

Mutual Fund Expense Ratios Down Sharply from a Quarter Century Ago

Washington, DC; March 24, 2022—The average expense ratios of equity, hybrid, and bond mutual funds—including both actively managed and index equity and bond mutual funds—have declined significantly over the past 25 years, according to an updated research report from the Investment Company Institute (ICI).

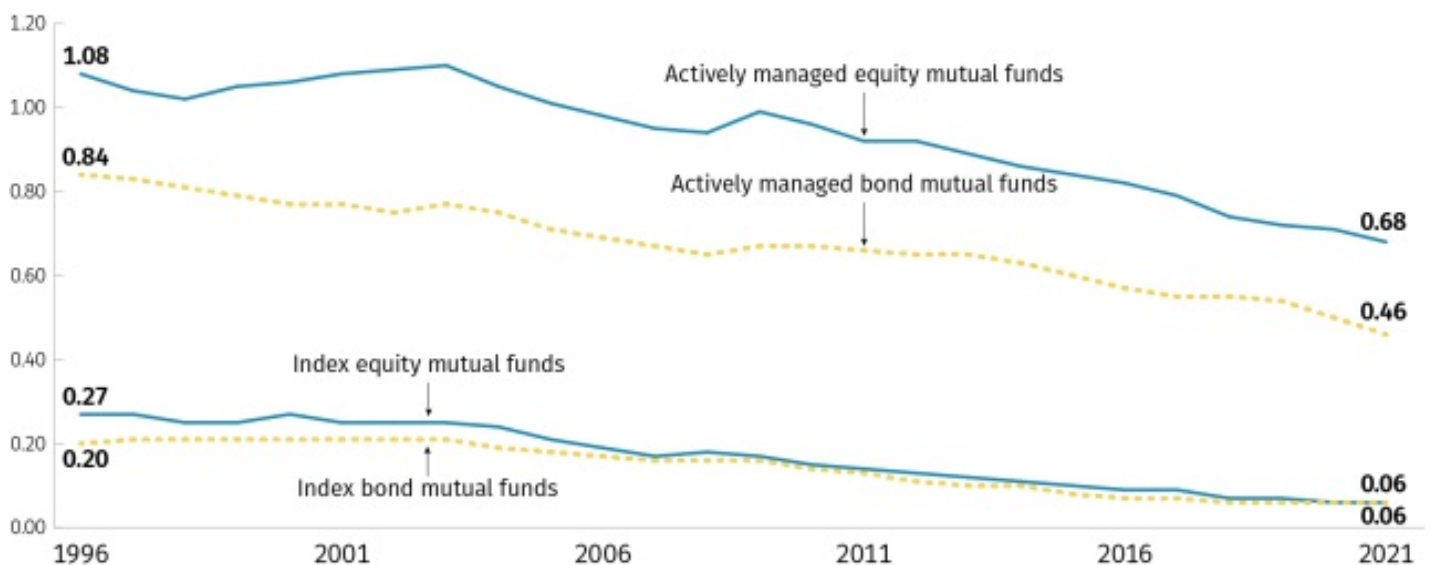
The report, “[Trends in the Expenses and Fees of Funds, 2021](#),” found that equity mutual fund expense ratios averaged 0.47 percent in 2021, compared with 1.04 percent in 1996. Hybrid mutual fund expense ratios averaged 0.95 percent in 1996 and fell to 0.57 percent in 2021; and similarly, bond mutual fund expense ratios averaged 0.84 percent in 1996 and fell to 0.39 percent in 2021 (see Figure 1 in the report). These figures are asset-weighted averages, which reflect the expenses that shareholders actually pay through funds.

“As the fund industry meets the demands of cost-conscious investors, competition continues to push down on the expense ratios of mutual funds and exchange-traded funds,” said Shelly Antoniewicz, ICI’s senior director of industry and financial analysis, “and investors continue to concentrate their assets in lower-cost funds when they invest.”

ICI’s report also shows that asset-weighted average expense ratios for both actively managed and index equity mutual funds have fallen from their levels in 1996. In 2021, the average expense ratio of actively managed equity mutual funds was 0.68 percent, down from 1.08 percent in 1996. Average index equity mutual fund expense ratios also fell over this period. In 2021, average index equity mutual fund expense ratios were 0.06 percent, compared with 0.27 percent in 1996. The report notes that this trend is driven by investor interest in both lower-cost actively managed and index equity mutual funds, as well as asset growth and the resulting economies of scale.

Expense Ratios of Actively Managed and Index Mutual Funds Have Fallen

Percent



Note: Expense ratios are measured as asset-weighted averages.

Sources: Investment Company Institute, Lipper, and Morningstar

Actively managed and index bond mutual funds have also seen a decline in average expense ratios over the same period. Between 1996 and 2021, the average expense ratio of actively managed bond mutual funds fell from 0.84 percent to 0.46 percent. The

average expense ratio of index bond mutual funds fell from 0.20 percent in 1996 to 0.06 percent in 2021.

Data for all figures in the report are [accessible here](#).

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