



ICI Research Perspective

Trends in the Expenses and Fees of Funds, 2025

Key Findings

- » **Average expense ratios for long-term mutual funds have declined substantially over the past 29 years.** From 1996 to 2025, the average expense ratio for equity mutual funds dropped by 62% and the average expense ratio for bond mutual funds dropped by 57%.
- » **In 2025, the average expense ratio for equity mutual funds remained unchanged at 0.40%.** The average expense ratio for bond mutual funds decreased 2 basis points to 0.36%.
- » **The long-running decline in average mutual fund expense ratios primarily reflects a shift toward no-load funds.** In 2025, 92% of gross sales of long-term mutual funds went to no-load funds without 12b-1 fees, compared with 46% in 2000.
- » **Investor interest in lower-cost mutual funds has helped fuel long-term declines in average expense ratios for both actively managed and index mutual funds.**
- » **In 2025, the average expense ratio for index equity ETFs remained unchanged at 0.14%.** The average expense ratio for index bond ETFs fell 1 basis point to 0.09%.
- » **As more money market funds continued to pare back expense waivers amid relatively high short-term interest rates, the average expense ratio for money market funds increased 1 basis point to 0.24% in 2025.**

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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/files/2026/per32-01-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

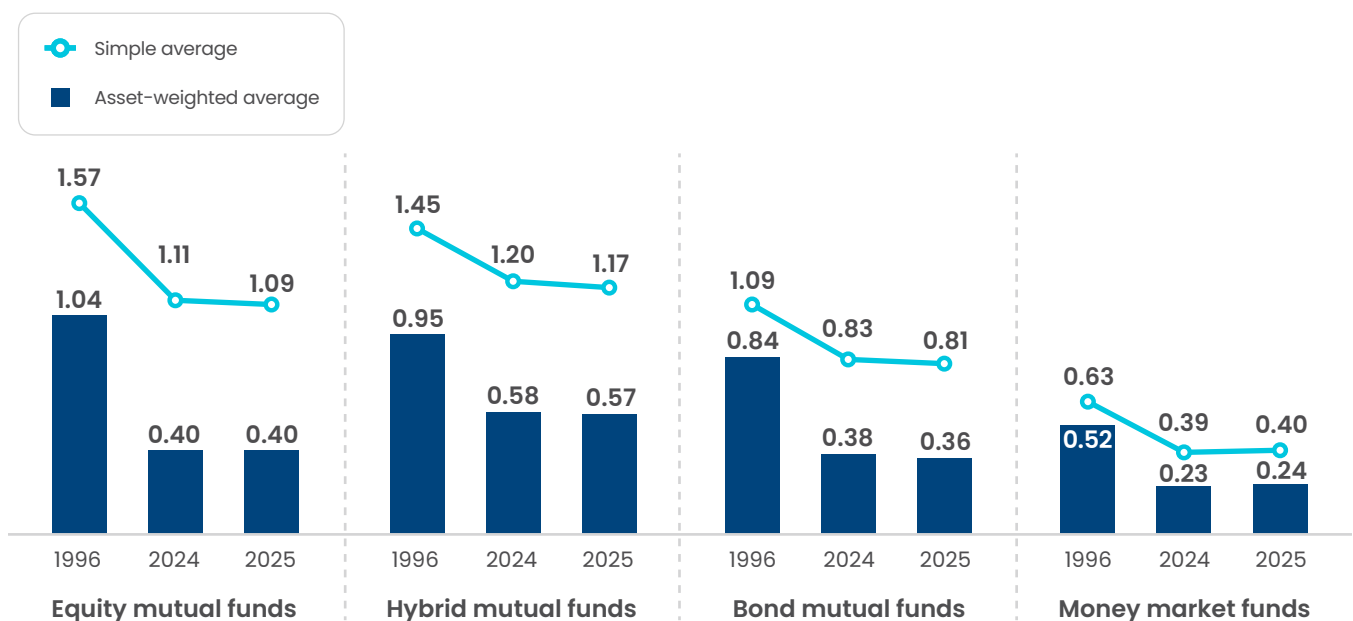
Mutual funds incur ongoing expenses that cover portfolio management, fund administration, daily fund accounting and pricing, shareholder services (such as call centers and websites), distribution charges (known as 12b-1 fees), and other operating costs. These expenses are included in a fund’s expense 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 29 years (Figure 1).^{1,2} In 1996, equity mutual fund investors incurred expense ratios of 1.04%, on average, or \$1.04 for every \$100 in assets. By 2025, that average had fallen to 0.40%.³ Average expense ratios for 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 for 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 worldwide, 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% of equity mutual funds that focus on growth stocks have expense ratios of 0.60% or less, while another 10% have expense ratios of 1.75% or more. This variation reflects, among other things, the fact that some growth funds focus more on small- or mid-cap stocks while others focus more on large-cap stocks. Portfolios of small- and mid-cap stocks tend to cost more to manage because information about these stocks is less readily available, which means portfolio managers may need to spend more time doing research.

