



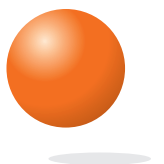
and shareBUILDER 401K present

understanding 401(k) Costs

a guide to the important subject of
401(k) business costs and participant fees

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Understanding 401(k) Costs

What will a 401(k) cost your business and your participants?

Answering this important question hasn't always been easy. Complex and hidden fees make actual costs difficult to calculate, and 401(k)s are usually priced for big businesses with large numbers of employees.

But there's good news: a few companies have designed Internet-based low-expense solutions for small businesses. To make sure that you get the best-priced 401(k) for your business, this guide provides straightforward education on fee structures and how to uncover hidden fees that we believe are all too common in the industry. Whether you're a sole proprietor or owner of a business with fifty or more employees, you deserve a fair-priced 401(k) plan that provides complete disclosure on exactly what you're paying.

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401(k) Business Costs

Like healthcare or any benefit program, 401(k) services come with a cost to your business. But where healthcare costs can run between \$4,479 (for single coverage) to \$12,106 (for family coverage) per employee per year,* a 401(k) costs only a fraction of that amount.

Keep your costs low

401(k) charges typically include a one-time fee to establish your plan and an ongoing annual or monthly fee to manage your account. These costs cover record-keeping, personal support from an account manager, and product and service improvements.

The per-employee administration cost of a 401(k) varies dramatically across the industry. Most 401(k) providers concentrate on serving large businesses and are neither priced nor prepared to serve sole proprietors or businesses with fewer than 50 employees. To ensure you're getting the lowest possible prices, the chart below provides a general benchmark:

You can offset some of your 401(k) costs:

\$500 Tax Credit

If this is your first 401(k) plan and you have at least one employee, your business will qualify for a \$500 tax credit for the first three years of your plan.

Business Tax Deductions

Your business' 401(k) administration fees, plus any matching or profit-sharing you do, are typically tax-deductible.

A business with ...	should pay less than ...
1 employee (self-employed)	\$200 per year.
2 to 15 employees	\$1,200 per year.
16 to 50 employees	\$1,800 per year.
51 or more employees	\$2,500 per year.

Watch out for surprise fees

Some providers "nickel and dime" small business owners with fees for common services like preparing tax forms, rolling over funds from a previous 401(k) plan provider, and more.

- Determine whether you will be charged by the number of **employees** at your company or the number of **participants** in your 401(k) plan (participants is preferable).
- You'll want to avoid paying excessive or additional **charges for expected services** like IRS form preparation, discrimination testing, or the transferring of assets from another 401(k) plan.
- Make sure you receive a **fee schedule or quote** that shows every fee your company could possibly be charged.

*2007 Annual Employer Health Benefits Survey, Kaiser Family Foundation and Health Research Education Trust.

401(k) Participant Fees

The sad truth is that many 401(k) providers offer funds that have high expense ratios and charge *additional*, often hidden fees that can have a big impact on your and your employees' retirement savings.

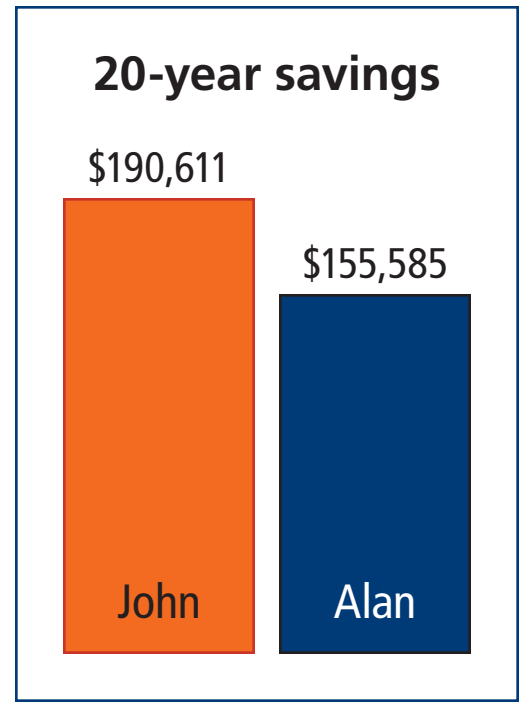
Low fees can save you a lot

John and Alan are two 401(k) participants. Each has \$50,000 invested in the same type of fund delivering the same 8% annual return. The only difference is that Alan's annual participant fees and expenses total 2%, while John pays just 1%.

