Plan Health & Costs: Access, Fees, Outcomes (v1)

Tier C · Deep-Dive | November 2024

Executive Summary

This deep-dive provides an audit-ready view into U.S. defined contribution (DC) plan health and costs with a focus on participation, deferrals, fees and target-date fund (TDF) expenses, alongside a concise macro backdrop (inflation and real yields) that shapes retirement adequacy and income pricing. We synthesize publicly available datapoints from primary sources—Vanguard's How America Saves 2024, Morningstar's 2024 Target-Date Strategy Landscape, Bureau of Labor Statistics (BLS) CPI releases, and Treasury/FRED real yields— plus public snapshots of recordkeeping fee ranges, annuity payout factors, and robo/ managed-account fees. We conclude with a stress scenario for a near-retiree glidepath and a one-page Compliance Watch on AI-use disclosures. All statistics are footnoted with the publication and month-end capture references to support audit continuity.

Key takeaways: **(1)** Participation remains resilient, with plan-weighted rates in the mid-80s and average elective deferrals near the mid-7% range (Vanguard 2024). **(2)** TDF expense ratios continue to grind lower—asset-weighted net ER reached ~0.30% at year-end 2023 (Morningstar 2024). **(3)** Inflation eased into late-2024 (Oct CPI YoY ~2.6%; Core ~3.3%), while the 10-year TIPS real yield hovered around ~2.2% mid-November, supporting higher income pricing for SPIAs than a few years prior. **(4)** Recordkeeping/ admin fees exhibit a clear scale curve, with public ranges commonly cited between $45 and $80 per participant per year, higher for small plans. **(5)** Robo/managed-account advisory fee schedules remain clustered between 0% and ~0.35% AUM (with some flat-fee variants). **(6)** For compliance, regulators increased scrutiny on AI-related marketing claims; in March 2024 the SEC announced settled charges against two advisers for misleading AI statements. We outline a practical disclosure and supervision checklist firms can adopt immediately.

At-a-Glance KPIs (November 2024 snapshot)

- Participation & deferrals — Vanguard How America Saves 2024: plan-weighted participation ≈85%, participant-weighted ≈82%; average deferral ≈7.4%. [Vanguard 2024 PDF]
- **TDF expenses — Morningstar 2024 TDF Landscape:** asset-weighted net ER ≈0.30% at YE-2023 (down from ~0.32% at YE-2022). [Morningstar press/landscape]
- Inflation & real yields — BLS CPI Oct 2024: headline 2.6% YoY; core 3.3% YoY. 10-yr TIPS real yield around 2.2% mid-Nov 2024 (FRED DFII10). [BLS CPI release; FRED]
- **Recordkeeping/admin fees — Public ranges:** ~$45–$80 per participant/year; scale benefits for larger plans. [NEPC via Human Interest; ADP]
- SPIA payouts (illustrative) — Public snapshots around $600–$630/mo single-life and ~$560–$600/mo joint-life for $100k at age 65; state and options vary. [Annuity.org/ Kiplinger]
- Robo/managed-account fees — Vanguard PAS 0.30% AUM; Fidelity Go 0% < $25k / 0.35% ≥ $25k; Schwab Intelligent Portfolios 0% mgmt fee; Schwab IP Premium $300 + $30/mo. [Vanguard; Fidelity; Schwab]

