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Trends in the Expenses and Fees of Funds, 2023

KEY FINDINGS

» **On average, expense ratios for long-term mutual funds have declined substantially over the past 27 years.** From 1996 to 2023, average equity mutual fund expense ratios dropped by 60 percent and average bond mutual fund expense ratios dropped by 56 percent.

» **In 2023, the average expense ratio for equity mutual funds fell 2 basis points to 0.42 percent.** The average expense ratio for bond mutual funds remained steady at 0.37 percent.

» **The long-running decline in average mutual fund expense ratios primarily reflects a shift toward no-load funds.** In 2023, 92 percent of gross sales of long-term mutual funds went to no-load funds without 12b-1 fees, compared with 46 percent in 2000.

» **Investor interest in lower-cost equity mutual funds has helped fuel declines in average expense ratios for both actively managed and index equity mutual funds.**

» **In 2023, the average expense ratio for index equity ETFs declined 1 basis point, to 0.15 percent.** The average expense ratio for index bond ETFs remained unchanged at 0.11 percent in 2023.

» **With money market funds continuing to pare back expense waivers amid high short-term interest rates, the average expense ratio for money market funds rose 9 basis points, to 0.22 percent, in 2023.**

What's Inside

James Duvall, economist, and Alex Johnson, senior research associate, prepared this report.

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For a complete set of data files for each figure in this report—including a statistical appendix with additional data—see www.ici.org/info/per30-02-data.xlsx.

The following conditions, unless otherwise specified, apply to all data in this report: (1) funds of funds are excluded from the data to avoid double counting; (2) mutual funds available as investment choices in variable annuities are excluded; (3) long-term mutual funds include equity, hybrid, and bond mutual funds; (4) dollars and percentages may not add to the totals presented because of rounding; and (5) this report calculates average expense ratios on an asset-weighted basis (see note 1 on page 14).

Mutual Fund Expense Ratios Down Substantially Since 1996

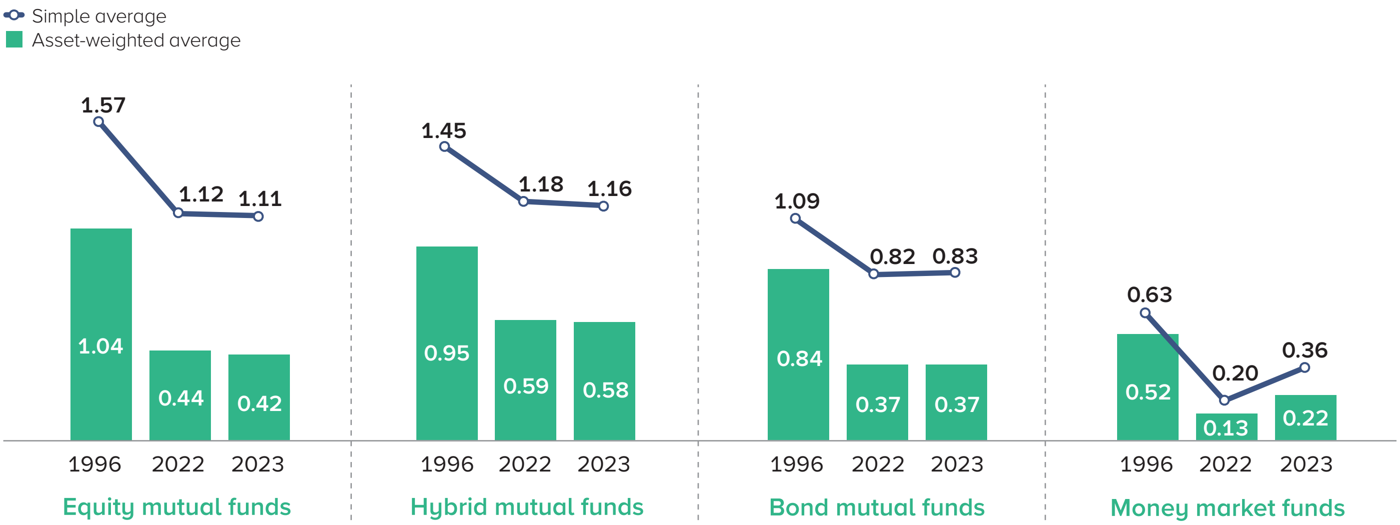
Mutual funds incur ongoing expenses that cover portfolio management, fund administration, daily fund accounting and pricing, shareholder services (such as call centers and websites), distribution charges (known as 12b-1 fees), and other operating costs. These expenses are included in a fund's expense ratio—the fund's annual expenses expressed as a percentage of its assets. Because expenses are paid from fund assets, investors pay these expenses indirectly.

On an asset-weighted basis, average expense ratios incurred by mutual fund investors have fallen substantially over the past 27 years (Figure 1).[1, 2] In 1996, equity mutual fund investors incurred expense ratios of 1.04 percent, on average, or $1.04 for every $100 in assets. By 2023, that average had fallen to 0.42 percent.[3] Average expense ratios of hybrid and bond mutual funds, as well as money market funds, have also declined meaningfully since 1996.

FIGURE 1

Average Expense Ratios Incurred by Mutual Fund Investors Have Declined Substantially Since 1996

Percent



Note: For additional data, see Figure S1 in the statistical appendix.