FIGURE 2
Mutual Fund Expense Ratios Vary Across Investment Objectives

Percent, 2025

Investment objective	10th percentile	Median	90th percentile	Asset-weighted average	Simple average
Equity mutual funds	0.51	0.99	1.84	0.40	1.08
Growth	0.60	0.98	1.75	0.57	1.06
Sector	0.64	1.15	2.00	0.64	1.23
Value	0.59	0.96	1.75	0.51	1.05
Blend	0.23	0.83	1.65	0.23	0.89
World	0.60	1.05	1.90	0.53	1.14
Hybrid mutual funds	0.52	1.05	1.97	0.57	1.17
Bond mutual funds	0.31	0.70	1.55	0.36	0.81
Investment grade	0.25	0.58	1.40	0.25	0.69
World	0.45	0.86	1.69	0.38	0.94
Government	0.06	0.63	1.65	0.29	0.79
High-yield	0.54	0.83	1.71	0.62	0.95
Municipal	0.37	0.65	1.50	0.43	0.77
Money market funds	0.14	0.32	0.75	0.24	0.40
<i>Memo:</i>					
Index equity mutual funds	0.04	0.20	1.49	0.05	0.47
Target date mutual funds*	0.21	0.57	1.20	0.27	0.64

* Data include mutual funds that invest primarily in other mutual funds. Ninety-eight 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 for mutual funds may fall for one or more of the following reasons:

- » Expense ratios for 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 a significant factor driving down the asset-weighted average expense ratio for long-term mutual funds. 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%⁵—and index funds.

Since 2000, fund investors have increasingly compensated financial professionals for their assistance through payments outside of funds (see *The Shift to No-Load Funds* on page 5). 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.⁶ Additionally, index fund investing has grown substantially in recent years. Between year-end 2010 and year-end 2025, the share of assets in index mutual funds and exchange-traded funds (ETFs) grew from 19% of all long-term mutual fund and ETF net assets to 52% (see *Index Funds* on page 7).

Additional Reading

- » Five Important Points on Mutual Fund Fees and Expenses
www.ici.org/system/files/2026-03/quick-facts-mutual-fund-fees.pdf
- » The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2024
www.ici.org/system/files/2025-07/per31-05.pdf
- » IRA Investors in Mutual Funds Concentrate Their Assets in Lower-Cost Mutual Funds
www.ici.org/system/files/2025-07/25-ira-fees.pdf
- » *2026 Investment Company Fact Book: A Review of Trends and Activities in the Investment Company Industry* (forthcoming)
www.icifactbook.org
- » Ongoing Charges for UCITS in the European Union, 2024
www.ici.org/system/files/2025-12/per31-10.pdf

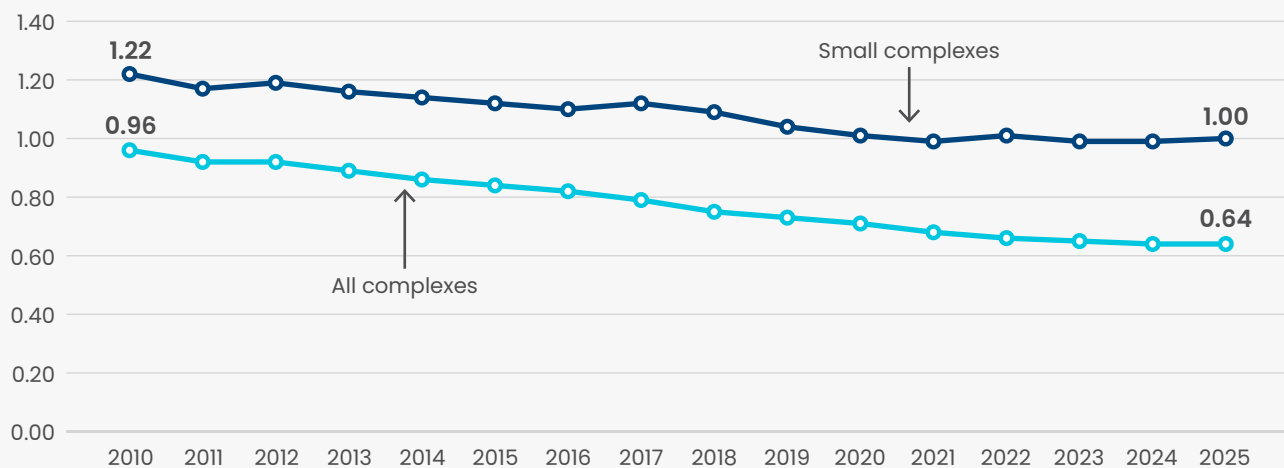
Small Fund Complexes: Bringing Diversity and Choice to the Fund Industry

At year-end 2025, 285 mutual fund complexes and series trusts⁷ 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 complexes.⁸ 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. For example, 13.6% of actively managed equity fund net assets at small fund complexes were in small-cap equity funds in 2025, compared with just 4.7% at large fund complexes. Additionally, smaller funds commonly provide more investor access to a firm’s principals along with customized client services.

