



Highlights of [GAO-03-551T](#), a statement for the record to the Chairman, Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises, Committee on Financial Services, House of Representatives

Why GAO Did This Study

Millions of U.S. households have invested in mutual funds whose value exceeds \$6 trillion. The fees and other costs that these investors pay as part of owning mutual funds can significantly affect their investment returns. Recent press reports suggest that mutual fund fees have increased during the market downturn in the last few years. In addition, questions have been raised as to whether the disclosures of these fees and other costs, such as brokerage commissions, are sufficiently transparent. GAO updated its analysis from its June 2000 report, which showed the trends in mutual fund fees from 1990 and 1998 for large funds by collecting data on how these 76 funds' fees changed between 1998 to 2001. GAO also reviewed the Securities and Exchange Commission's recent rule proposal on fee disclosure as well as studies by industry.

www.gao.gov/cgi-bin/getrpt?GAO-03-551T. To view the full statement, including the scope and methodology, click on the link above. For more information, contact Richard J. Hillman at (202) 512-8678 or hillmanr@gao.gov.

MUTUAL FUNDS

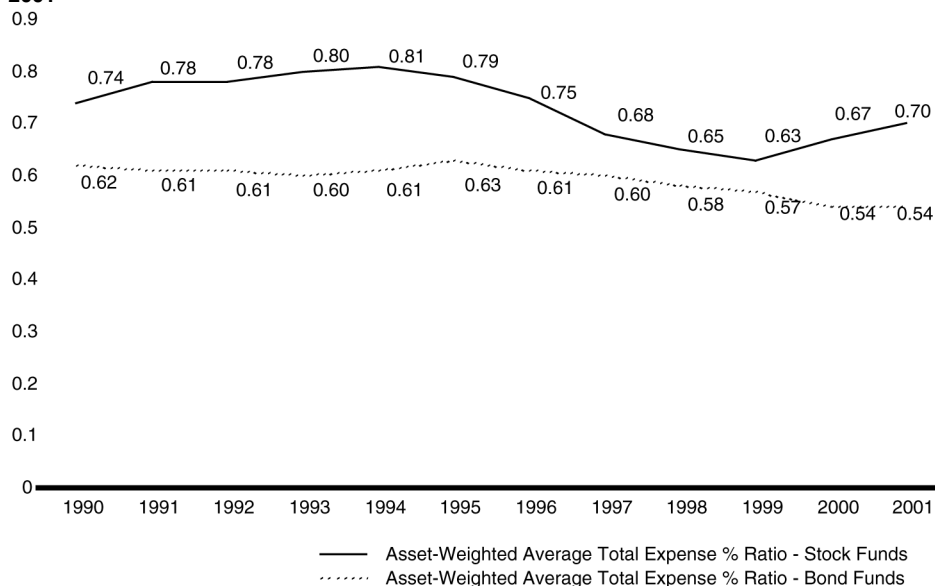
Information on Trends in Fees and Their Related Disclosure

What GAO Found

Recent data indicate that mutual fund fees may have increased. Studies by the staff of the Securities and Exchange Commission (SEC) and the Investment Company Institute found that expense ratios for mutual funds overall have increased since 1980. GAO's prior analysis of large mutual funds showed that these funds' average expense ratios generally decreased between 1990 and 1998, but between 1999 and 2001, the average ratio for the large stock funds analyzed has increased somewhat while the average ratio for the large bond funds has continued to decline. The average expense ratio for these large funds overall remains lower than their average in 1990.

SEC is proposing that investors receive additional information about mutual fund fees in the semiannual reports sent to fund shareholders. If adopted, these new disclosures would appear to provide additional useful information to investors and would allow for fees to be compared across funds. However, various alternatives to the disclosures that SEC is proposing could provide information specific to each investor and in a more frequently distributed and relevant document to mutual fund shareholders—the quarterly account statement, which presents information on the actual number and value of each investor's shareholdings. Industry participants have raised concerns that requiring additional disclosures in quarterly statements would be costly and that the additional benefits to investors have not been quantified.

Asset-Weighted Average Expense Ratios for 76 Stock and Bond Funds 1990 - 2001



Sources: GAO (analysis), Morningstar and Lipper (data).