The graph at right shows that after 20 years, John has \$35,026 more in retirement than Alan. After 30 years John would have **\$97,716 more** than Alan.

Participant fees really do impact how much you can potentially earn over time.

This hypothetical presentation is based on a fixed annual 8% return with no distributions or tax considerations, and does not imply future returns.



Pay no more than 1% in participant fees

We strongly believe that for long-term investing, keeping your **total fees less than 1%** makes the most sense. The lower the fee, the more money you have to put to work towards your retirement.

In most cases, employee fees are based on a percentage of the assets in the employees' accounts. They may include mutual fund management fees, 12(b)-1 fees, shareholder-servicing fees, sub-TA fees, mutual fund sales charges (sales load, CDSC, etc.), wrap fees, mortality & expense fees, investment management fees, transaction fees, or any other fee assessed to the participant's 401(k) account.

Keep things simple. We think that a low asset management fee, combined with a selection of investments that carry low expense ratios (preferably broadly-diversified index-based funds) is the best solution. The asset management fee should cover all your individual transactions, rebalancing of your investments, customer-care calls, and every other usual service needed to manage your contributions and investments.*

Some 401(k) providers may claim that they charge no asset management fees or boast of low expense-ratio investments, or even that they will refund a portion of 12(b)-1 fees. Just be sure you know the sum total of all participant fees and other upfront loads or excessive charges that can make these claims irrelevant. ***The total cost applied against your contributions is what matters most!***

* Please note that most providers do charge for participants that choose to take a 401(k) loan or decide to withdraw funds prior to retirement age. These tend to be nominal and are not included in the above guidelines.

Get a Fair Price on a 401(k) Plan

Three Principles of Fee Transparency

Here are three ways to make sure your 401(k) provider is controlling costs and minimizing the fees paid by employees out of their retirement savings:

1

If you have an existing 401(k) program, quantify your current plan's fees. Simply ask your provider for a full accounting of ALL pricing your business pays as well as the fees paid from the employee's 401(k) savings. Identifying these fees is often very difficult and confusing. If a provider has difficulty in sharing this with you or is unwilling to take you through the fees, it's time to look at other providers.

2

Limit investment options to low-expense funds. Switch the investments offered in your plan to low-expense index funds such as ETFs or no-load index mutual funds that track the major indexes (e.g., S&P 500, Russell 3000, Barclays Aggregate Bond Index, etc.). Because actively-managed funds often charge expenses that are 1–2% above those of their index-based fund peers, index-based funds can be tough to beat over the long run (see below).

3

Try to pay no more than 1% in total fees. Limit the number and type of fees charged to an employee's retirement savings. Fund administration fees and investment management fees are the only fees employees should pay out of their 401(k) retirement account. Taken together, these two fees should total no more than 1% of assets annually. Larger 401(k) plans with more than 100 employees and/or \$5 million in assets should be able to ask and receive reduced asset management fees of 0.60% or less.

Index Funds are Tough to Beat

Despite all efforts to the contrary, a large majority of actively-managed funds perform **below** their benchmark index. For example, over a five-year period ending in March 2009:

Fund Category	Comparison Index	Funds Underperforming the Index*
Large-cap blend	S&P 500	71.9%
Mid-cap blend	S&P MidCap 400	79.1%
Small-cap blend	S&P SmallCap 600	85.5%
International	S&P 700	83.5%

*Standard & Poor's Indices Versus Active Funds Scorecard, 20 April 2009.

Costs can be a real drag on your fund's ability to produce outstanding results for you. The reason index-based funds are cost-efficient is that you're not paying for an expensive active fund manager or the extra costs associated with higher portfolio turnover that are more typical in actively managed funds.

See our [Indexing guide](#) to learn more.

Get a Fair Price on a 401(k) Plan (continued)

Six Essential Questions to Ask Your 401(k) Provider

The questions and guidance below will help you get the right-priced plan for your business and ensure your 401(k) investments have low fees so your money has the opportunity to work harder. For easy provider comparison, use our [free worksheet](#).