Small fund complexes must spread their fixed costs over a smaller asset base and therefore do not earn the economies of scale achieved by larger fund complexes. The average fund size for actively managed equity mutual funds at small fund complexes was \$333 million at year-end 2025, far smaller than the average fund size of \$3.4 billion at larger fund complexes. As a result, average expense ratios at small fund complexes tend to be higher than the industry average.⁹ At year-end 2025, the average expense ratio for actively managed domestic equity mutual funds at small fund complexes was 1.00%, higher than the industry average of 0.64% (Figure 3). The average expense ratio for these funds at small fund complexes, however, has fallen over time alongside the industry average.

FIGURE 3
Average Expense Ratios for Small Fund Complexes Have Decreased Since 2010

Percent



Note: Expense ratios are measured as asset-weighted averages. Data only include actively managed equity mutual 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.¹⁰ 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 an 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 compensated financial professionals through a front-end load fee—a one-time, up-front payment for current and future services. Over the past three to four decades, however, investors have increasingly shifted toward no-load funds (or fund share classes), compensating financial professionals through asset-based fees instead.¹¹

Asset-based fees are usually assessed as a percentage of the assets that financial professionals manage for investors, 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 and passes the bulk of it to financial professionals.

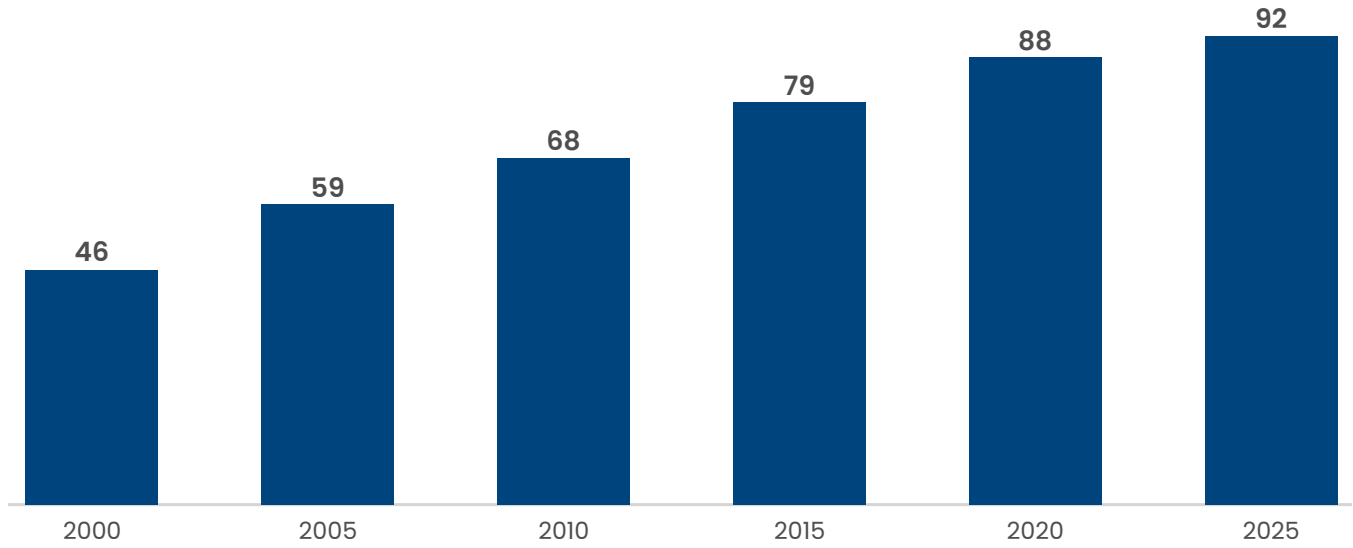
Alternatively, investors may pay financial professionals an asset-based fee directly. In such cases, financial professionals typically would recommend no-load funds (often without 12b-1 fees) as part of the investor's portfolio. More investors now compensate financial professionals with asset-based fees outside mutual funds (for example, through fee-based professionals or full-service brokerage platforms). Between 2000 and 2025, gross sales to no-load mutual funds without 12b-1 fees grew from 46% to 92% of total gross sales to long-term mutual funds (Figure 4).

