BURNS ADVISORY GROUP
private wealth management

The single best action to take to improve your plan's Fund Lineup for participants? Use low cost funds.
By: Tim Courtney
June 2011

For most retirement plans, the monitoring of the Fund Lineup is done maybe two or four times a year. Reports are run. Risk/return statistics are compiled. Some funds outperform and some funds underperform. Evaluations are done. Decisions on whether to keep or replace funds are made.

While all of this is necessary and prudent to do, this routine often obscures one of the most simple and effective actions a plan committee can make regarding the Fund Lineup – to use low cost funds. A study done by Morningstar and featured in a Wall Street Journal article[1] concluded that "low-cost funds had better returns than high-cost funds across all asset classes". Using low fees as a guide to selecting funds "would give investors better results than even Morningstar's own star rating system."

There are several ways to bring low cost funds into a fund lineup. Using the plan's size or an advisor to gain access to low-cost institutional funds that are not available to the general retail public are two common ways. Ensuring that the lineup includes at least four or five low cost passively managed funds such as index funds is another.

There will inevitably be some periods of time when lower cost funds underperform higher cost funds on average. But as time goes on and performance numbers are scrutinized it is becoming more and more obvious that cost is a critical factor in determining participants' bottom line returns. This is an issue we continually discuss with our clients and it should be a topic on all plan committee agendas.

1. "Low Fees Outshine Fund Star System," Jane Kim, The Wall Street Journal, 10/9/2010

This article is limited to the dissemination of general information pertaining to Burns Advisory Group's ("BAG") investment advisory services and general economic market conditions. The information contained herein should not be construed as personalized investment advice, and should not be considered as a solicitation to buy or sell any security or engage in a particular investment strategy. Past performance is no guarantee of future results, and there is no guarantee that the views and opinions expressed in this article will come to pass. Individual client needs, asset allocations and investment strategies differ based on a variety of factors. BAG is neither a law firm, accountant nor tax adviser. We recommend that you seek the advice of a qualified attorney, accountant or tax advisor for legal or tax services.

BAG is an SEC registered investment adviser with its principal place of business in the State of Oklahoma. BAG and its representatives are in compliance with the current registration and notice filing requirements imposed upon registered investment advisers by those states in which BAG maintains clients. BAG may only transact business in those states in which it is noticed filed, or qualifies for an exemption or exclusion from notice filing requirements. Any subsequent, direct communication by BAG with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of BAG, please contact BAG or refer to the Investment Adviser Public Disclosure web site (www.adviserinfo.sec.gov). For additional information about BAG, including fees and services, send for our disclosure statement as set forth on Form ADV using the contact information herein. *©2011 Burns Advisory Group. All rights reserved.*