Sources: Investment Company Institute, Lipper, and Morningstar

Like the prices of most goods and services, the expense ratios of individual mutual funds differ considerably across the array of available products. For example, fund size and asset growth play an important role in mutual fund expense ratios. Some fund costs—such as transfer agency fees, accounting and audit fees, and director fees—are relatively fixed in dollar terms, regardless of fund size. As a result, when fund assets rise, these relatively fixed costs make up a smaller proportion of a fund's expense ratio.

Fund expense ratios can also vary by fund type (Figure 2).[4] For example, bond and money market mutual funds tend to have lower expense ratios than equity and hybrid mutual funds. Among equity mutual funds, expense ratios tend to be higher for funds that specialize in a given sector—such as healthcare or real estate—or those that invest in equities around the world, because the assets such funds hold tend to be more costly to manage. Even within a particular investment objective, mutual fund expense ratios can vary considerably. For example, 10 percent of equity mutual funds that focus on growth stocks have expense ratios of 0.59 percent or less, while 10 percent have expense ratios of 1.80 percent or more. This variation reflects, among other things, the fact that some growth funds focus more on small- or mid-cap stocks and others focus more on large-cap stocks. Portfolios of small- and mid-cap stocks tend to cost more to manage because information about these types of stocks is less readily available, which means that active portfolio managers must spend more time doing research.

FIGURE 2

Mutual Fund Expense Ratios Vary Across Investment Objectives

Percent, 2023

Investment objective	10th percentile	Median	90th percentile	Asset-weighted average	Simple average
Equity mutual funds	**0.53**	**1.01**	**1.88**	**0.42**	**1.11**
Growth	0.59	1.00	1.80	0.61	1.08
Sector	0.71	1.18	2.07	0.66	1.29
Value	0.58	0.98	1.77	0.55	1.05
Blend	0.26	0.87	1.68	0.23	0.93
World	0.62	1.08	1.94	0.56	1.15
Hybrid mutual funds	**0.49**	**1.05**	**1.98**	**0.58**	**1.16**
Bond mutual funds	**0.34**	**0.72**	**1.55**	**0.37**	**0.83**
Investment grade	0.28	0.60	1.40	0.27	0.70
World	0.42	0.86	1.70	0.39	0.95
Government	0.14	0.68	1.59	0.27	0.79
High-yield	0.55	0.84	1.73	0.63	0.96
Municipal	0.39	0.67	1.53	0.45	0.79
Money market funds	**0.12**	**0.28**	**0.70**	**0.22**	**0.36**
Memo:					
Index equity mutual funds	**0.04**	**0.25**	**1.55**	**0.05**	**0.55**
Target date mutual funds*	**0.24**	**0.59**	**1.20**	**0.30**	**0.66**

* Data include mutual funds that invest primarily in other mutual funds. Ninety-seven percent of target date mutual funds invest primarily in other mutual funds.

Note: Each fund's share class is weighted equally for the simple average and the median, 10th, and 90th percentiles.

Sources: Investment Company Institute and Morningstar

Long-Term Mutual Funds

In general, asset-weighted average expense ratios of mutual funds may fall for one or more of several reasons:

- Expense ratios of individual funds may fall.
- Assets may move to lower-cost funds.
- Lower-cost funds may enter the market.
- Higher-cost funds may exit the market.

Over the past 20 years, assets moving toward lower-cost funds or fund share classes has been the significant factor driving down the asset-weighted average expense ratios of long-term mutual funds. The decrease in the average expense ratios of long-term mutual funds in 2023 primarily reflects a continuation of this trend. In particular, mutual fund investors have been moving toward no-load share classes—those that had neither a front-end load fee, nor a back-end load fee, nor a 12b-1 fee of more than 0.25 percent[5]—and index funds.

Since 2000, fund investors have increasingly compensated financial professionals for assistance through payments outside of funds (see The Shift to No-Load Funds on page 7). An important aspect of this development has been that an increasing share of fund assets are held in no-load share classes, which tend to have below-average expense ratios. Additionally, index fund investing has grown substantially in recent years. Between year-end 2010 and year-end 2023, the share of assets in index mutual funds and exchange-traded funds (ETFs) grew from 19 percent of all long-term mutual fund and ETF net assets to 48 percent (see Index Funds on page 8).

Additional Reading

- Five Important Points on Mutual Fund Fees and Expenses
  www.ici.org/files/2024/quick-facts-mutual-fund-fees.pdf
- The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2022
  www.ici.org/files/2023/per29-06.pdf
- IRA Mutual Fund Investors Reap the Benefits of Declining Fund Expense Ratios
  www.ici.org/files/2023/23-ira-fees.pdf
- Understanding Exchange-Traded Funds: How ETFs Work
  www.ici.org/pdf/per20-05.pdf
- *2024 Investment Company Fact Book: A Review of Trends and Activities in the Investment Company Industry* (forthcoming)
  www.ici.org/fact-book
- Ongoing Charges for UCITS in the European Union, 2022
  www.ici.org/files/2023/per29-08.pdf
- ICI Resources on 12b-1 Fees
  www.ici.org/rule12b1fees