Besides the shift to compensate financial professionals with asset-based fees, “do-it-yourself” investors—those who invest through discount brokers or directly with fund companies—also contributed to the shift to no-load funds. Additionally, assets and flows to no-load funds have been bolstered by 401(k) plans and other retirement accounts. The overall shift toward no-load funds has been an important force in driving down the average expense ratio for mutual funds in the past few decades, as no-load funds tend to have below-average expense ratios.

FIGURE 4

Investors in Long-Term Mutual Funds 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

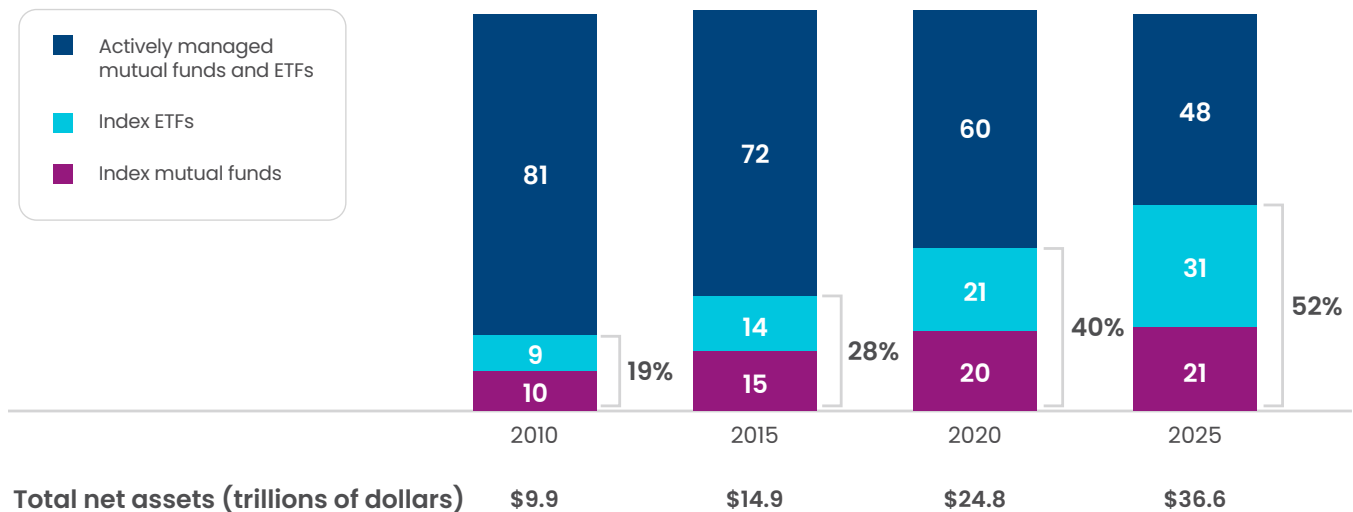
Index Funds

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 2025, total net assets in these two index fund categories had grown to \$19.3 trillion. Along with this growth, index fund assets have become a larger share of overall fund assets. At year-end 2025, index mutual funds and index ETFs together accounted for 52% of assets in long-term funds, up from 19% at year-end 2010 (Figure 5).

FIGURE 5
Index Funds Have Grown as a Share of the Fund Market

Percentage of long-term funds’ total net assets



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

Source: Investment Company Institute

Index Mutual Funds

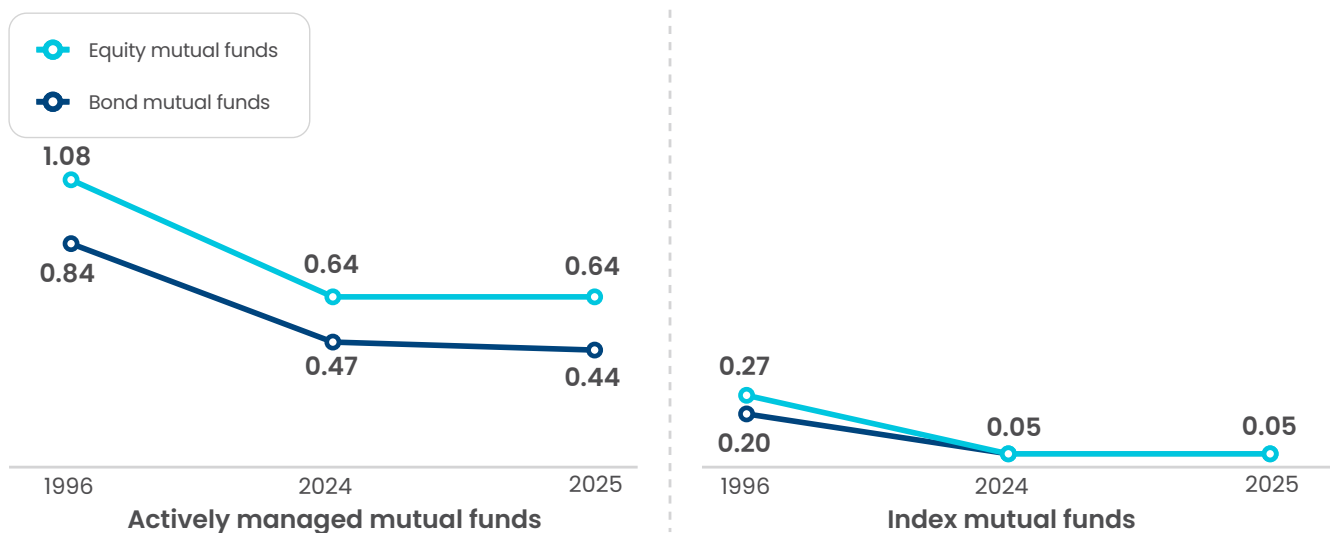
Growth in index mutual funds has contributed to the decline in the asset-weighted average expense ratio for long-term mutual funds. Index mutual funds tend to have below-average expense ratios for several reasons. First, passively managed portfolios tend not to change frequently and therefore have low 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 index. Net assets of actively managed equity mutual funds, on the other hand, are more widely distributed across stocks of varying market capitalizations, international regions, or specialized business sectors, which are generally more costly to manage (see page 2).

