan or attend a retirement planning workshop.

The costs of these services translate to fees that you and your employer will pay.

Fees are associated with all investment options, whether they're offered through a retirement savings plan or through an individual account.

Understanding how investment fees work

The plan fees that you pay are primarily related to your investment options. These fees generally don't show up on your statement because they are deducted before your investment earnings are calculated.

Rates of return are generally reported in this way on your statement:

	Qtr	YTD	1 Yr	3 Yr	5 Yr
ABC Large Cap	6.20%	14.33%	14.85%	9.15%	5.82%

These performance returns have already been reduced by investment management fees. In other words, they are net of fees.

Why fees matter

Paying for services is a fact of life. Obviously it costs money for plan providers to make their services available, and it would be impossible for them to maintain their businesses without adequate compensation, including some level of profit.

What you may not realize is that the fees you pay have a direct impact on your bottom-line returns, so keeping plan fees down even in small ways can make a big difference in how much money you eventually accumulate. (The chart below shows the difference that an increase of just a fraction of a percent in earnings can make in long-term savings.)

The good news is that there are a number of things you can do to keep your costs in line and gain maximum benefit from your plan.



Lower Fees = Higher Returns = More Savings accumulated in the long term



This illustration assumes that you already have \$10,000 in your retirement savings plan and contribute \$100 a month. The totals are accumulated savings at the end of 30 years based on the stated annual rate of return.

This chart is hypothetical and for illustrative purposes only and is not indicative of the performance of any specific investment. The investment return and principal value of an investment will fluctuate and an investor's interest, when redeemed, may be worth more or less than the original investment. Past performance is no guarantee of future results. Investments are subject to market risk and fluctuate in value.

Keeping costs down: investment fees

Some fund companies and providers charge transaction fees. The amount of and conditions for these fees vary by each investment option.

Redemption fees are sometimes charged when a fund is sold. They are intended to discourage the practice of frequent trading by investors who trade investment option shares more often than specified by the investment company. These fees may be reduced or eliminated after a given period of time. You can save on fees by not selling these investments until the redemption fee has been eliminated.

Company stock fund fees are charged for buying and selling company stock. If your employer allows, you could reduce these transaction costs by buying or selling company stock funds in larger versus smaller lots, or intermittently rather than on a regular basis.

Keeping costs down: additional services

Brokerage windows are optional services offered by some employers to give participants access to a greatly increased lineup of investment options. In the case of brokerage windows, participants can invest in individual stocks, bonds and other investment products not usually available through a retirement savings plan.

Generally there are annual as well as transaction fees associated with these services. For most participants, the investment options offered through their basic plan services provide the diversification they need to meet their retirement planning goals.

Investment advice is sometimes offered as an optional service to participants. It can be a cost-effective alternative to expensive private financial and investment counseling.

Account management services are offered by some plans, often at a fraction of what it would cost to obtain similar services elsewhere. The fees associated with investment management services may be money well spent for participants who want to eliminate time and worry.

Are you charged redemption or other fees for your plan's investment options?

You can find out by checking the prospectus, a document that lists the fees associated with an investment option. You can get a prospectus from the plan provider. (Call the number you usually call for account transactions or check the administrator's online services). Your employer's retirement planning or human resources department may also have that information.

Money management services may be appropriate for participants who fall into one or more of the following categories:

- Those who are looking for professional investment selection
- Those who don't have the time to regularly monitor and rebalance their account
- Those who don't feel comfortable making investment selections

The high cost of taking money out of your plan: loans

If you take a loan from your plan, withdraw money, or terminate employment, it may force the sale of some or all of your investments.

This action could generate unintended redemption or other fees.

In addition to a processing fee and interest charges associated with taking a loan from your plan account, there are other hidden costs of which you should be aware.

For one, you may lose out on investment earnings while your money is tied up in a loan. Although you will pay interest on the outstanding loan amount, you may forfeit earnings by not having your money in higher returning investments.

For another, you may find it necessary to stop making contributions while you have an outstanding loan.

If you quit working for your current employer, your loan balance would likely be due within a short time, perhaps within 30 to 60 days.

It may be in your best interests to check out other loan sources before considering a loan from your retirement savings plan.

The high cost of taking money out of your plan: early withdrawals

When money is withdrawn from a retirement savings plan, a distribution fee is usually charged. In addition, many withdrawals are subject to 20 percent federal income tax withholding.

As an example, let's assume that you withdraw \$5,000 from your retirement savings account. Your plan charges you a \$75 distribution fee and withholds \$1,000 for taxes, which is not necessarily enough to cover your actual tax obligation. Your withdrawal just dwindled to \$3,925.

If you take a withdrawal prior to age 59½, you risk an additional 10 percent penalty when you pay your taxes. In this example of a \$5,000 withdrawal, an additional 10 percent penalty would reduce the value of your withdrawal to \$3,425.

Early withdrawal example

Initial amount	\$5,000
Distribution fee	- \$75
Tax withholding 20%	- \$1,000
Federal tax penalty 10%	- \$500
Final value of withdrawal	\$3,425

A few more downsides

Many plans require that you suspend contributions for up to six months when you take a hardship withdrawal.

By withdrawing some of your savings, you also reduce the amount of money earning tax-deferred, compounded returns.

The high cost of terminating employment and not rolling over your money

If you terminate employment, your employer may allow you to keep your retirement savings plan account. Or you may instruct your employer to transfer (roll over) your account balance to another tax-deferred plan or an Individual Retirement Account (IRA) in your name. These options would allow:

- your money to remain tax deferred,
- you to continue to avoid current taxes, and
- your money to continue to earn tax-deferred compounded returns.

If you withdraw your account balance and do not roll it over into another tax-deferred plan or IRA, it would be taxed as regular income for the year and could be subject to a 10 percent penalty.

Get the maximum benefit out of your plan

Here are a few things that can help keep your costs down and maximize opportunities for savings growth.

Avoid paying unnecessary fees. You can avoid paying unnecessary redemption fees by holding securities the required minimum period whenever possible.

Decide whether additional or enhanced services represent a good value for you. Cheap isn't always better. It may be in your best interests to pay more for added or better services.

You might decide that investment advice and money management services are affordable and can better help you reach your savings goals than going it alone. Or you may find that some of the added services available under your plan aren't worth the added expense or aren't suited to your particular needs.

The high cost of taking money out of your plan

Take into account the cost of fees, taxes, penalties, and future earning power before taking a loan or withdrawal.

- Check into loans at banks, credit unions, and even private sources before taking a loan from your plan.
- Avoid taking a withdrawal from your plan prior to age 59½, even in the event of financial hardship. By taking an early withdrawal, you may be setting yourself up for more financial hardship in the future.
- When you terminate employment, be sure the money in your retirement savings plan either stays in the plan or is rolled over into another tax-advantaged account, such as another employer's qualified plan or an IRA.



These simple steps can go a long way toward helping you get the maximum benefits from your retirement savings plan.

Plan Sponsors and participants should carefully consider the investment objectives, risks, charges and expenses of the investment options offered under the retirement plan before investing. The prospectuses for the individual mutual funds and The Standard Group Variable Annuity Contract and each underlying investment option in both the group variable annuity and group annuity contain this and other important information. Prospectuses may be obtained by calling 877.805.1127. Please read the prospectus carefully before investing.



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