Small Fund Complexes: Bringing Diversity and Choice to the Fund Industry

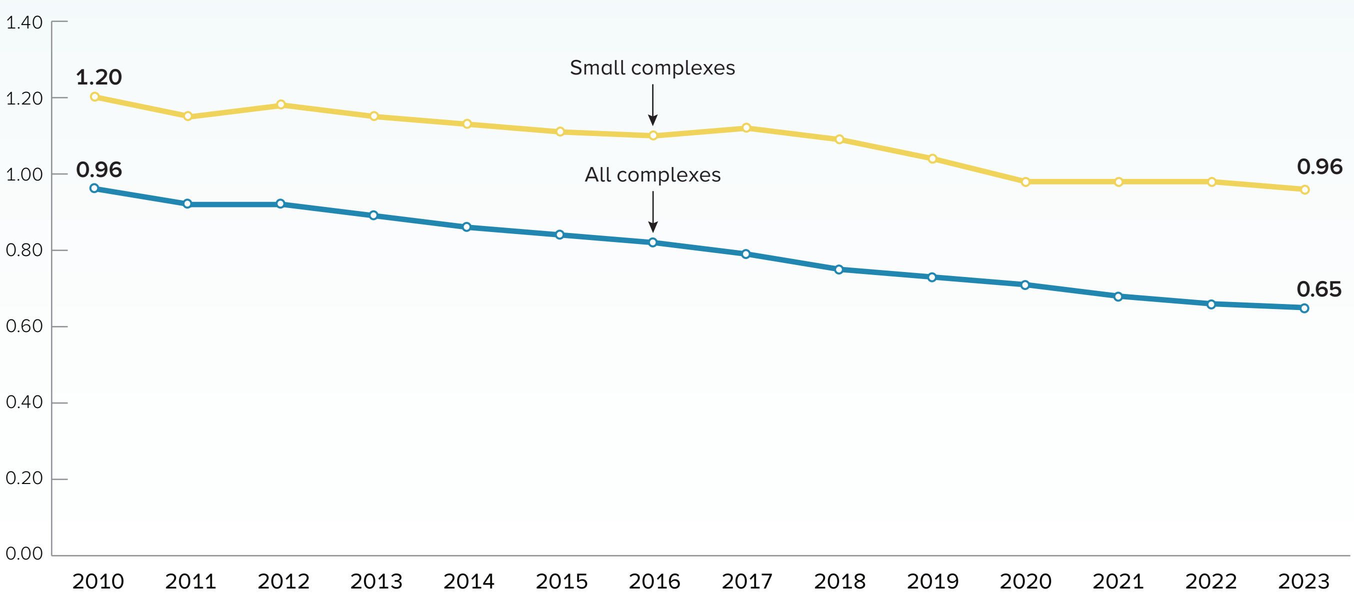
At year-end 2023, more than 280 mutual fund complexes and series trusts[6] competed for investor dollars, of which nearly two-thirds had less than $10 billion in net assets. These “small” fund complexes are a valuable segment of an industry that has seen growing concentration among the largest 25 complexes.[7] Small fund complexes are often a source of innovation in the fund industry, as they tend to offer more niche fund products to investors to differentiate themselves from larger fund complexes that may not have such offerings. For example, 13.6 percent of equity fund net assets at small fund complexes were in small-cap equity funds in 2023, compared with just 5.8 percent at large fund complexes.

Small fund complexes must spread their fixed costs over a smaller asset base and therefore don’t earn the economies of scale achieved by larger fund complexes. The average fund size for actively managed equity funds at small fund complexes was $314 million at year-end 2023, far lower than the average fund size of $2.7 billion at larger fund complexes. As a result, average expense ratios at small fund complexes tend to be higher than the industry average. At year-end 2023, the average expense ratio of actively managed domestic equity mutual funds at small fund complexes was 0.96 percent, higher than the industry average of 0.65 percent (Figure 3). The average expense ratio of these funds at small fund complexes, however, has fallen over time alongside the industry average.

FIGURE 3

Average Expense Ratios of Small Fund Complexes Have Decreased Since 2010

Percent



Note: Expense ratios are measured as asset-weighted averages. Data only include actively managed equity funds.

Sources: Investment Company Institute, Lipper, and Morningstar

The Shift to No-Load Funds

Many mutual fund investors pay for the services of a financial professional.[8] These professionals typically devote time and attention to prospective investors before the investors make an initial purchase of funds and other securities. Usually, the professional meets with the investor, identifies goals, analyzes the investor's existing portfolio, determines an appropriate asset allocation, and recommends funds to help achieve the investor's goals. Financial professionals may also provide ongoing services, such as periodically reviewing investors' portfolios, adjusting asset allocations, and responding to customer inquiries.

Traditionally, fund shareholders usually compensated financial professionals through a front-end load fee—a onetime, up-front payment for current and future services. Over the past 30 to 40 years, the way in which investors compensate financial professionals—also known as distribution structures—has increasingly shifted toward the use of asset-based fees.[9]