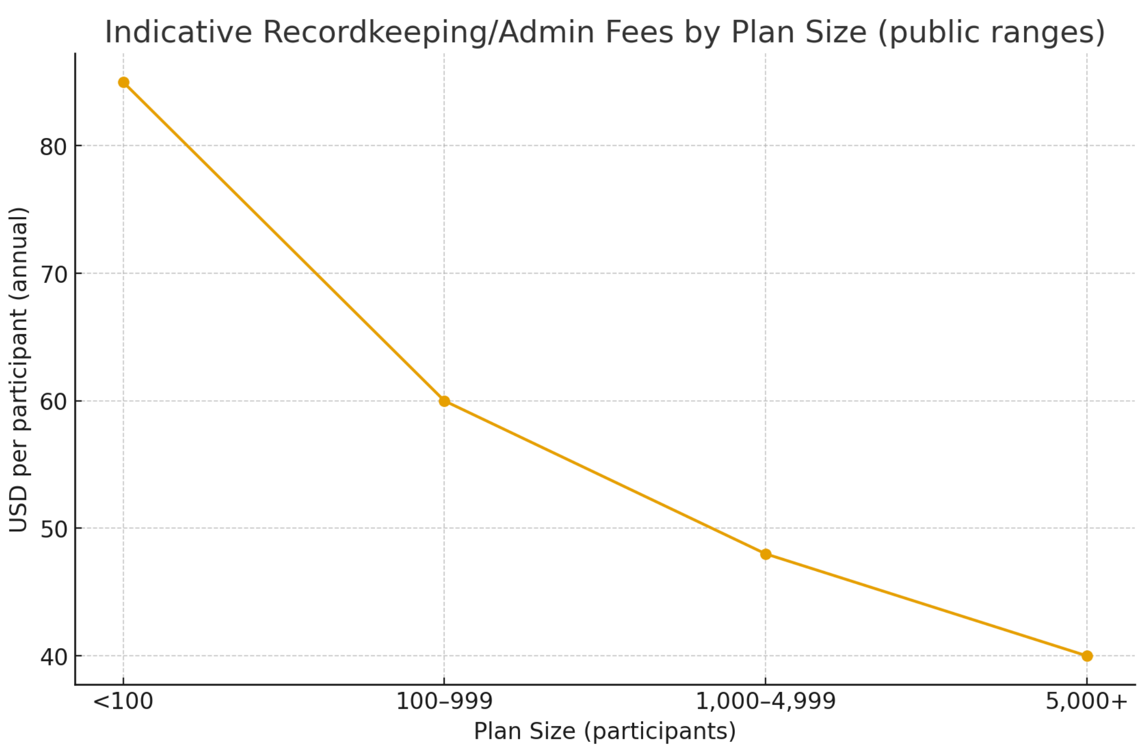
Participation & Deferrals — Plan Design Signals

Vanguard’s recordkeeping dataset (How America Saves 2024) remains the most cited public lens on participation and elective deferrals. The 2024 edition, reflecting 2023 activity, reports plan-weighted participation near the mid-80s and participant-weighted near the low-80s, with an average elective deferral of ~7.4%. The report also highlights the impact of auto-enrollment and auto-escalation in boosting both participation and savings rates over time. In particular, Vanguard notes that a record 43% of participants increased their savings in 2023 when including automatic increases.

Design levers matter. Auto-enrollment at realistic default deferral rates (e.g., 4%–6%) and target-date defaults have historically raised participation, particularly among lower-paid workers and younger cohorts. Plans with re-enrollment campaigns also tend to show higher engagement and improved alignment with age-appropriate default options. For EvoluteIQ's product and go-to-market, this suggests that the practical value of AI-assisted advice is magnified when plan design already inculcates defaults that encourage inertia-proof saving.

Admin/Recordkeeping Fees by Plan Size — Scale Curves

Public surveys and provider pages commonly cite annual recordkeeping/admin fees of roughly $45–$80 per participant, with small plans at the upper end of the range and large plans at or below ~$45. NEPC's survey (referenced by Human Interest) is one frequently cited anchor; ADP's employer guidance likewise references $45+ per participant per year, with costs sensitive to services bundled and plan size.

