

CHAPTER

6

US Fund Expenses and Fees

Mutual funds provide investors with many investment-related services, and for those services, investors incur two primary types of expenses and fees: ongoing expenses and sales loads. Average expense ratios (i.e., ongoing expenses) paid by US mutual fund investors have fallen substantially over time. For example, on an asset-weighted basis, average expense ratios for equity mutual funds fell from 0.99 percent in 2000 to 0.47 percent in 2021, a 53 percent decline.

IN THIS CHAPTER

- 99** Trends in Mutual Fund Expenses
- 105** Expense Ratios of Index Mutual Funds and Index ETFs
- 112** Mutual Fund Load Fees

Trends in Mutual Fund Expenses

Mutual fund investors incur two primary types of expenses and fees: ongoing expenses and sales loads. Ongoing expenses cover portfolio management, fund administration, daily fund accounting and pricing, shareholder services (such as call centers and websites), distribution charges (known as 12b-1 fees), and other operating costs. These expenses are included in a fund's expense ratio—the fund's annual expenses expressed as a percentage of its assets. Because expenses are paid from fund assets, investors pay these expenses indirectly. Sales loads are paid at the time of share purchase (front-end loads), when shares are redeemed (back-end loads), or over time (level loads).

On an asset-weighted basis, average expense ratios* incurred by mutual fund investors have fallen substantially (Figure 6.1). In 2000, equity mutual fund investors incurred expense ratios of 0.99 percent, on average, or 99 cents for every \$100 invested. By 2021, that average had fallen to 0.47 percent, a 53 percent decline. Hybrid and bond mutual fund expense ratios also have declined. The average hybrid mutual fund expense ratio fell from 0.89 percent in 2000 to 0.57 percent in 2021, a reduction of 36 percent. In addition, the average bond mutual fund expense ratio fell from 0.76 percent in 2000 to 0.39 percent in 2021, a decline of 49 percent.

* In this chapter, unless otherwise noted, average expense ratios are calculated on an asset-weighted basis. ICI's fee research uses asset-weighted averages to summarize the expenses and fees that shareholders pay through funds. In this context, asset-weighted averages are preferable to simple averages, which would overstate the expenses and fees of funds in which investors hold few dollars. ICI weights the expense ratio of each fund's share class by its year-end assets.

The fund investment categories used in this chapter are broad and encompass diverse investment styles (e.g., active and index), a range of general investment types (e.g., equity, bond, and hybrid funds), and a variety of arrangements for shareholder services, recordkeeping, or distribution charges (known as 12b-1 fees). This material is intended to provide general information on fees incurred by investors through funds as well as insight into average fees across the marketplace. It is not intended for benchmarking fees and expenses incurred by a particular investor, or charged by a particular fund or other investment product.

FIGURE 6.1

Expense Ratios Incurred by Mutual Fund Investors Have Declined Substantially Since 2000

Percent

	Equity mutual funds	Hybrid mutual funds	Bond mutual funds
2000	0.99	0.89	0.76
2001	0.99	0.89	0.75
2002	1.00	0.89	0.73
2003	1.00	0.90	0.75
2004	0.95	0.85	0.72
2005	0.91	0.81	0.69
2006	0.88	0.78	0.67
2007	0.86	0.77	0.64
2008	0.83	0.77	0.61
2009	0.86	0.84	0.64
2010	0.83	0.82	0.63
2011	0.79	0.80	0.62
2012	0.77	0.79	0.61
2013	0.74	0.80	0.61
2014	0.70	0.78	0.57
2015	0.67	0.76	0.54
2016	0.63	0.73	0.51
2017	0.59	0.70	0.48
2018	0.54	0.66	0.47
2019	0.51	0.63	0.46
2020	0.50	0.59	0.42
2021	0.47	0.57	0.39

Note: Expense ratios are measured as asset-weighted averages. Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute, Lipper, and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2021."

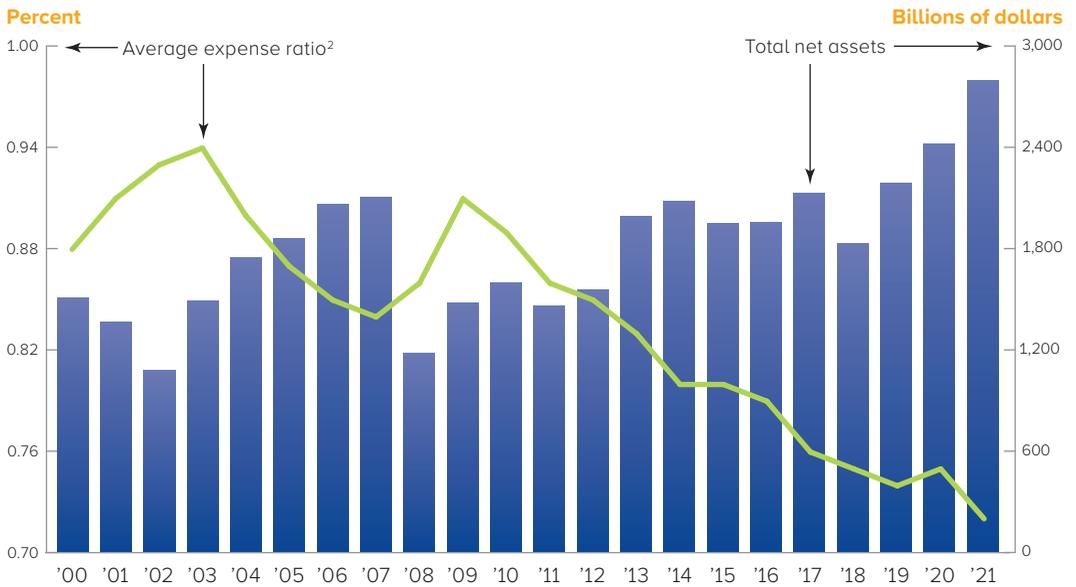
Understanding the Decline in Mutual Fund Expense Ratios

