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THE EDUCATOR'S

403(b) Fee Audit Guide

A five-step process for understanding what your 403(b) provider is charging you, what you're getting for it, and what your options are.

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Why a Fee Audit Is Worth an Hour of Your Time

Unlike a 401(k) at a private company, there is no single 403(b) plan for your school district. Districts are required to let a long list of approved vendors sell products directly to employees, and many districts have dozens of vendors on that list, each with different investment options, share classes, and fee structures.

Some of what is available is straightforward and low-cost. Some of it comes with higher, layered fees that are worth understanding clearly. The only way to know which one you have is to actually look — and to understand what you're getting in exchange for what you're paying.

A one percentage point difference in fees does not sound like much. Over a 25 or 30 year career, it can mean a meaningfully different number in retirement income.

STEP 1 Request Your Fee Disclosure

Call or email your 403(b) provider and ask for a full fee disclosure statement for your account. You are entitled to this information. If they are not forthcoming, that alone tells you something.

Ask specifically for:

- The expense ratio or total annual fund operating expense on every fund you are invested in
- Any mortality and expense (M&E) charge, if your product is a variable annuity
- Any surrender charge schedule and how many years remain on it
- Any advisor or platform fee charged on top of the fund-level fees

STEP 2 Add Up the All-In Cost

Fees are often broken into pieces that look small individually but add up to something significant. A typical breakdown might look like this:

Fee Type	Typical Low-Cost Range	Typical High-Cost Range
Fund expense ratio	0.03% – 0.20%	0.75% – 1.50%
Mortality & expense (annuity)	N/A	0.90% – 1.65%
Platform / advisory fee	0.00% – 0.25%	0.50% – 1.00%
All-in annual cost	**Under 0.50%**	**2.00% or more**

If your all-in cost is above roughly 1%, it’s worth understanding exactly what that’s paying for. Above 1.5%, it’s worth a closer look at whether the value matches the cost.

STEP 3 Know What You're Paying For

A fee by itself doesn’t tell you much. What matters is what you’re getting in exchange for it. A knowledgeable advisor who reviews your account, helps you think through your options, and is available when questions come up is worth paying for. Fees with no advisor, no ongoing service, and no one who can explain what you own are a different story.

Questions worth asking yourself:

- Do I have an advisor I can call, or did I just fill out paperwork once and never hear from anyone again?
- Am I in a variable annuity and can I clearly explain why?
- Has anyone reviewed my account with me in the last two years?
- Do I know what share class my funds are in?
- Does my statement show a “rider” fee I can’t explain?
- Was I sold this product during a lunch break or staff meeting, with no follow-up conversation since?

> If you’re paying for real advice and using it, that’s a legitimate value exchange. If you’re paying and getting nothing back for it, that’s worth fixing — regardless of who you end up working with.

STEP 4 Understand Your Options

If you find you’re paying more than you’d like for what you’re getting, you generally have options: moving future contributions to a lower-cost vendor on your district’s approved list, or in some cases transferring the existing balance via a 403(b)-to-403(b) exchange. Whether either move makes sense, and whether any charges would apply, depends on your specific contract and should be reviewed before you make any changes.

STEP 5 Get a Second Opinion

A short conversation is usually enough to tell you whether your current 403(b) is working for you. Pace Financial specializes in reviewing 403(b) and 457(b) accounts for California teachers and public school employees, and we're glad to walk you through each of these steps — requesting your disclosure, reading it, and figuring out what it actually means for you — at no cost and with no obligation.

Ready to have your account reviewed?

Visit thepacefinancial.com/assessment to request a free retirement assessment, or reach out directly at jonathan@thepacefinancial.com or (818) 859-0570.