1. What fees are charged for our plan, as a percentage of a participant's savings?

- Administrative fees (typically paid by the employer)
- Recordkeeping fees (paid by employer or employees)
- Investment management fees (paid by employees out of 401(k) savings)
- All other fees (e.g. loans, distributions, etc.)

2. What are all of the components of the investment management fees paid by plan participants?

- Mutual fund expenses: sales loads, administrative fees, 12(b)-1 fees, shareholder-servicing fees, etc.
- All other investment management fees: wrap fees (common for variable annuity 401(k)s), investment advisory fees, transaction fees, etc.

3. What services do those investment management fees cover?

At a minimum, all 401(k) participants should receive the following services:

- Fund selection — fewer than fifteen high-quality, low-expense index funds that provide adequate diversification
- Model investment portfolios — risk-based or life-cycle
- Investment guidance — for example, online investment advice tools
- All brokerage services — unlimited purchases, sales, and exchanges
- Automatic account rebalancing — quarterly or annually
- Complete account services — on-demand custom statements, quarterly performance reports, and annual account statements
- A limited set of additional fees may be charged for participants seeking a loan or a distribution

4. What is the average “portfolio turnover” for the funds in our plan?

- The average actively-managed equity mutual fund turns over 100% of its portfolio each year, adding 0.50% or more in hidden costs that are rarely reported.*
- Never offer any fund that's turning over its securities more than 25% in any given year. Ideally, turnover is less than 5%. Index funds tend to have extremely low turnover.

*Investment Wisdom and Human Values, Bogle Financial Markets Research Center, April 2006.

Six Essential Questions to Ask Your 401(k) Provider (continued)

5. What index-based funds do you offer in our plan?

- Switch out of actively managed funds into index funds (e.g., S&P 500, Russell 3000, Barclays Aggregate Bond Index, etc.)
- Provide an adequately diversified set of investment offerings: domestic equities (small-cap and large-cap), foreign equities (European and emerging markets), and fixed income (short-, medium-, and long-term bonds)
- Limit total investments to fifteen or fewer, and specialty offerings (like TIPs or REITs) to a few
- Provide model portfolios that help employees make appropriate investment decisions

6. Do you provide every participant with a complete listing of investment management fees?

- Make certain this important fee disclosure is available online and on demand to all employees
- Ensure that the fees are declared in a way that lets every employee fully understand what they're paying

Appendix A:

The Cost to Your Business to Provide a 401(k)

ShareBuilder 401k is different.

We are dedicated to meeting the needs of small businesses, and price our services accordingly. Compare the first-year cost of a ShareBuilder 401k for a 10-person company to typical industry pricing:

First-Year 401(k) Cost Comparison

	ShareBuilder 401k for Costco Executive Members	Typical Industry Pricing ¹
One-time setup	\$375	\$685
Monthly administration ²	\$1,020	\$1,866
Total first-year cost³	\$1,395	\$2,551

¹ Typical industry pricing is based on a Q2, 2008 competitive survey by PAI and ShareBuilder of leading 401(k) providers. Annual fund and asset management fees include average fund expense ratios and any additional 12(b)-1 fees, asset management fees, fund portfolio turnover fees, and wrap fees the provider charges.

² ShareBuilder charges a simple monthly administration fee based on the number of participants only (\$85 per month or \$1,020 annualized in this example). Many providers charge an annual administration fee plus an annual eligible employee or participant fee!