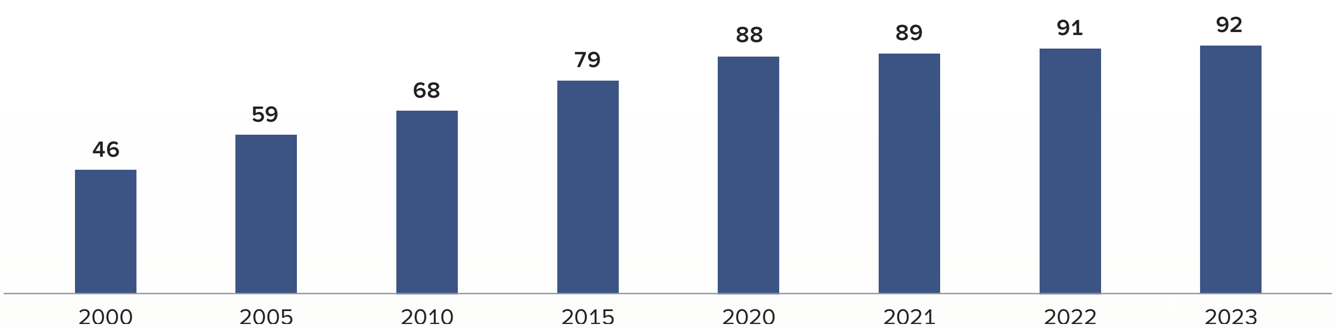
Asset-based fees are assessed as a percentage of the assets that a financial professional manages for an investor, rather than as a percentage of the dollars initially invested. Investors may pay these fees indirectly through a fund's 12b-1 fee, which is included in the fund's expense ratio. The fund's underwriter collects the 12b-1 fee, passing the bulk of it to financial professionals. Alternatively, investors may pay the professional an asset-based fee directly. In such cases, the financial professional typically would recommend the purchase of some mix of ETFs and no-load mutual funds (no-load mutual funds have neither a front-end load fee, nor a back-end load fee, nor a 12b-1 fee of more than 0.25 percent).

The shift toward no-load share classes has been an important force in driving down the average expense ratio of mutual funds. Some movement toward no-load funds can be attributed to "do-it-yourself" investors who invest through discount brokers or directly with fund companies. Another factor is an ongoing shift to compensate financial professionals with asset-based fees outside mutual funds (for example, through fee-based professionals and full-service brokerage platforms). Additionally, assets and flows to no-load share classes have been bolstered by 401(k) plans and other retirement accounts. Gross sales to no-load mutual funds without 12b-1 fees have grown substantially since 2000 and were 92 percent of total gross sales to long-term mutual funds in 2023 (Figure 4).

FIGURE 4

Long-Term Mutual Fund Investors Have Increasingly Purchased No-Load Mutual Funds Without 12b-1 Fees

Percentage of long-term mutual fund gross sales, annual



Note: For additional data on total net assets, net new cash flow, and gross sales of long-term mutual funds by different types of share classes, see Figures S8, S9, and S10 in the statistical appendix.

Sources: Investment Company Institute, Lipper, and Morningstar

Index Funds

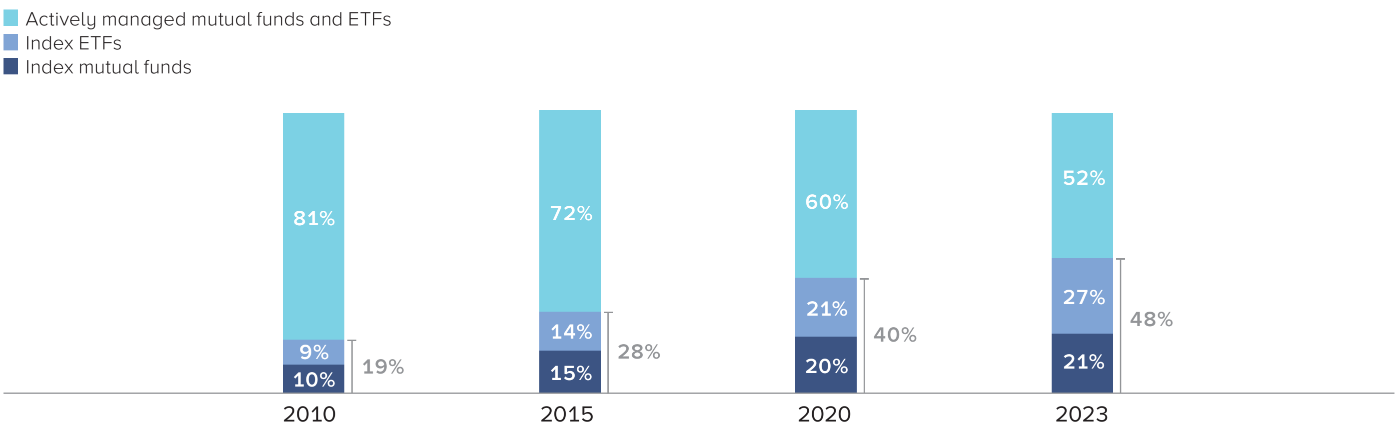
An index fund generally seeks to replicate the return on a specified financial market index. Under this approach, often referred to as *passive management*, portfolio managers buy and hold all, or a representative sample of, the securities in their target indexes. This approach to portfolio management is a primary reason that index funds—whether mutual funds or ETFs—tend to have below-average expense ratios. By contrast, under an active management approach, managers have more discretion to increase or reduce exposure to sectors or securities within their funds' investment mandates. Active managers may also undertake significant research about individual stocks or bonds, market sectors, or geographic regions. This approach offers investors the chance to earn superior returns or to meet other investment objectives such as limiting downside risk, managing volatility, under- or over-weighting various sectors, and altering asset allocations in response to market conditions. These characteristics tend to make active management more costly than management of an index fund.

Index mutual funds were first offered in the 1970s, followed by index ETFs in the 1990s. By year-end 2023, total net assets in these two index fund categories had grown to $13.3 trillion. Along with this growth, index fund assets have become a larger share of overall fund assets. At year-end 2023, index mutual funds and index ETFs together accounted for 48 percent of assets in long-term funds, up from 19 percent at year-end 2010 (Figure 5). Nevertheless, actively managed funds still accounted for more than half of long-term fund assets (52 percent) at year-end 2023.