Several factors help account for the steep drop in mutual fund expense ratios. First, expense ratios often vary inversely with fund assets. Some fund costs included in expense ratios—such as transfer agency fees, accounting and audit fees, and directors’ fees—are more or less fixed in dollar terms. This means that when a fund’s assets rise, these costs contribute less to a fund’s expense ratio. Thus, if the assets of a fixed sample of funds rise over time, the sample’s average expense ratio tends to fall over the same period (Figure 6.2).

FIGURE 6.2

Mutual Fund Expense Ratios Tend to Fall as Fund Assets Rise

Share classes of actively managed domestic equity mutual funds continuously in existence since 2000¹



¹ Calculations are based on a fixed sample of share classes. Data exclude mutual funds available as investment choices in variable annuities and index mutual funds.

² Expense ratios are measured as asset-weighted averages.

Sources: Investment Company Institute, Lipper, and Morningstar. See *ICI Research Perspective*, “Trends in the Expenses and Fees of Funds, 2021.”

Another factor contributing to the decline of the average expense ratios of long-term mutual funds is the shift toward no-load share classes (see page 114), particularly institutional no-load share classes, which tend to have below-average expense ratios. In part, this shift reflects a change in how investors pay for services from brokers and other financial professionals (see page 112).

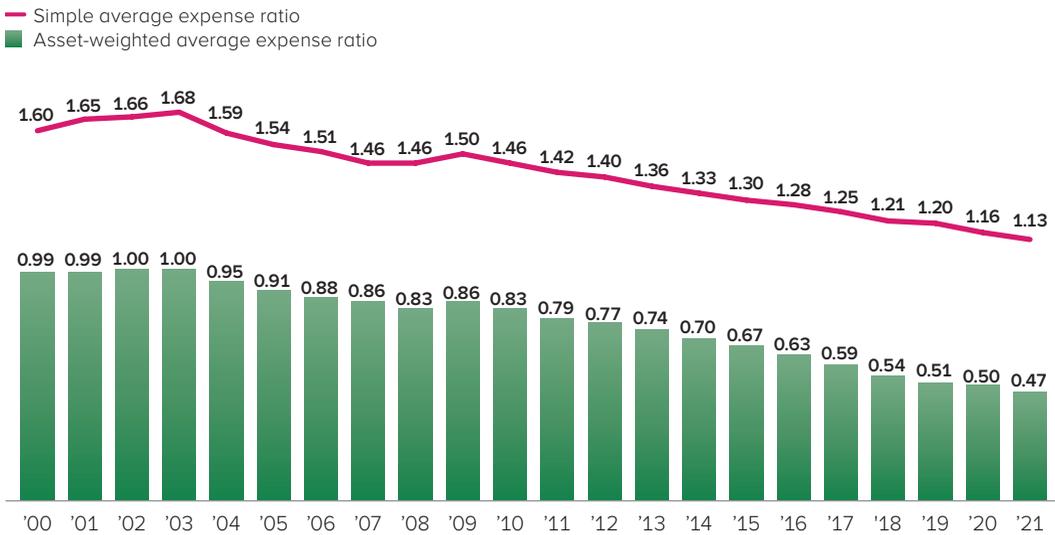
Mutual fund expense ratios also have fallen because of economies of scale and competition. Investor demand for mutual fund services has increased dramatically in the past few decades. From 1990 to 2021, the number of households owning mutual funds more than doubled—from 23.4 million to 59.0 million (Figure 7.1). All else being equal, this sharp increase in demand would tend to boost mutual fund expense ratios. Any such tendency, however, was mitigated by downward pressure on expense ratios—from competition among existing mutual fund sponsors, new mutual fund sponsors entering the industry, competition from products such as exchange-traded funds (ETFs) (see chapter 4 and page 108 of this chapter), and economies of scale resulting from the growth in fund assets.

Finally, shareholders tend to invest in mutual funds with below-average expense ratios (Figure 6.3). The simple average expense ratio of equity mutual funds (the average for all equity mutual funds offered for sale) was 1.13 percent in 2021. The asset-weighted average expense ratio for equity mutual funds (the average shareholders actually paid) was far lower, at 0.47 percent.