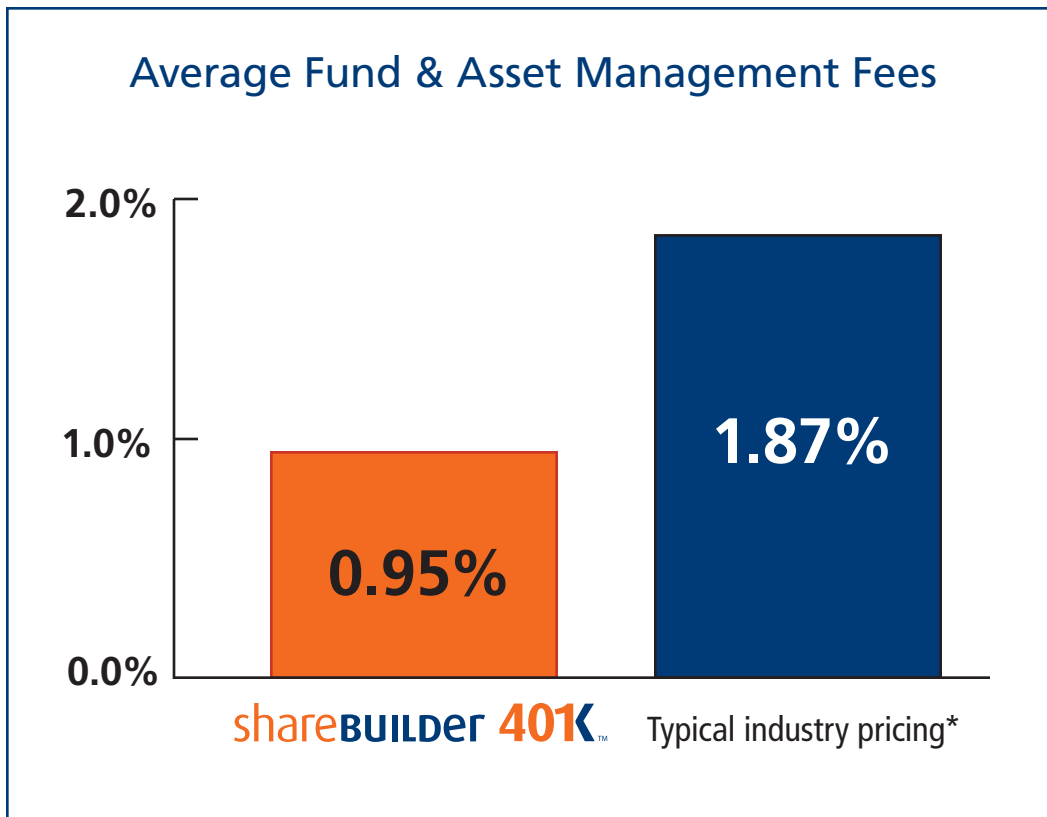
³ First-year fees are based on a company of 10, with 8 participating employees. Costco pricing is based on enrollment in a ShareBuilder 401k PLAN4TEN. As you'd expect, pricing and savings may vary depending on the number of participants.

Appendix B:

Participant Fees Comparison

For small businesses, ShareBuilder blows away typical 401(k) providers.

ShareBuilder 401k assesses a **0.45%** to **0.75%** annual asset management fee and offers funds with an average model portfolio expense ratio of **0.20%** keeping a total of **0.65%** to **0.95%**.



* Typical industry pricing is based on a Q2, 2008 competitive survey by PAI and ShareBuilder of leading 401(k) providers.

Appendix C:

ShareBuilder 401k Full Pricing Disclosure

We work hard to keep your plan administration costs affordable and participant fees under 1%.

We're dedicated to providing you with simple and open pricing, making it easy to see what you'll have to pay. All of the fees that we could ever charge are plainly listed right here.

No other 401(k) provider that we've seen offers a **complete, transparent fee schedule** up front — in fact, if you can find one, we'll give you \$50 off your 401(k) plan setup charge!

Please review our pricing and let us know if you have any questions. We welcome your call at **866-817-1719**, option 1.

ShareBuilder 401k Participant Fees and Expenses

These fees are applied to each person who participates in your company's ShareBuilder 401k plan:

- Our asset management fee is charged quarterly and amounts **0.45%** to **0.75%** of a participant's assets per year.
- Our portfolios' average investment expense ratio is **0.20%**.

Our total fees, on average, are under 1% of assets.

There are only three other nominal fees a participant may ever incur:

1. a distribution or withdrawal fee,
2. a loan fee,
3. or a required minimum distribution fee.

* Account fees of 0.1875% are assessed at the end of each calendar quarter on a pro-rated basis. Account fees may be higher if you are working through a third-party investment advisor. Please contact your investment advisor for details.