FIGURE 5

Index Funds Have Grown as a Share of the Fund Market

Percentage of long-term total net assets, year-end



Total net assets (trillions of dollars)

2010	2015	2020	2023
$9.9	**$14.9**	**$24.8**	**$27.6**

Note: Data exclude money market funds. Data for ETFs exclude non–1940 Act ETFs.

Source: Investment Company Institute

Index Mutual Funds

Growth in index mutual funds has contributed to the decline in asset-weighted average expense ratios of long-term mutual funds. Index mutual funds tend to have below-average expense ratios for several reasons. First, their approach to portfolio management—in which managers generally seek to replicate the return on a specified index by buying and holding all, or a representative sample of, the securities in their target indexes—lends itself to being less costly. This is because index funds' portfolios tend not to change frequently and therefore have low turnover rates.

Second, the investment focus of index mutual funds helps keep their expense ratios low. Net assets of index equity mutual funds are concentrated more heavily in large-cap blend funds that target US large-cap indexes, such as the S&P 500. Net assets of actively managed equity mutual funds, on the other hand, are more widely distributed across stocks of varying market capitalization, international regions, or specialized business sectors, which are generally acknowledged to cost more to manage (see page 4).

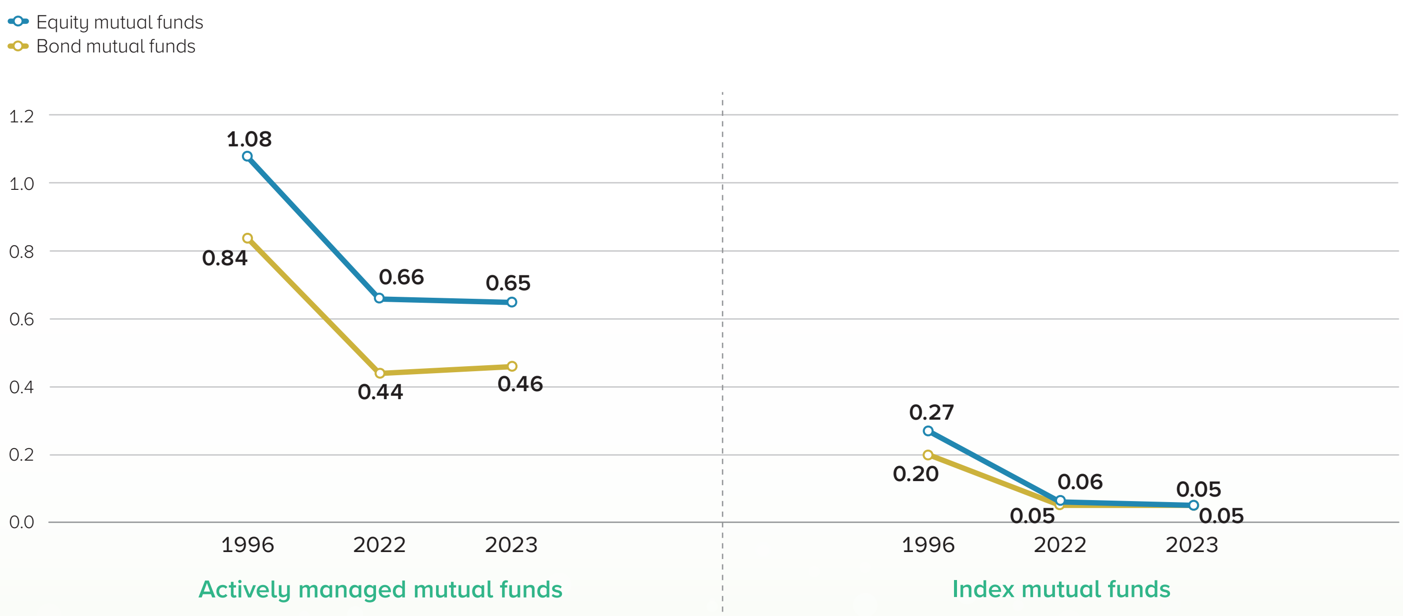
Finally, index mutual funds are larger on average than actively managed mutual funds, which, through economies of scale, helps reduce fund expense ratios. At year-end 2023, the average index equity mutual fund ($11.2 billion) was substantially larger than the average actively managed equity mutual fund ($2.2 billion).

These reasons, among others, help explain why index mutual funds generally have lower expense ratios than actively managed mutual funds. It is important to note, however, that average expense ratios of both index and actively managed mutual funds have decreased—contributing to the overall decline in the average expense ratio of mutual funds (Figure 6). The downward trend in the average expense ratios of both index and actively managed mutual funds reflects, in part, investors' increasing tendency to buy lower-cost funds. Investor demand for index mutual funds is disproportionately concentrated in funds with the lowest costs (see page 11).

FIGURE 6

Average Expense Ratios of Both Actively Managed and Index Mutual Funds Have Fallen

Percent



Note: Expense ratios are measured as asset-weighted averages. For additional data, see Figure S3 in the statistical appendix.

Sources: Investment Company Institute, Lipper, and Morningstar

Index Exchange-Traded Funds

ETFs have grown in popularity over the past two decades as investors are increasingly attracted to the specific features of these funds. For example, many investors access ETFs through the secondary market (e.g., on an exchange), where investors can buy and sell them throughout the day at market-determined prices. Retail investors typically use ETFs to gain or reduce exposure to specific asset classes or investment strategies, diversify their portfolios, or hedge investment risks. Thus, these funds provide investors with an efficient means to transfer risk.