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 2025, the average index equity mutual fund (\$15.0 billion) was substantially larger than the average actively managed equity mutual fund (\$2.8 billion).

It is important to note that average expense ratios for both index and actively managed mutual funds have decreased over the past few decades—contributing to the overall decline in the average expense ratio for mutual funds (Figure 6). The downward trend in the average expense ratios for both index and actively managed mutual funds reflects, in part, investors' increasing tendency to buy lower-cost funds (see page 10).

FIGURE 6
Average Expense Ratios for 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 ETFs

ETFs have become exceptionally popular over the past two decades.¹² Their total net assets grew from \$151 billion at year-end 2003 to \$13.4 trillion at year-end 2025. Over the same period, their share of total net assets managed by investment companies grew from 2% to 30%. The vast majority of ETF net assets (89% at year-end 2025) are held by index ETFs.

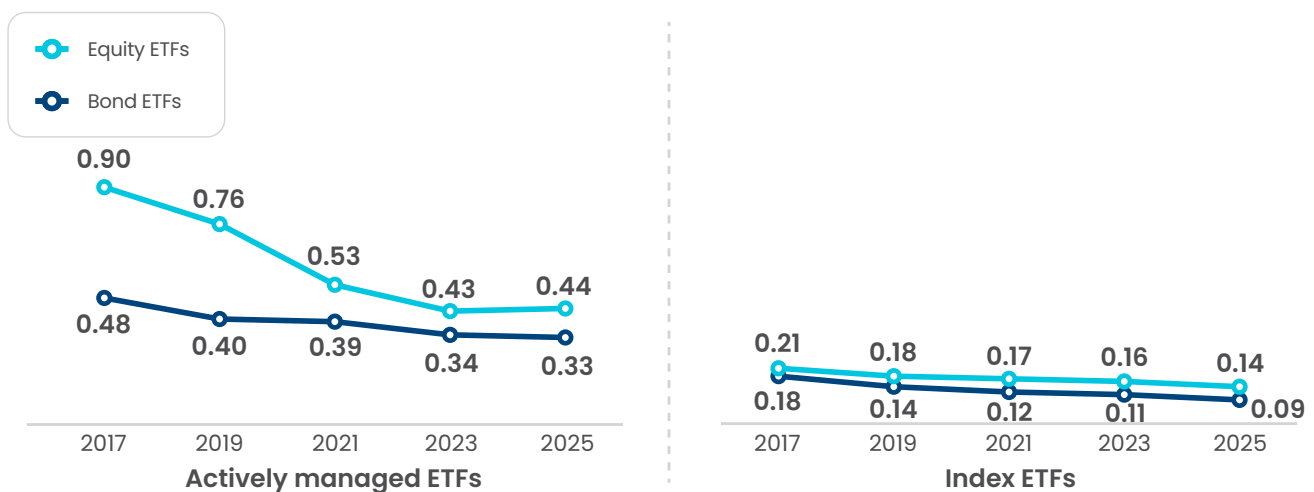
Investors are increasingly drawn to ETFs because of their specific features. For example, many investors access ETFs through the secondary market (e.g., on an exchange), where investors can buy and sell ETFs throughout the day at market-determined prices. As such, ETFs provide investors with an efficient means to transfer risk. Additionally, ETFs typically have lower expense ratios, as they are generally index funds and charge an expense ratio that typically provides no compensation to financial professionals for distribution or account servicing and maintenance.¹³