ShareBuilder 401k Business Cost - Gold Star Members

How Automatic Price Discounts Work

ShareBuilder 401k wants to ensure your plan always delivers great value not only in features and services, but also in price. As your company's total plan assets exceed a pricing tier shown for a calendar quarter (based on an average of the daily balance), we automatically lower your administration and asset management fee for the next quarter and on-going. The reverse is also true. If for some reason employees, markets, or other events drop your average asset balance for your company plan below your current level, your administration and asset fee are adjusted up for the next quarter. All pricing is on a go-forward basis and is not retroactive.

PLAN4ONE - (Costco Gold Star and Business Membership Pricing)

Assets	One-time PLAN4ONE setup	Monthly Admin (Per participant)	Participant Asset Mgmt. Fee
\$0 - \$249,999	\$135	\$14.25	0.75%
\$250,000 - \$999,999	no charge	no charge	0.75%
\$1M - \$1.9M	no charge	no charge	0.65%
\$2M - \$4.9M	no charge	no charge	0.55%
\$5M+	no charge	no charge	0.45%

PLAN4TEN - (Costco Gold Star and Business Membership Pricing)

Assets	One-time PLAN4TEN setup	Monthly Admin (Employee Size)		Participant Asset Mgmt. Fee
		1-4	5-10	
\$0 - \$999,999	\$390	\$71.15	\$90.00	0.75%
\$1M - \$1.9M	\$338	\$45.00	\$54.00	0.65%
\$2M - \$4.9M	\$225	\$22.50	\$27.00	0.55%
\$5M+	no charge	no charge	no charge	0.45%

PLAN4MOST (Costco Gold Star and Business Membership Pricing)

Assets	One-time PLAN4MOST setup	Monthly Admin (Participant Size)			Participant Asset Mgmt. Fee
		1-15	16-50	51-250	
\$0 - \$999,999	\$790	\$95.00	\$142.50	\$190.00	0.75%
\$1M - \$1.9M	\$675	\$58.50	\$90.00	\$117.00	0.65%
\$2M - \$4.9M	\$450	\$29.25	\$45.00	\$63.00	0.55%
\$5M+	no charge	no charge	no charge	no charge	0.45%

Setup and annual administration fees may be eligible for a tax credit. Please consult your accountant or tax advisor for additional details.

**¼ of asset management fee is assessed at the end of each calendar quarter on a pro-rated basis to participant account values. The amount is calculated on the average daily balance over the quarter. Fees may be higher if you are working through a third-party investment advisor. Please contact your investment advisor for details.



ShareBuilder 401k Business Cost - Executive Members

How Automatic Price Discounts Work

ShareBuilder 401k wants to ensure your plan always delivers great value not only in features and services, but also in price. As your company's total plan assets exceed a pricing tier shown for a calendar quarter (based on an average of the daily balance), we automatically lower your administration and asset management fee for the next quarter and on-going. The reverse is also true. If for some reason employees, markets, or other events drop your average asset balance for your company plan below your current level, your administration and asset fee are adjusted up for the next quarter. All pricing is on a go-forward basis and is not retroactive.

PLAN4ONE - (Costco Executive and Executive Business Membership Pricing)

Assets	One-time PLAN4ONE setup	Monthly Admin (Per participant)	Participant Asset Mgmt. Fee
\$0 - \$249,999	\$125	\$13.50	0.75%
\$250,000 - \$999,999	no charge	no charge	0.75%
\$1M - \$1.9M	no charge	no charge	0.65%
\$2M - \$4.9M	no charge	no charge	0.55%
\$5M+	no charge	no charge	0.45%

PLAN4TEN - (Costco Executive and Executive Business Membership Pricing)

Assets	One-time PLAN4TEN setup	Monthly Admin (Employee Size)		Participant Asset Mgmt. Fee
		1-4	5-10	
\$0 - \$999,999	\$375	\$67.50	\$85.00	0.75%
\$1M - \$1.9M	\$338	\$36.00	\$48.00	0.65%
\$2M - \$4.9M	\$225	\$18.00	\$24.00	0.55%
\$5M+	no charge	no charge	no charge	0.45%

PLAN4MOST (Costco Executive and Executive Business Membership Pricing)

Assets	One-time PLAN4MOST setup	Monthly Admin (Participant Size)			Participant Asset Mgmt. Fee
		1-15	16-50	51-250	
\$0 - \$999,999	\$760	\$90.00	\$135.00	\$180.00	0.75%
\$1M - \$1.9M	\$600	\$52.00	\$80.00	\$104.00	0.65%
\$2M - \$4.9M	\$400	\$26.00	\$40.00	\$56.00	0.55%
\$5M+	no charge	no charge	no charge	no charge	0.45%

Setup and annual administration fees may be eligible for a tax credit. Please consult your accountant or tax advisor for additional details.

