

# Why should plans pay 401(k) expenses with company assets?

Many 401(k)s are set up to have participants pay plan costs from plan assets. Plan sponsors may instead elect to pay plan costs out of company funds. This has benefits for both employers and employees:



### Additional tax deduction for employers

Out-of-pocket plan fees are a tax-deductible expense, and startup plans may qualify for a tax credit.



### Lower fees means more assets for retirement

More money staying in the plan equals potentially higher account balances for participants.



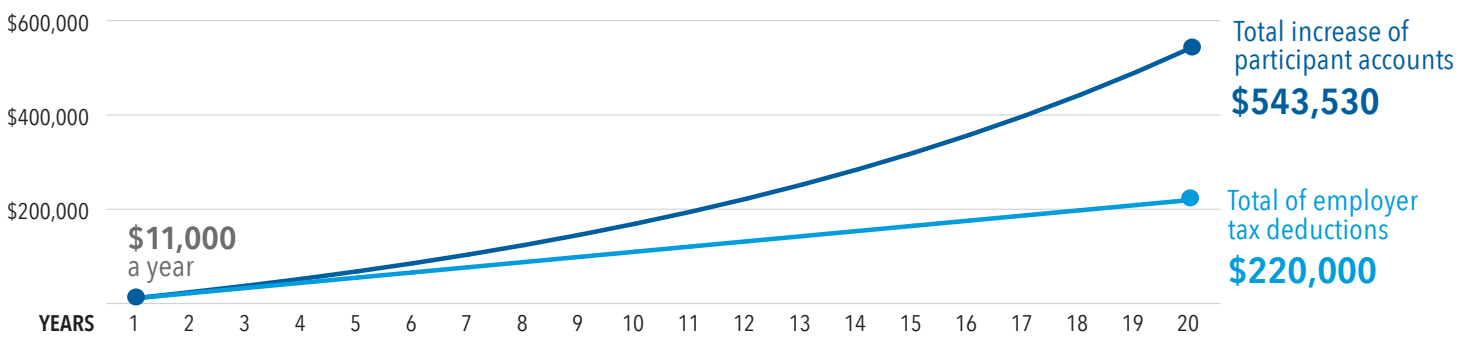
### Reduced litigation risk

Paying plan costs can help sponsors reduce exposure to excessive fee claims.

The hypothetical example below illustrates how benefits for employers and participants might add up over time.

## Tax savings for employer, increased assets for employees

Assumes \$1 million in plan assets, 30 participants, \$11,000 in annual plan costs and an 8% annual investment growth rate over 20 years



This hypothetical example was developed by third-party retirement plan consultant Patrick Shelton, GBA and managing member of Benefits Plans Plus, LLC. The example assumes annual recordkeeping costs of \$4,000, annual advisor costs of \$5,000 and annual TPA costs of \$2,000. To estimate the increase of participant balances, one-fourth of \$11,000 (\$2,750) is invested quarterly with an annual growth rate of 8% compounded quarterly over 20 years. Sponsors can elect whether or not to pay plan expenses each year, depending on business conditions.

**Put this idea into action** Capital Group can help – call us today at (800) 421-9900.

**Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value. Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.**

This content, developed by Capital Group, home of American Funds, should not be used as a primary basis for investment decisions and is not intended to serve as impartial investment or fiduciary advice.

All Capital Group trademarks mentioned are owned by The Capital Group Companies, Inc., an affiliated company or fund. All other company and product names mentioned are the property of their respective companies.