Like mutual fund investors, ETF shareholders tend to invest in funds with below-average expense ratios. In 2025, the simple average expense ratio for index equity ETFs (the average for all index equity ETFs offered for sale) was 0.45%. The asset-weighted average expense ratio for index equity ETFs (the average shareholders actually paid) was much smaller, 0.14%, indicating that ETFs with lower expense ratios tend to have greater assets (Figure 7). In recent years, competition and economies of scale within the ETF industry 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, the rapid growth in ETF total net assets has enabled many funds to reduce their expense ratios because of economies of scale.¹⁴

FIGURE 7

Average Expense Ratios for 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 and Morningstar

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

The average expense ratio for index ETFs is somewhat higher than that of index mutual funds. In 2025, index equity mutual funds had an asset-weighted average expense ratio of 0.05% (Figure 6) compared with 0.14% for index equity ETFs (Figure 7). Similarly, index bond mutual funds had an asset-weighted average expense ratio of 0.05% in 2025 compared with 0.09% for index bond ETFs. Two factors largely explain these differences.

First, index mutual funds have a larger share of total net assets held in funds with low expense ratios. For example, index domestic equity mutual funds (excluding sector equity), which tend to have lower expense ratios than other long-term mutual funds, were 83% of index equity mutual fund net assets in 2025. By contrast, index domestic equity ETFs (excluding sector equity) represented just 69% of index equity ETF net assets.

Second, index mutual funds are, on average, much larger than index ETFs and benefit more from economies of scale. In 2025, the average long-term index mutual fund had \$14.6 billion in net assets, more than twice the size of the average index ETF (\$6.2 billion). As the index ETF market has matured, the gap between the average expense ratios for index ETFs and index mutual funds has narrowed.

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

In recent years, fund investors have moved toward lower-cost funds and fund share classes in both index and actively managed mutual funds and ETFs. At year-end 2025, 78% of index equity fund assets were in funds with the lowest quartile of expense ratios. Similarly, 69% of actively managed equity fund assets were in funds with the lowest quartile of expense ratios.

Net flows tend to be concentrated in funds with the lowest expense ratios, as well. In Figure 8, we divide funds into four quartiles based on their expense ratios in 2025 and aggregate the net new cash flow or net share issuance of the funds in each quartile.*

Actively managed domestic and world equity funds experienced outflows in all quartiles in 2025. By contrast, actively managed bond and hybrid funds saw substantial inflows into funds with expense ratios in the lowest quartile. Similarly, index world equity funds had inflows disproportionately concentrated in funds with expense ratios in the lowest quartile. Inflows into index domestic equity funds and index bond and hybrid funds were mostly concentrated in funds with expense ratios below the median.

* The expense ratios for these quartiles were different for active and index funds and for each investment category. For example, 25% of actively managed domestic equity funds had an expense ratio of less than 0.71%, compared with 0.15% for index domestic equity funds. For detail on the expense ratio range for each quartile in Figure 8, see Figure S7 in the statistical appendix at www.ici.org/info/per32-01-data.xlsx.