Part of the strong growth in ETFs is attributable to their distribution structure, in which the ETF generally charges an expense ratio that provides no compensation to financial professionals. Compensation to financial professionals for distribution or account servicing and maintenance is typically paid directly by the investor.[10] And because ETFs are generally index funds, they typically have lower expense ratios.

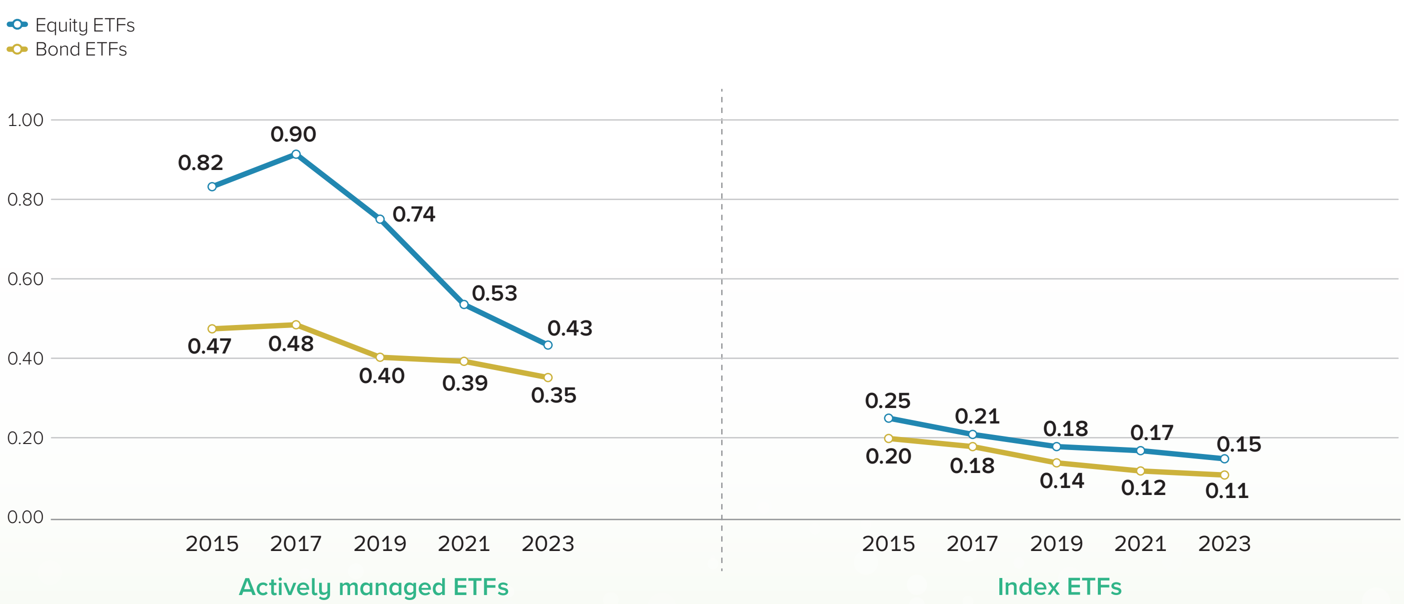
Like mutual fund investors, ETF shareholders tend to invest in funds with below-average expense ratios. For example, the simple average expense ratio of index equity ETFs (the average for all index equity ETFs offered for sale) was 0.47 percent in 2023. The asset-weighted average expense ratio for index equity ETFs (the average shareholders actually paid) was much less than that, 0.15 percent. In addition, both index and actively managed ETFs have contributed to the decline in the average expense ratios of ETFs (Figure 7).

In recent years, competition and economies of scale within the ETF industry appear to have put downward pressure on both equity and bond ETF expense ratios. New ETF sponsors have entered the marketplace to compete for market share, and the number of equity and bond ETFs has skyrocketed. Even with the steady stream of new types of equity and bond ETF offerings, which can have a wide range of expense ratios depending on each fund's investment objective, the rapid growth in ETF total net assets has allowed many funds to increase in size and reduce their expense ratios because of economies of scale.[11]

FIGURE 7

Average Expense Ratios of Both Actively Managed and Index ETFs Have Fallen

Percent



Note: Expense ratios are measured as asset-weighted averages. Data exclude ETFs not registered under the Investment Company Act of 1940. For additional data on ETF expense ratios, see Figures S4, S5, and S6 in the statistical appendix.

Sources: Investment Company Institute, Lipper, and Morningstar

Understanding the Differences in Index Mutual Fund and Index ETF Expense Ratios

When compared to index mutual funds, average index ETF expense ratios are somewhat higher. In 2023, index equity mutual funds had an asset-weighted average expense ratio of 0.05 percent (Figure 6) compared with 0.15 percent for index equity ETFs (Figure 7). Similarly, index bond mutual funds had an asset-weighted average expense ratio of 0.05 percent in 2023 compared with 0.11 percent for index bond ETFs. Two factors largely explain these differences.

First, total net assets in index mutual funds are more highly concentrated in categories that, by their nature, tend to have lower-than-average expense ratios—for example, expense ratios of domestic equity funds (for both mutual funds and ETFs) tend to be lower than those of funds that target specific markets, regions, or sectors. This is important because 83 percent of the total net assets of index equity mutual funds as of 2023 were in index domestic equity mutual funds (excluding sector equity). By contrast, domestic equity ETFs (excluding sector equity ETFs) represented a smaller share (66 percent) of index equity ETF total net assets in 2023.