FIGURE 6.3

Fund Shareholders Paid Below-Average Expense Ratios for Equity Mutual Funds

Percent



Note: Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute, Lipper, and Morningstar

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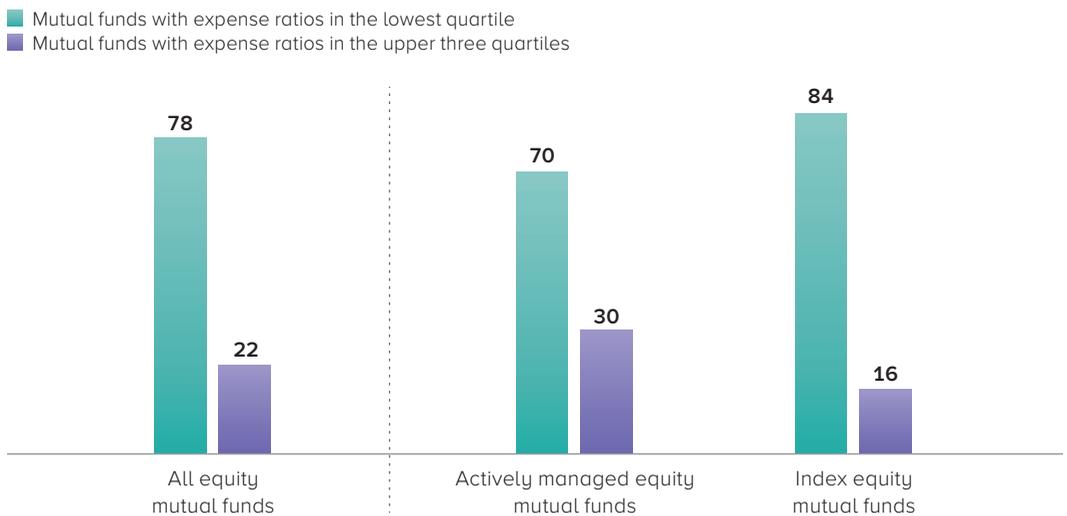
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Another way to illustrate the tendency for investors to gravitate to lower-cost funds is to examine how the allocation of their assets across funds varies by expense ratio. At year-end 2021, equity mutual funds with expense ratios in the lowest quartile held most (78 percent) of equity mutual funds' total net assets (Figure 6.4). This pattern holds for both actively managed and index equity mutual funds. Actively managed equity mutual funds with expense ratios in the lowest quartile held 70 percent of actively managed equity mutual funds' net assets at year-end 2021, and lower-cost index equity mutual funds held 84 percent of index equity mutual funds' net assets.

FIGURE 6.4

Total Net Assets Are Concentrated in Lower-Cost Mutual Funds

Percentage of total net assets, 2021



Note: Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute and Morningstar

Differences in Mutual Fund Expense Ratios

Like the prices of most goods and services, the expense ratios of individual mutual funds differ considerably across the array of available products. The expense ratios of individual funds depend on many factors, including investment objective (see below), fund assets (see page 101), and payments to financial intermediaries (see page 112).

Mutual Fund Investment Objective

Mutual fund expense ratios vary by investment objective (Figure 6.5). For example, bond and money market mutual funds tend to have lower expense ratios than equity mutual funds. Among equity mutual funds, expense ratios tend to be higher for funds that specialize in a given sector—such as healthcare or real estate—or those that invest in equities around the world, because such funds tend to cost more to manage. Even within a particular investment objective, mutual fund expense ratios can vary considerably. For example, 10 percent of equity mutual funds that focus on growth stocks have expense ratios of 0.62 percent or less, while 10 percent have expense ratios of 1.78 percent or more. Among other things, this variation reflects the fact that some growth funds focus more on small- or mid-cap stocks and others focus more on large-cap stocks. Portfolios of small- and mid-cap stocks tend to cost more to manage since information about these types of stocks is less readily available, which means that active portfolio managers must spend more time doing research.

FIGURE 6.5

Mutual Fund Expense Ratios Vary Across Investment Objectives

Percent, 2021

Investment objective	10th percentile	Median	90th percentile	Asset-weighted average	Simple average
Equity mutual funds	0.56	1.04	1.89	0.47	1.13
Growth	0.62	1.00	1.78	0.65	1.08
Sector	0.70	1.17	2.01	0.66	1.27
Value	0.61	1.00	1.79	0.57	1.08
Blend	0.28	0.88	1.70	0.27	0.94
World	0.66	1.10	1.95	0.60	1.18
Hybrid mutual funds	0.47	1.05	1.99	0.57	1.16
Bond mutual funds	0.35	0.72	1.55	0.39	0.82
Investment grade	0.27	0.60	1.39	0.28	0.70
World	0.50	0.90	1.73	0.45	0.98
Government	0.17	0.65	1.53	0.29	0.74
High-yield	0.57	0.86	1.72	0.63	0.97
Municipal	0.39	0.65	1.51	0.45	0.78
Money market funds	0.06	0.12	0.26	0.12	0.14
Memo:					
Index equity mutual funds	0.04	0.29	1.58	0.06	0.56
Target date mutual funds*	0.25	0.62	1.23	0.33	0.68

* Data include mutual funds that invest primarily in other mutual funds. Ninety-five percent of target date mutual funds invest primarily in other mutual funds.

Note: Each fund's share class is weighted equally for the median, 10th, and 90th percentiles. Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2021."