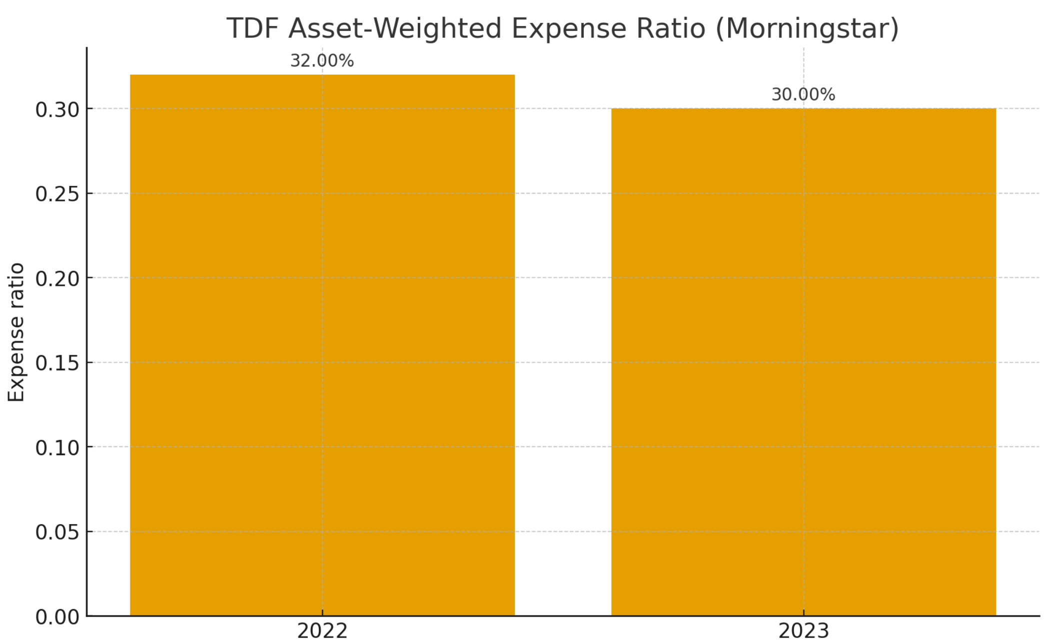


Sources: NEPC survey via Human Interest; ADP employer guidance on 401(k) plan costs.

Fiduciary context: §408(b)(2) fee disclosure requirements obligate service providers to disclose compensation and conflicts so plan fiduciaries can evaluate reasonableness. Down-market plans might appear expensive on a per-participant basis, but offerings with automated features, cybersecurity posture, and high-touch support can justify higher fees. EvoluteIQ should frame value by tying operational outcomes (participation, deferral, leakage reduction) to total cost of ownership and service-level compliance.

Target-Date Funds — Fee Compression & Implications

Morningstar's 2024 Target-Date Strategy Landscape documents continued fee compression across TDF series. The asset-weighted net expense ratio fell to ~0.30% at year-end 2023 (~0.32% at YE-2022), reflecting scale, vehicle shifts (e.g., CIT adoption), and sponsor preference for lower-cost index-centric series. Fee compression favors participant outcomes in expectation; however, sponsors should still evaluate glidepath risk, underlying fixed income duration, and equity home bias.

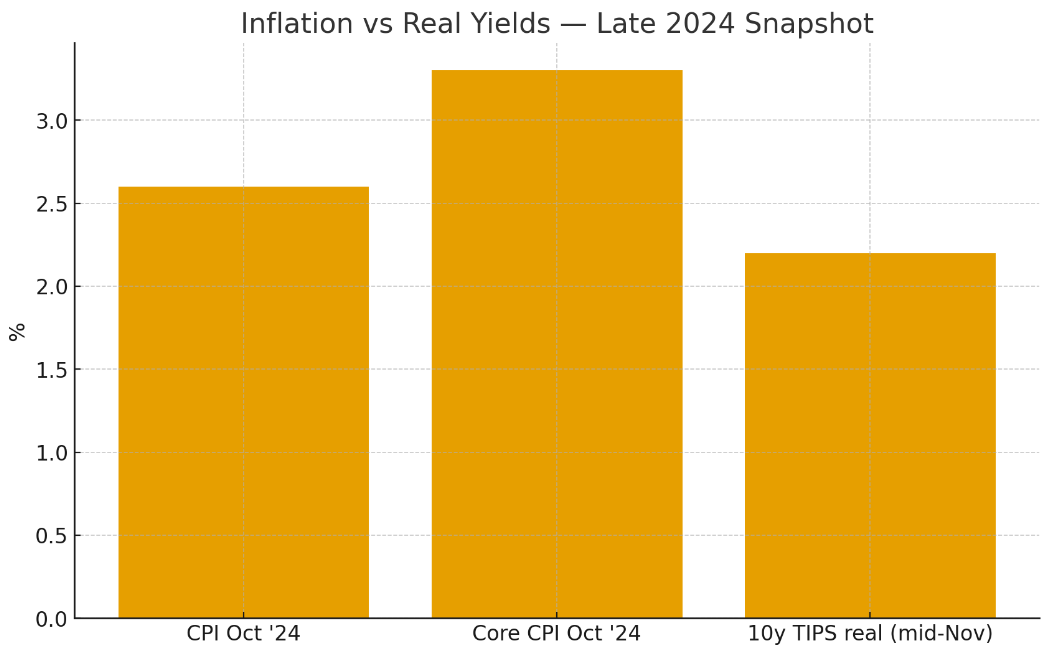


Source: Morningstar 2024 Target-Date Strategy Landscape (press summary; full report).