Second, average fund size plays a role in reducing fund expense ratios through economies of scale. In 2023, the average fund size for long-term index mutual funds was $11.3 billion, nearly three times the average fund size of index ETFs ($4.0 billion). Even for domestic equity funds (excluding sector funds), there is a significant difference in average fund size ($13.6 billion for index mutual funds compared with $7.9 billion for index ETFs). Compared to the market for index mutual funds, the index ETF market is still relatively young. As the ETF market continues to mature and existing ETFs become larger, the gap between the asset-weighted average expense ratio for index ETFs and index mutual funds seems likely to close.

Fund Flows Tend to Be Concentrated in the Lowest-Cost Fund Share Classes

In recent years, fund investors have moved toward lower-cost funds or fund share classes in both index funds and actively managed mutual funds and ETFs. At year-end 2023, for example, 82 percent of the total net assets of index equity mutual funds and ETFs were in funds with expense ratios that were among the lowest 25 percent of all index equity funds. Like index funds, the proportion of assets in the lowest-cost actively managed equity mutual funds and ETFs was also high (70 percent).

One way to see investor demand for lower-cost mutual funds and ETFs is to examine how fund flows respond to fund expense ratios. Figure 8 plots the sum of net new cash flow or net share issuance into funds that have been sorted and grouped into quartiles based on their expense ratios. The expense ratios representing these quartiles are different for active and index funds, and for each investment category. For example, 25 percent of actively managed domestic equity funds have an expense ratio less than 0.75 percent, compared with 0.16 percent for index domestic equity funds.*

Actively managed domestic and world equity funds experienced outflows in all cost quartiles in 2023, while actively managed bond and hybrid funds saw modest inflows in funds with expense ratios in the lowest quartile. Index domestic and world equity funds had inflows disproportionately concentrated in funds with expense ratios in the lowest quartile, while inflows into index bond and hybrid funds were concentrated in funds with expense ratios below the median.

Continued on the next page

* For detail on the expense ratios that define the ranges between the different percentiles in Figure 7, see the statistical appendix at www.ici.org/files/2024/per30-02-data.xlsx.

FIGURE 8

Inflows into Index Funds Were Concentrated in Funds with Lower Expense Ratios in 2023, While Actively Managed Funds Generally Saw Outflows

Net new cash flow to and net share issuance of mutual funds and ETFs in billions of dollars, by expense ratio quartiles, 2023

Note: Data include mutual funds and ETFs but exclude new funds without reported expense ratios and funds with missing expense ratios. For detail on the expense ratios that define the ranges between the different percentiles in this figure, see Figure S7 in the statistical appendix.

Sources: Investment Company Institute and Morningstar

Money Market Funds

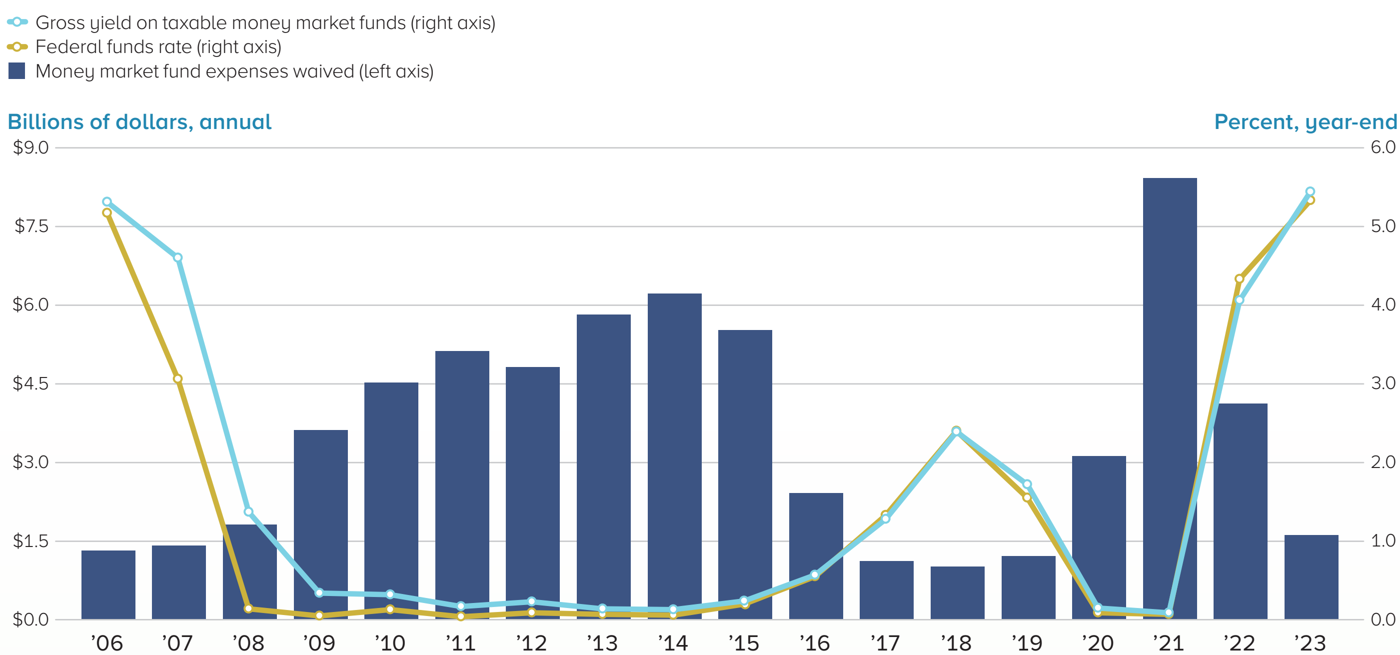
The average expense ratio of money market funds increased 9 basis points, to 0.22 percent, in 2023 (Figures 1 and 9), primarily reflecting a decline in the use of expense waivers.[12] Over the past 15 years, movements in average money market fund expense ratios have largely been driven by changes in short-term interest rates that altered funds' use of expense waivers.[13] Fund sponsors often adopt expense waivers for their money market funds when short-term interest rates fall close to zero, and they tend to relax those waivers as short-term interest rates rise.