Expense Ratios of Index Mutual Funds and Index ETFs

An index fund generally seeks to replicate the return on a specified index. Under this approach, often referred to as passive management, portfolio managers buy and hold all—or a representative sample of—the securities in their target indexes. This approach to portfolio management is a primary reason that both index mutual funds and index ETFs tend to have below-average expense ratios. By contrast, under an active management approach, managers have more discretion to increase or reduce exposure to sectors or securities within their funds’ investment mandates. Active managers may also undertake significant research about stocks or bonds, market sectors, or geographic regions. This approach offers investors the chance to earn superior returns, or to meet other investment objectives such as limiting downside risk, managing volatility, under- or overweighting various sectors, and altering asset allocations in response to market conditions. These characteristics tend to make active management more costly than management of an index fund.

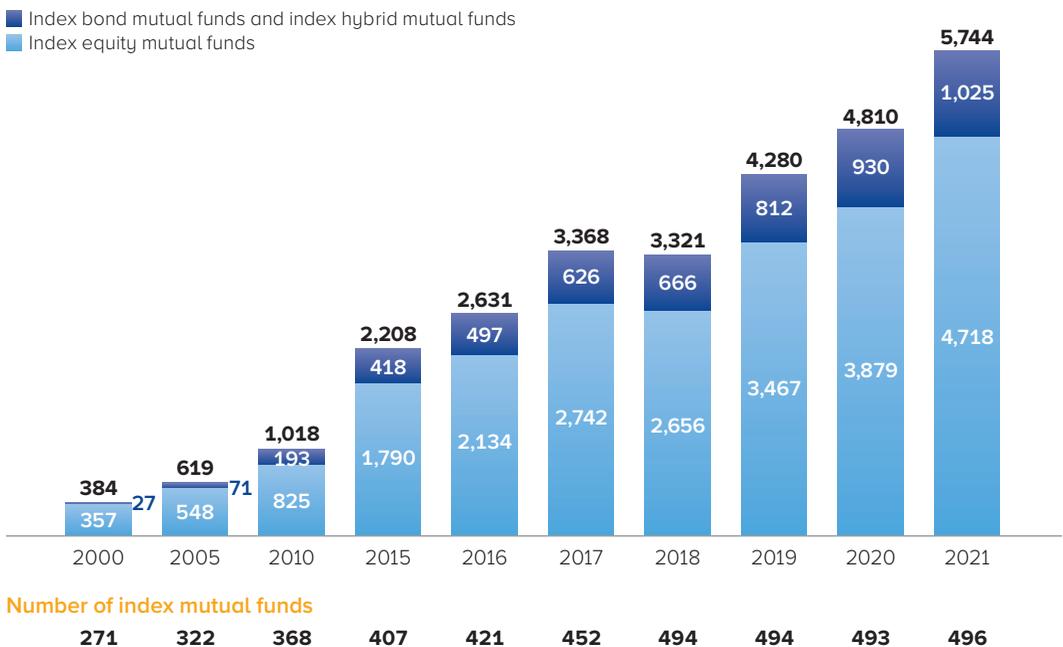
Index Mutual Funds

Growth in index mutual funds has contributed to the decline in asset-weighted average expense ratios of equity, hybrid, and bond mutual funds. From 2000 to 2021, index mutual fund total net assets grew significantly, from \$384 billion to \$5.7 trillion (Figure 6.6). Consequently, over the same period, index mutual funds’ share of long-term mutual fund net assets more than tripled, from 7.5 percent at year-end 2000 to 25.9 percent at year-end 2021. Within index mutual funds, index equity mutual funds accounted for the bulk (82 percent) of index mutual fund net assets at year-end 2021.

FIGURE 6.6

Total Net Assets of Index Mutual Funds Have Increased in Recent Years

Billions of dollars, year-end



Index mutual funds tend to have below-average expense ratios for several reasons. First, their approach to portfolio management—in which managers generally seek to replicate the return on a specified index by buying and holding all (or a representative sample) of the securities in their target indexes—lends itself to being less costly. This is because index funds' portfolios tend not to change frequently, and therefore, have low turnover rates.

Second, index mutual funds tend to have below-average expense ratios because of their investment focus. Net assets of index equity mutual funds are concentrated more heavily in large-cap blend funds that target US large-cap indexes, such as the S&P 500. Net assets of actively managed equity mutual funds, on the other hand, are more widely distributed across stocks of varying capitalizations, international regions, or specialized business sectors. Managing portfolios of small- or mid-cap, international, or sector stocks is generally acknowledged to be more expensive than managing portfolios of US large-cap stocks.

