

# ***The "Daily Plan-It"™***

*HELLMUTH & JOHNSON, PLLC*

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## ***New Disclosure Rules Will Expose 'Hidden' Fees inside Retirement Plans***

Advisors know there's a host of unknown costs and fees lurking inside a client's 401(k) plans, IRAs and other retirement accounts. Often, those fees make a world of difference in investment returns.

But most clients don't know the fees that they pay to plan providers. A recent AARP study found that more than seven in ten 401(k) plan participants incorrectly reported that they did not pay any fees, and 6 percent said that they didn't know whether or not they pay fees. Clients often fail to read the fine-print disclosures that explain fees.

A recent *Smart Money* article [<http://tinyurl.com/3nvxpsj>] detailed the fees. I've included the highlights for you.

### **What You Don't Know Can Hurt You**

Beginning Jan. 1, plan sponsors must disclose fees to participants. But there are other lesser-known fees to consider. Clients who move IRA accounts to new brokerage firms can be hit with two unexpected fees: the account transfer fee and the annual maintenance fee.

In addition, retirement accounts that use managed-money programs will have termination fees that must be paid prior to money being moved from a current manager to a new manager. These can include that quarter's asset fee, management fee and custodian fee.

### **10 Fees Eating Up Retirement Savings:**

1. Account termination fees.
2. Account maintenance fees.
3. Various account transfer fees.
4. Roth conversion fee: This is charged when a traditional IRA is converted to a Roth IRA.
5. Federal fund wire fee and overnight delivery fee.
6. "Special investment" fee: This applies to non-traditional/non-publicly traded investments such as private placements, real estate and certain limited partnerships.
7. "Special investment" set-up fee: This also applies to non-traditional investments not publicly traded. Such fees are usually one-time only.
8. Form 990-T filing fee: For accounts holding non-traditional/non-publicly traded investments, the custodian may need to file IRS Form 990-T to report unrelated business income.
9. Loan processing fees: Clients who take loans from retirement funds may face a processing fee.

10. Recordkeeping fee: Small business owners with solo-K/individual-K plans may be charged a recordkeeping and filing fee of several hundred dollars, if they use the services of a record keeper.

As advisors, we can't make these fees go away, but there may be a tax-efficient way to pay them. For instance, if a client is in the "accumulation" phase of saving for retirement, it would make sense to pay any allowable fees with what's called non-qualified money, that is, money that's outside of the retirement accounts. This would allow more money in the account to grow tax-deferred.

By contrast, if a client is in the distribution phase of retirement, it may make sense to have these fees paid from the qualified account.

As always, I hope this article has helped you and your clients. Please contact our office if you need any assistance.

This complimentary publication is provided courtesy of:

#### **TIMOTHY O. DAVIS**

Phone: 952-746-2104

Email: [tdavis@hjlawfirm.com](mailto:tdavis@hjlawfirm.com)

#### **SUSAN L. ANDERSON**

Phone: 952-746-2123

E-mail: [sanderson@hjlawfirm.com](mailto:sanderson@hjlawfirm.com)

Tim is a partner in the firm with 27 years of experience.

Susan brings over 15 years experience. Both Tim and Susan specialize in Estate and Business Planning, Probate and Trust Law, and related Tax matters. They assist clients in creating estate plans that provide for the control, maintenance, and disposition of their assets in a manner consistent with their objectives.

**Hellmuth & Johnson, PLLC** has 38 attorneys and is a full service firm offering legal services to individuals and businesses, with a heavy concentration in real estate, real estate construction and litigation matters.

**HELLMUTH & JOHNSON PLLC**  
ATTORNEYS AT LAW

10400 Viking Drive, Suite 500

Eden Prairie, MN 55344

Phone: (952) 941-4005

Fax: (952) 941-2337

Web: <http://www.hjlawfirm.com>