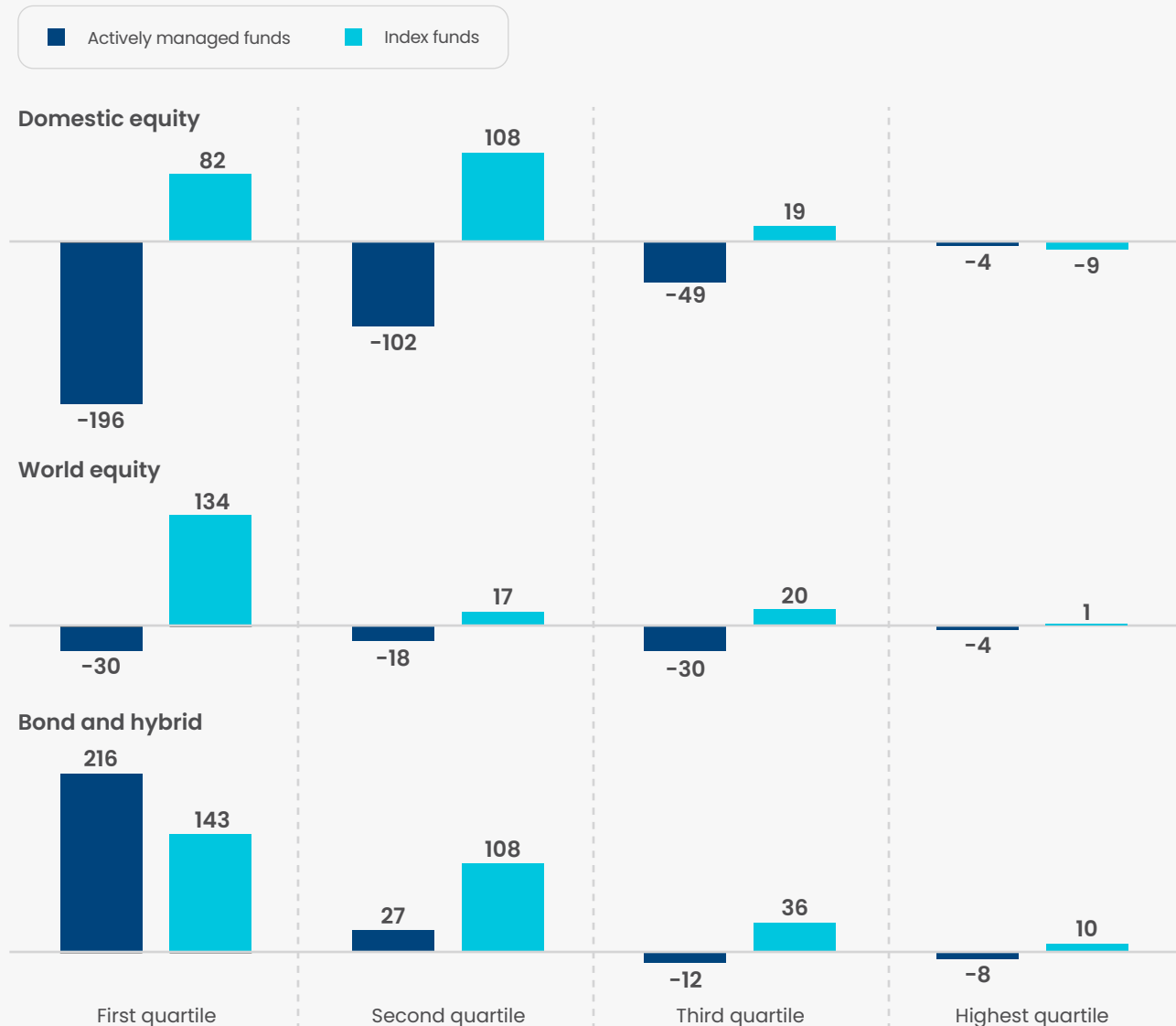
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Fund Flows Tend To Be Concentrated in the Lowest-Cost Fund Share Classes, *Continued*

FIGURE 8

Inflows Into Index Funds Were Concentrated in Funds With Low Expense Ratios in 2025, While Actively Managed Equity 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, 2025



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

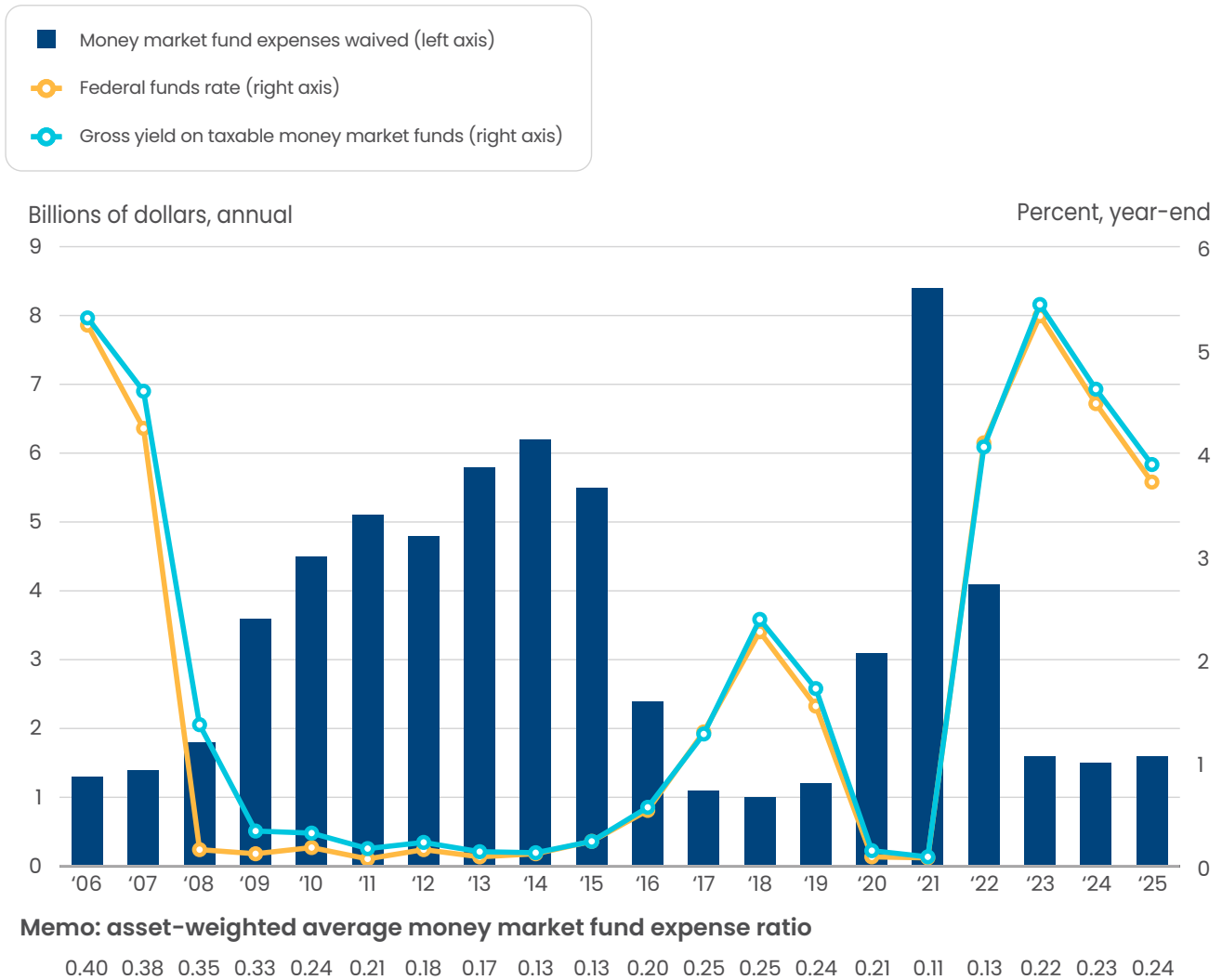
The average expense ratio for money market funds increased 1 basis point to 0.24% in 2025 (Figures 1 and 9). Over the past 17 years, movements in the average money market fund expense ratio have largely been driven by changes in funds' use of expense waivers.¹⁵ Fund sponsors often adopt expense waivers for money market funds when short-term interest rates fall close to zero and remove those waivers as short-term interest rates rise.