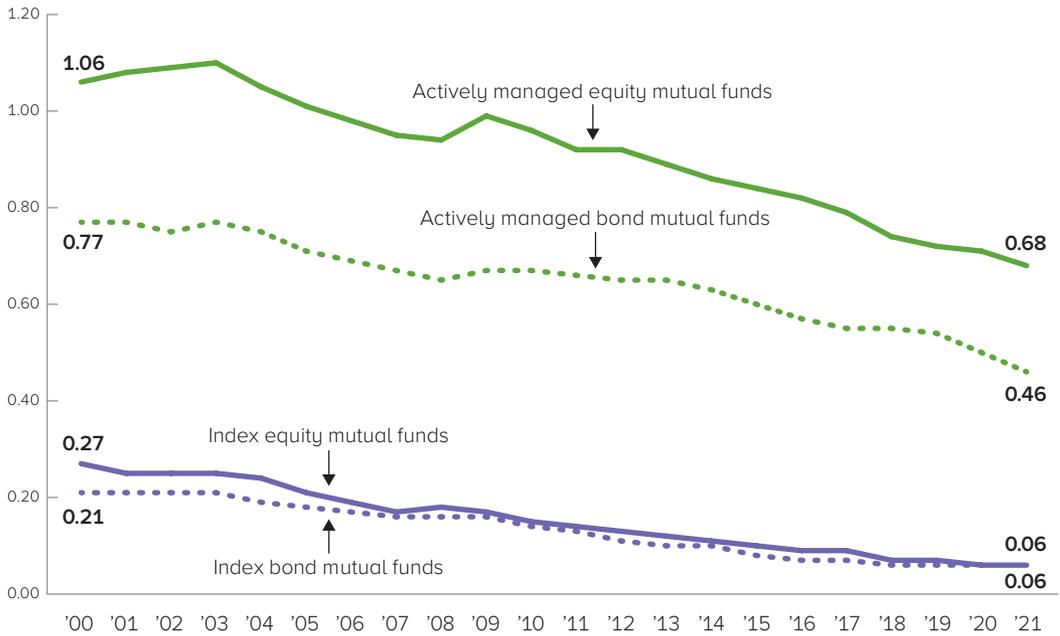
Finally, index mutual funds are larger on average than actively managed mutual funds, which, through economies of scale, helps reduce fund expense ratios. At year-end 2021, the average index equity mutual fund (\$11.4 billion) was significantly larger than the average actively managed equity mutual fund (\$2.5 billion).

These reasons, among others, help explain why index mutual funds generally have lower expense ratios than actively managed mutual funds. It is important to note that both index and actively managed mutual funds have contributed to the decline in the average expense ratios of mutual funds (Figure 6.7). From 2000 to 2021, the average expense ratio of index equity mutual funds fell from 0.27 percent to 0.06 percent, while the average expense ratio for actively managed equity mutual funds fell from 1.06 percent to 0.68 percent. Over the same period, the average expense ratio of index bond mutual funds fell from 0.21 percent to 0.06 percent and the average expense ratio of actively managed bond mutual funds fell from 0.77 percent to 0.46 percent.

FIGURE 6.7

Expense Ratios of Actively Managed and Index Mutual Funds Have Fallen

Percent



Note: Expense ratios are measured as asset-weighted averages. Data exclude mutual funds available as investment choices in variable annuities.

Sources: Investment Company Institute, Lipper, and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2021."

The downward trend in the average expense ratios of both index and actively managed mutual funds reflects, in part, investors' increasing tendency to buy lower-cost funds. Investor demand for index mutual funds is disproportionately concentrated in funds with the lowest costs. This phenomenon is not unique to index mutual funds, however; the proportion of assets in the lowest-cost actively managed mutual funds is also high (Figure 6.4).

Index ETFs

The trends in ETFs over the past decade have influenced asset-weighted average expense ratios of index equity and index bond ETFs. ETF total net assets have grown rapidly in recent years, from \$992 billion at year-end 2010 to \$7.2 trillion at year-end 2021 (Figure 2.2). During this time, ETFs have become a significant market participant, with net assets accounting for 21 percent of total net assets managed by investment companies at year-end 2021. ETFs are largely index-based and generally registered with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940. Actively managed ETFs registered under the 1940 Act represented 4.0 percent of ETF total net assets at year-end 2021, and ETFs not registered under the 1940 Act represented 1.7 percent. Like index mutual funds, most of the net assets in ETFs are in funds that focus on equities. Equity ETFs accounted for 80 percent of the total net assets of ETFs at year-end 2021.

Part of the strong growth in ETFs is attributable to their distribution structure, in which the ETF generally charges an expense ratio that provides no compensation to financial professionals. Compensation to financial professionals for distribution or account servicing and maintenance is typically paid directly by the investor.*

Financial professionals often provide programs that offer investors a suite of ETFs suited to their investment goals. In such cases, investors would typically pay financial professionals an asset-based fee in addition to the ETF expense ratios in the suite of ETFs selected. Also, because ETFs are generally index funds, they typically have lower expense ratios.

Like mutual fund investors, ETF shareholders tend to invest in funds with below-average expense ratios (Figure 6.8). The simple average expense ratio of index equity ETFs (the average for all index equity ETFs offered for sale) was 0.45 percent in 2021. The asset-weighted average expense ratio for index equity ETFs (the average shareholders actually paid) was much less than that, 0.16 percent. The same holds for index bond ETFs, with a simple average expense ratio of 0.24 percent in 2021 and an asset-weighted average expense ratio of 0.12 percent.

* Some ETFs bundle distribution fees in the expense ratio to cover marketing and distribution expenses. These fees are usually small, typically no more than 0.04 percent.