For example, over 2008–2009, the Federal Reserve reduced short-term interest rates to nearly zero where they remained until the end of 2015. Because gross yields on taxable money market funds (the yield before deducting the fund's expense ratio) closely track short-term interest rates, most money market funds adopted expense waivers during this period to ensure that net yields (the yield on a fund after deducting fund expenses) did not fall below zero. With an expense waiver, a fund's adviser agrees to absorb the cost of all or a portion of a fund's fees and expenses for some time. The expense waiver, by reducing the fund's expense ratio, boosts the fund's net yield. These expense waivers are costly for fund advisers, reducing their revenues and profits. From 2009 to 2015, advisers waived an estimated $36 billion in money market fund expenses and average expense ratios fell accordingly.

In 2022 and 2023, the Federal Reserve aggressively raised the federal funds rate from near zero to more than 5 percent to combat high inflation.[14] As a result, money market funds were able to pare back expense waivers put in place in 2020 and 2021—total money market fund waivers decreased from $8.4 billion in 2021 to $1.6 billion in 2023 (Figure 9). The percentage of money market funds offering waivers declined from 97 percent at year-end 2021 to 65 percent by year-end 2023. With fewer expense waivers in 2022 and 2023, the average expense ratio for money market funds naturally increased from 0.11 percent in 2021 to 0.22 percent in 2023.

FIGURE 9

Money Market Funds' Use of Expense Waivers Tends to Fall as Short-Term Interest Rates Rise



Memo: asset-weighted average money market fund expense ratio

0.40	0.38	0.35	0.33	0.24	0.21	0.18	0.17	0.13	0.13	0.20	0.25	0.25	0.24	0.21	0.11	0.13	0.22

Sources: Investment Company Institute, Federal Reserve Board, iMoneyNet, Crane Data, Lipper, and Morningstar

Notes

[1] ICI uses asset-weighted averages to summarize the expenses and fees that shareholders pay through funds. In this context, asset-weighted averages are preferable to simple averages, which would overstate the expenses and fees of funds in which investors hold few dollars. ICI weights the expense ratio of each fund share class by its year-end total net assets.

[2] The fund investment categories used in this report are broad and encompass diverse investment styles (e.g., active and index), a range of general investment types (e.g., equity, bond, and hybrid funds), and a variety of arrangements for shareholder services, recordkeeping, or distribution charges (known as 12b-1 fees). This material is intended to provide general information on fees incurred by investors through funds as well as insight into average fees across the marketplace. It is not intended for benchmarking fees and expenses incurred by a particular investor or charged by a particular fund or other investment product.

[3] To assess the expenses and fees incurred by individual shareholders in long-term mutual funds, this report includes both retail and institutional share classes of long-term mutual funds. Including institutional share classes is appropriate because the vast majority of the assets in the institutional share classes of long-term mutual funds represent investments made on behalf of retail investors, such as through defined contribution plans, IRAs, broker-dealers investing on behalf of retail clients, 529 plans, and other accounts (such as omnibus accounts).

[4] Use of Morningstar data requires the following disclaimer: *© 2024 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.*

[5] Investors in load share classes pay a sales load in addition to the expense ratio. Sales loads are paid at the time of share purchase (front-end loads), when shares are redeemed (back-end loads), or over time (level loads).

[6] A series trust is an arrangement where a third-party provides certain services (e.g., audit, trustee, some legal) to a number of independent fund sponsors under a single complex that serves as an "umbrella." This can be cost-efficient because the costs of operating funds are spread across the combined assets of a number of funds in the series trust.

[7] See Investment Company Institute 2024.

[8] Among households owning mutual fund shares outside employer-sponsored retirement plans, 66 percent own fund shares through investment professionals. See Holden, Schrass, and Bogdan 2023.

[9] See, for example, Damato and Pessin 2010 and Cerulli Associates 2023.

[10] Some ETFs bundle distribution fees in the expense ratio to cover marketing and distribution expenses. These fees are usually small, typically no more than 0.05 percent.

[11] For a more in-depth look at the factors influencing equity and bond ETF expense ratios over time, see Duvall and Johnson 2022.

[12] ICI uses the term expense waivers to refer to fee waivers and/or expense reimbursements.

[13] Prior to this, between 2000 and 2009, a combination of two factors played a significant role in reducing average expense ratios of money market funds. First, the market share of institutional share classes (which tend to have larger average account balances, and therefore tend to have lower expense ratios) rose to two-thirds of money market fund total net assets. Second, expense ratios of retail money market fund share classes declined 21 percent over this period. For further discussion, see Gallagher 2014.

[14] See www.federalreserve.gov/monetarypolicy/openmarket.htm.

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