Fund expenses cover portfolio management, fund administration and compliance, shareholder services, recordkeeping, certain kinds of distribution charges (known as 12b-1 fees), and other operating costs. A fund’s expense ratio, which is shown in the fund’s prospectus and shareholder reports, is the fund’s total annual expenses expressed as a percentage of its net assets.

Explore these five key facts about fees and expense ratios.

1. **US Households consistently consider fund fees and expenses when making investment decisions**

   Of US households that own mutual funds outside of employer-sponsored retirement plans, **67 percent rely on investment professionals**...

   ...who are subject to strict **standards of conduct** and must act in the **best interest of investors**.

2. **Fund expense ratios are down substantially over past 26 years**

   - *Equity mutual fund expense ratios*: 1.04% in 1996, 0.44% in 2022. A drop of **58%**.
   - *Bond mutual fund expense ratios*: 0.84% in 1996, 0.37% in 2022. A drop of **56%**.
Mutual fund expense ratios can vary widely for multiple reasons

Some reasons include:

- **Economies of scale**
- **Specialization**
- **Load vs. no-load**

Asset-weighted average expense ratio shows **assets are concentrated in low-cost funds.**

Fund investors overwhelmingly purchase no-load mutual funds

Percentage of long-term mutual fund gross sales in no-load share classes without 12b-1 fees, annual.

Investors value diversity and choice among asset managers

Average expense ratios at small complexes are **falling** alongside the industry average, but tend to be higher because...

...small complexes **offer more niche products**...

...with fewer **economies of scale**.

Note: Data only include actively managed equity funds.


Sources: Investment Company Institute, Lipper, Morningstar