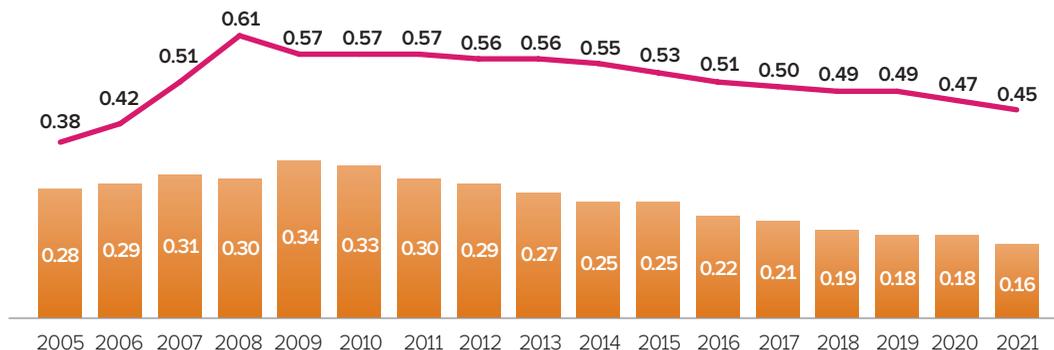
FIGURE 6.8

Expense Ratios Incurred by Index ETF Investors Have Generally Declined in Recent Years

Percent

- Simple average expense ratio
- Asset-weighted average expense ratio

Index equity ETFs



Index bond ETFs



* Data for index bond ETFs are excluded prior to 2007 because of a limited number of funds.

Note: Data exclude ETFs not registered under the Investment Company Act of 1940.

Sources: Investment Company Institute and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2021."

Additionally, index ETF expense ratios differ based on their investment objectives (Figure 6.9). Among index bond ETFs, for example, expense ratios tend to be higher for those that invest in either foreign or high-yield bonds because such securities are typically more costly to manage than securities such as Treasury bonds. Indeed, the asset-weighted average expense ratio for index high-yield bond ETFs was 0.38 percent in 2021, compared to the asset-weighted average expense ratio of 0.11 percent for index government bond ETFs. Even within specific investment objectives, expense ratios vary among index ETFs for a range of reasons. For example, expense ratios may differ because not all index ETFs in a given investment objective rely on the same index, and licensing fees that ETFs pay to index providers may vary.

FIGURE 6.9

Index ETF Expense Ratios Vary Across Investment Objectives

Percent, 2021

Investment objective	10th percentile	Median	90th percentile	Asset-weighted average	Simple average
Index equity ETFs	0.09	0.45	0.80	0.16	0.45
Growth	0.07	0.29	0.60	0.16	0.32
Sector	0.10	0.45	0.95	0.25	0.50
Value	0.07	0.28	0.60	0.18	0.33
Blend	0.05	0.34	0.89	0.11	0.39
World	0.09	0.50	0.80	0.24	0.48
Index hybrid ETFs	0.46	0.60	0.94	0.52	0.64
Index bond ETFs	0.05	0.18	0.50	0.12	0.24
Corporate	0.05	0.10	0.24	0.06	0.13
World	0.20	0.35	0.58	0.20	0.38
Government	0.04	0.12	0.92	0.11	0.24
High-yield	0.17	0.38	0.60	0.38	0.39
Municipal	0.17	0.18	0.31	0.14	0.21
Memo:					
Active equity ETFs	0.25	0.75	0.95	0.48	0.70

Note: Each fund's share class is weighted equally for the median, 10th, and 90th percentiles. Data exclude ETFs not registered under the Investment Company Act of 1940.

Sources: Investment Company Institute and Morningstar. See *ICI Research Perspective*, "Trends in the Expenses and Fees of Funds, 2021."

Mutual Fund Fee Structures

Mutual funds often are categorized by the class of shares that fund sponsors offer, primarily load or no-load classes. Load classes generally serve investors who buy shares through financial professionals; no-load classes usually serve investors who buy shares without the assistance of a financial professional or who choose to compensate their financial professionals separately. Funds sold through financial professionals typically offer more than one share class in order to provide investors with alternative ways to pay for financial services.

12b-1 Fees

Since 1980, when the SEC adopted Rule 12b-1 under the Investment Company Act of 1940, mutual funds and their shareholders have had the flexibility to compensate financial professionals and other financial intermediaries through asset-based fees. These distribution fees, known as 12b-1 fees, enable investors to pay indirectly for some or all of the services they receive from financial professionals (such as brokers) and other financial intermediaries (such as retirement plan recordkeepers and discount brokerage firms). Funds also use 12b-1 fees to a very limited extent to help defray advertising and marketing costs.

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Load Share Classes

Load share classes include a sales load, a 12b-1 fee, or both. Sales loads and 12b-1 fees are used to compensate brokers and other financial professionals for their services.

Front-end load shares, which are predominantly Class A shares, were the traditional way investors compensated financial professionals for assistance. These shares generally charge a sales load—a percentage of the sales price or offering price—at the time of purchase. They also generally have a 12b-1 fee, often 0.25 percent. Front-end load shares are sometimes used in employer-sponsored retirement plans, but fund sponsors typically waive the sales load for purchases made through such retirement plans. Additionally, most front-end load share classes have breakpoint discounts, in which front-end load fees decline as the size of an investor's initial purchase rises, and many fund providers offer discounted load fees when an investor has total balances exceeding a given amount in that provider's funds.