Practical guidance: In participant communications, emphasize that lower expenses cannot eliminate market risk; they improve expected net returns but do not immunize drawdowns. Sponsors evaluating series changes should create a change-management plan that addresses mapping, black-out windows, and participant notices; track realized ER at the plan level, not just series label.

Inflation & Real Yields — What November 2024 Implies

BLS reported October 2024 CPI at 2.6% YoY and core CPI at 3.3% YoY. With core goods disinflation offset by sticky services categories, headline inflation drifted toward the Fed's comfort zone but remained above 2%. Around mid-November, the 10-year TIPS real yield stood near ~2.2% per FRED series DFII10, a level that materially improves the pricing of lifetime income versus the ultra-low-rate era. Higher real yields increase expected income from SPIAs and reduce the breakeven hurdle for annuitization.



Sources: BLS CPI Oct 2024; FRED DFII10 real yields.

Yield curve note: While the 10-year nominal yield remained volatile through autumn 2024, the shape of the yield curve (2s–10s) stayed relatively flat to inverted for stretches. For retirement savers, term premia and real yields matter more than headline inflation for income pricing. Sponsors should explain how real yields influence income projections in retirement tools.

Income at Retirement — SPIA Payouts and Context

Public, consumer-facing annuity snapshots indicate that a $100,000 single premium immediate annuity (SPIA) for a 65-year-old yields on the order of $600 per month, with observed examples around $627/month for a 65-year-old woman and ~$629/month for a man, and approximately ~$561/month for joint-life at age 65, per public articles referencing Cannex quotes. Actual quotes depend on state, options, and rate date; plans should obtain live quotes from carriers or platforms before participant communications.

Advice Delivery — Robo & Managed-Account Fee Landscape

Public advisor program pages and third-party comparisons show persistent clustering of retail advisory fees between 0% and ~0.35% of AUM, with some programs using flat monthly fees. Illustratively, Vanguard Personal Advisor Services lists a 0.30% fee; Fidelity Go charges 0% below $25k and 0.35% at higher balances; Schwab Intelligent Portfolios cites 0% management fee, while its Premium variant charges a one-time $300 plus $30 per month. These compare with traditional human-advisor fees that often range higher but include broader planning scope.

PROVIDER | PUBLIC FEE

PROVIDER	PUBLIC FEE
VANGUARD PERSONAL ADVISOR (HYBRID)	0.30% AUM
FIDELITY GO	0% < $25k; 0.35% ≥ $25k
SCHWAB INTELLIGENT PORTFOLIOS (DIGITAL)	0% mgmt fee (cash allocation applies)
SCHWAB INTELLIGENT PORTFOLIOS PREMIUM	$300 one-time + $30/month
WEALTHFRONT / BETTERMENT (CONTEXT)	≈0.25% AUM (public)

Sources: Vanguard PAS; Fidelity Go; Schwab IP and IP Premium program pages; third-party comparisons.

Scenario — Glidepath Stress in a Late-Cycle Inflation Pop

To illustrate how plan design and advice can mitigate sequence risk, consider a near-retiree with a $250,000 TDF allocation at age 64 on a glidepath of roughly 50% equities / 50% fixed income. We examine a one-year shock where equities decline 15% and headline inflation rises by 1 percentage point over the following year, while fixed income delivers a modest +2% total return. Under this mix, the one-year balance draw is approximately −6.5%. If the participant annuitizes immediately, elevated real yields support higher income than during prior low-rate regimes, partly offsetting the drawdown. Risk mitigations include **(a)** disciplined rebalancing after the drawdown, **(b)** deferral nudges to restore the glidepath, and **(c)** evaluating partial annuitization timing.

Operational playbook: **(1)** Pre-author template communications that explain sequence risk and rebalancing in plain language; **(2)** Promote managed-account or hybrid-advice features that personalize savings and risk settings; **(3)** Use dashboards that tie fee savings (TDF ER compression) and admin scale efficiencies to participant outcomes