**¼ of asset management fee is assessed at the end of each calendar quarter on a pro-rated basis to participant account values. The amount is calculated on the average daily balance over the quarter. Fees may be higher if you are working through a third-party investment advisor. Please contact your investment advisor for details.

Custom Services

	PLAN4ONE (owner-operated)	PLAN4TEN (2–10 participants, Safe Harbor)	PLAN4MOST (2+ participants)
ACH change notice (client error or non-sufficient funds)	\$50	\$50	\$50
Determination letter filing	\$500	\$500	\$500
IRS submission (determination letter)	\$1,000	\$1,000	\$1,000
DOL or IRS audits	\$600 base plus \$100 per hour over six	\$600 base plus \$100 per hour over six	\$600 base plus \$100 per hour over six
Custom requests	\$75 per hour	\$75 per hour	\$75 per hour
Amended Form 5500	\$100	\$100	\$100
Federal filing extension	\$100	\$100	\$100
Federal filing correction (reprint of Form 5500)	\$25 / \$35 overnight	\$25 / \$35 overnight	\$25 / \$35 overnight
Roth plan amendment	\$100	\$100	\$100
Other plan amendment	\$100	\$100	\$100
Plan migrations	\$250	\$250	\$250
Plan terminations	\$125	\$600 base plus \$50 per participant	\$600 base plus \$50 per participant
Plan transfers	\$100	\$500	\$500
Plan restatement (required by IRS due to regulation changes infrequent)	Fee will vary based upon requirements mandated by the IRS. The last restatement price was \$100.	Fee will vary based upon requirements mandated by the IRS. The last restatement price was \$400.	Fee will vary based upon requirements mandated by the IRS. The last restatement price was \$400.
Distribution benefits (for death, disability or retirement)	\$50	\$50	\$50

ShareBuilder 401k Investment Options

Our selections are index-based investments called **Exchange-Traded Funds (ETFs)**. These market-efficient products offer low expense ratios and diversification. Our 401(k)s allow ETF purchases and trades with no transaction fees!

The following chart illustrates **annual expense ratios** on our ETF selections:

Equity Funds			
Symbol	Fund	Category	Ratio
SPY	SPDRs	Large Blend	0.09%
IWF	iShares Russell 1000 Growth Index	Large Growth	0.20%
QQQQ	NASDAQ 100 Trust Shares	Large Growth	0.20%
DIA	DIAMONDS Trust, Series 1	Large Value	0.17%
IWD	iShares Russell 1000 Value Index	Large Value	0.20%
MDY	MidCap SPDRs	Mid-Cap Blend	0.25%
DVY	iShares Dow Jones Select Dividend Index	Mid-Cap Value	0.40%
IWM	iShares Russell 2000 Index	Small Blend	0.20%

Fixed Income Funds			
Symbol	Fund	Category	Ratio
IEF	iShares Barclays 7–10 Year Treasury	Intermediate Term Bond	0.15%
AGG	iShares Barclays Aggregate Bond	Long Government Bond	0.20%
TIP	iShares Barclays TIPS Bond	Intermediate Government	0.20%
SHY	iShares Barclays 1–3 Year Treasury	Short Government Bond	0.15%

Specialty Funds			
Symbol	Fund	Category	Ratio
ICF	iShares Cohen & Steers Realty Majors	Specialty — Real Estate	0.35%
EEM	iShares MSCI Emerging Markets Index	Diversified Emerging	0.72%
EFA	iShares MSCI EAFE Index Fund	Foreign Large Blend	0.35%

Stable Value Funds			
Symbol	Fund	Category	Ratio
BDMXX	RBB Fund, Inc: Bedford Shares	Money Market	-