Back-end load shares, often called Class B shares, typically do not have a front-end load. Investors using back-end load shares pay for services provided by financial professionals through a combination of an annual 12b-1 fee and a contingent deferred sales load (CDSL). The CDSL is paid if fund shares are redeemed before a given number of years of ownership. Back-end load shares usually convert after a specified number of years to a share class with a lower 12b-1 fee (for example, Class A shares). The assets in back-end load shares have declined substantially in recent years.

Level load shares, which include Class C shares, generally do not have front-end loads. Investors in this share class compensate financial professionals with an annual 12b-1 fee (typically 1 percent) and a CDSL (also typically 1 percent) that shareholders pay if they sell their shares within a year of purchase.

No-Load Share Classes

No-load share classes have neither a front-end load nor a CDSL, and have a 12b-1 fee of 0.25 percent or less. Originally, no-load share classes were sold directly by mutual fund sponsors to investors. Now, investors can also purchase no-load funds through employer-sponsored retirement plans, discount brokerage firms, and bank trust departments. Some financial professionals who charge investors separately for their services, rather than through a load or 12b-1 fee, help investors select a portfolio of no-load funds.

Mutual Fund Load Fees

Many mutual fund investors engage an investment professional, such as a broker, an investment adviser, or a financial planner. Among households owning mutual fund shares outside employer-sponsored retirement plans, 79 percent own mutual fund shares through investment professionals (Figure 7.7). These professionals can provide many benefits to investors, such as helping them identify financial goals, analyzing an existing financial portfolio, determining an appropriate asset allocation, and—depending on the type of financial professional—providing investment advice or recommendations to help investors achieve their financial goals. The investment professional also may provide ongoing services, such as responding to investors' inquiries or periodically reviewing and rebalancing their portfolios.

Over the past few decades, the way that fund shareholders compensate financial professionals has changed significantly, moving away from front-end loads and toward asset-based fees. An important element in the changing distribution structure of mutual funds has been this shift toward asset-based fees, which are assessed as a percentage of the assets that the financial professional helps an investor manage. Increasingly, these fees compensate brokers and other financial professionals who sell mutual funds. An investor may pay an asset-based fee indirectly through a fund's 12b-1 fee, which is included in the fund's expense ratio, or directly (out of pocket) to the financial professional, in which case it is not included in the fund's expense ratio.

In part because of the shift toward asset-based fees (either through the fund or out of pocket), the total net assets of no-load share classes have increased substantially in recent years. Also, front-end and back-end load share classes have had net outflows in each year since 2010 (Figure 6.10), and gross sales of back-end load share classes have dwindled almost to zero (Figure 6.11). As a result, the percentage of long-term mutual fund net assets held in front-end and back-end load share classes fell from 22 percent at year-end 2010 to 11 percent at year-end 2021 (Figure 6.12).

By contrast, no-load share classes—those with neither a front-end nor a back-end load fee and a 12b-1 fee of no more than 0.25 percent—generally have seen net inflows and rising net assets since 2010 (Figures 6.10 and 6.12). As a result, the percentage of long-term mutual fund total net assets held in no-load share classes rose from 56 percent at year-end 2010 to 73 percent at year-end 2021.

Some of the shift toward no-load share classes can be attributed to do-it-yourself investors. A larger factor, however, is the growth of sales through defined contribution plans as well as sales of no-load share classes through sales channels that compensate financial professionals (for example, discount brokers, fee-based advisers, full-service brokerage platforms) with asset-based fees outside of funds.

FIGURE 6.10

No-Load Long-Term Mutual Fund Share Classes Garnered Inflows in 2021

Billions of dollars, annual

	2000	2005	2010	2015	2016	2017	2018	2019	2020	2021
All long-term mutual funds	\$231	\$192	\$243	-\$120	-\$193	\$72	-\$346	-\$99	-\$484	-\$59
Load	77	27	-57	-129	-238	-298	-231	-130	-140	-96
Front-end ¹	19	54	-53	-105	-187	-225	-162	-77	-87	-61
Back-end ²	27	-47	-28	-6	-5	-3	-2	-1	-1	(*)
Level ³	30	18	21	-22	-45	-70	-66	-53	-51	-34
Other ⁴	3	2	2	(*)	-1	(*)	(*)	(*)	(*)	(*)
Unclassified ⁵	-1	-1	(*)	5	(*)	1	-1	(*)	(*)	(*)
No-load⁶	103	124	260	78	126	456	-1	152	-193	193
Retail	79	65	55	5	-28	41	-93	-23	-179	11
Institutional	24	59	205	73	154	415	92	176	-14	182
Variable annuities	51	18	7	-67	-79	-112	-124	-125	-134	-167
"R" share classes⁷	(*)	24	33	-2	-2	26	10	4	-17	11

¹ Front-end load > 1 percent. Primarily includes Class A shares; includes sales where front-end loads are waived.

² Front-end load = 0 percent and contingent deferred sales load (CDSL) > 2 percent. Primarily includes Class B shares.

³ Front-end load ≤ 1 percent, CDSL ≤ 2 percent, and 12b-1 fee > 0.25 percent. Primarily includes Class C shares; excludes institutional share classes.

⁴ This category contains all other load share classes not classified as front-end load, back-end load, or level load.

⁵ This category contains load share classes with missing load fee data.