The Federal Reserve reduced short-term interest rates to nearly zero during the 2007–2009 financial crisis and kept them there 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 had gross yields that were close to zero. To prevent their net yields (the gross yield minus fund expenses) from falling below zero, most money market funds adopted expense waivers during this period. With an expense waiver, a fund's adviser agrees to absorb all or a portion of a fund's fees and expenses. Expense waivers reduce funds' expense ratios and boost their net yields but are costly for fund advisers. Between 2009 and 2015, fund advisers waived \$36 billion in money market fund expenses.

From March 2022 to mid-2023, the Federal Reserve aggressively raised the federal funds rate from near zero to more than 5% to combat high inflation.¹⁶ With inflation moderating and the labor market cooling, the Federal Reserve started easing monetary policy in September 2024, lowering the federal funds rate target range to 3.5%–3.75% by the end of 2025. With short-term interest rates well above zero, money market funds have been able to pare back their use of expense waivers—total money market fund waivers decreased from \$8.4 billion in 2021 to just \$1.6 billion in 2025 (Figure 9). The percentage of money market funds offering waivers declined from 97% at year-end 2021 to 59% at year-end 2025. Consequently, the average expense ratio for money market funds increased from 0.11% in 2021 to 0.24% in 2025.

FIGURE 9

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



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

Notes

- ¹ ICI uses asset-weighted averages to summarize the expense ratios that shareholders pay through funds. In this context, asset-weighted averages are preferable to simple averages, which would overstate the expense ratios for funds in which investors hold few dollars. ICI weights the expense ratio for 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: © 2026 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 For more information, see Figure S8 in the statistical appendix.
- ⁷ 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.
- ⁸ See Investment Company Institute 2026.
- ⁹ Additionally, small fund complexes often have in place fee waivers and expense reimbursements to remain competitive with their larger peers. These waivers create tighter margins on small fund complexes.
- ¹⁰ Among households owning mutual fund shares outside employer-sponsored retirement plans, 68% own fund shares through investment professionals. See Schrass and Bogdan 2025.
- ¹¹ See, for example, Cerulli Associates 2025.
- ¹² For more information on recent trends in the ETF industry, see Atamanchuk, Qureshi, and Weinberg 2025.
- ¹³ Investors typically pay financial professionals directly for distribution or account servicing and maintenance services. Some ETFs bundle distribution fees into the expense ratio to cover marketing and distribution expenses, but these fees are usually small, typically no more than 0.05%.
- ¹⁴ For a more in-depth look at the factors influencing equity and bond ETF expense ratios over time, see Duvall and Johnson 2023.

¹⁵ ICI uses the term expense waivers to refer to fee waivers and/or expense reimbursements. Prior to this, between 2000 and 2009, a combination of two factors played a significant role in reducing average expense ratios for 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 for retail money market fund share classes declined 21% over this period.

¹⁶ See www.federalreserve.gov/monetarypolicy/openmarket.htm.

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