⁶ Front-end load = 0 percent, CDSL = 0 percent, and 12b-1 fee ≤ 0.25 percent.

⁷ "R" shares include assets in any share class that ICI designates as a "retirement share class." These share classes are sold predominantly to employer-sponsored retirement plans. However, other share classes—including retail and institutional share classes—also contain investments made through 401(k) plans or IRAs.

(*) = inflow or outflow of less than \$500 million

Sources: Investment Company Institute, Lipper, and Morningstar

FIGURE 6.11

Gross Sales of Long-Term Mutual Funds Are Concentrated in No-Load Share Classes

Billions of dollars, annual

	2000	2005	2010	2015	2016	2017	2018	2019	2020	2021
All long-term mutual funds	\$2,291	\$1,739	\$2,700	\$3,497	\$3,557	\$3,922	\$4,116	\$3,824	\$5,005	\$5,177
Load	978	538	579	503	437	369	349	343	382	376
Front-end ¹	704	408	455	395	361	309	296	297	341	339
Back-end ²	175	36	8	3	2	2	1	1	(*)	(*)
Level ³	91	85	111	99	72	56	48	45	39	35
Other ⁴	7	8	5	2	1	1	1	1	1	1
Unclassified ⁵	(*)	1	1	5	(*)	2	3	(*)	(*)	(*)
No-load⁶	1,043	936	1,692	2,594	2,727	3,165	3,362	3,108	4,075	4,265
Retail	774	598	931	1,222	1,222	1,334	1,427	1,263	1,642	1,737
Institutional	269	338	761	1,372	1,505	1,832	1,935	1,845	2,433	2,529
Variable annuities	268	225	318	247	245	184	210	188	324	241
"R" share classes⁷	2	40	112	152	148	203	195	185	224	295

¹ Front-end load > 1 percent. Primarily includes Class A shares; includes sales where front-end loads are waived.

² Front-end load = 0 percent and contingent deferred sales load (CDSL) > 2 percent. Primarily includes Class B shares.

³ Front-end load ≤ 1 percent, CDSL ≤ 2 percent, and 12b-1 fee > 0.25 percent. Primarily includes Class C shares; excludes institutional share classes.

⁴ This category contains all other load share classes not classified as front-end load, back-end load, or level load.

⁵ This category contains load share classes with missing load fee data.

⁶ Front-end load = 0 percent, CDSL = 0 percent, and 12b-1 fee ≤ 0.25 percent.

⁷ "R" shares include assets in any share class that ICI designates as a "retirement share class." These share classes are sold predominantly to employer-sponsored retirement plans. However, other share classes—including retail and institutional share classes—also contain investments made through 401(k) plans or IRAs.

(*) = gross sales of less than \$500 million

Sources: Investment Company Institute, Lipper, and Morningstar

FIGURE 6.12

Total Net Assets of Long-Term Mutual Funds Are Concentrated in No-Load Share Classes

Billions of dollars, year-end

	2000	2005	2010	2015	2016	2017	2018	2019	2020	2021
All long-term mutual funds	\$5,111	\$6,862	\$9,021	\$12,893	\$13,614	\$15,903	\$14,660	\$17,645	\$19,550	\$22,209
Load	2,141	2,346	2,406	2,510	2,432	2,449	2,109	2,373	2,519	2,751
Front-end ¹	1,485	1,750	1,926	2,053	2,007	2,052	1,816	2,104	2,297	2,550
Back-end ²	487	276	78	17	12	8	4	4	2	1
Level ³	145	288	381	429	408	378	283	258	211	191
Other ⁴	21	26	18	7	6	6	6	7	8	9
Unclassified ⁵	2	5	2	5	(*)	4	1	(*)	(*)	1
No-load⁶	2,178	3,391	5,028	8,301	9,032	10,996	10,322	12,653	14,138	16,253
Retail	1,616	2,384	3,056	4,569	4,862	5,631	5,061	6,231	6,744	7,658
Institutional	563	1,007	1,973	3,732	4,170	5,365	5,261	6,422	7,395	8,594
Variable annuities	784	1,039	1,289	1,595	1,635	1,792	1,590	1,815	1,942	2,110
"R" share classes⁷	8	86	297	487	514	666	640	803	951	1,096

¹ Front-end load > 1 percent. Primarily includes Class A shares; includes sales where front-end loads are waived.

² Front-end load = 0 percent and contingent deferred sales load (CDSL) > 2 percent. Primarily includes Class B shares.

³ Front-end load ≤ 1 percent, CDSL ≤ 2 percent, and 12b-1 fee > 0.25 percent. Primarily includes Class C shares; excludes institutional share classes.

⁴ This category contains all other load share classes not classified as front-end load, back-end load, or level load.

⁵ This category contains load share classes with missing load fee data.

⁶ Front-end load = 0 percent, CDSL = 0 percent, and 12b-1 fee ≤ 0.25 percent.

⁷ "R" shares include assets in any share class that ICI designates as a "retirement share class." These share classes are sold predominantly to employer-sponsored retirement plans. However, other share classes—including retail and institutional share classes—also contain investments made through 401(k) plans or IRAs.

(*) = total net assets of less than \$500 million

Sources: Investment Company Institute, Lipper, and Morningstar