

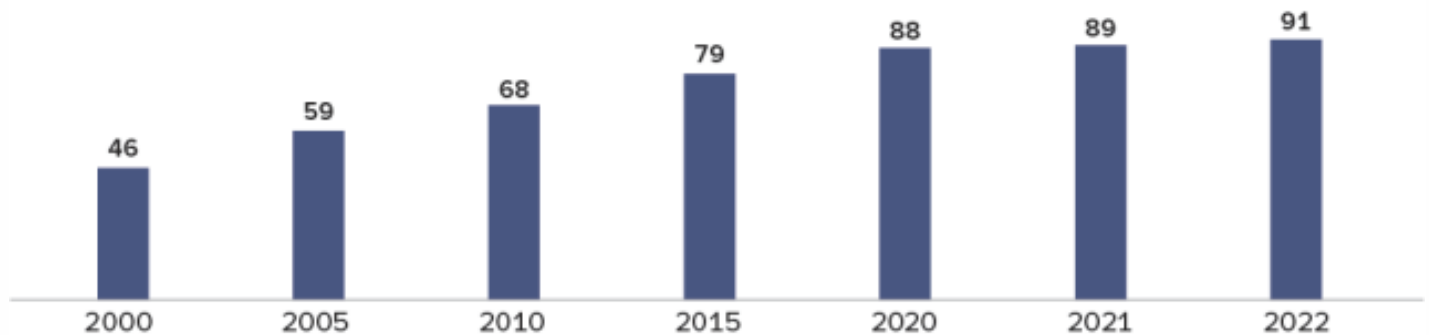
Average Equity and Bond Mutual Fund Expense Ratios Continue to Decline

Washington, DC; March 30, 2023—Average expense ratios of equity and bond mutual funds continued to decline in 2022, the latest Investment Company Institute (ICI) research shows. The report, "[Trends in the Expenses and Fees of Funds, 2022](#)," found that the average expense ratio for equity mutual funds fell 3 basis points to 0.44 percent in 2022, and the average expense ratio for bond mutual funds fell 2 basis points to 0.37 percent. Over the past 26 years, average expense ratios of equity and bond mutual funds have declined substantially. The average expense ratio for equity mutual funds declined 58 percent from 1996 to 2022, and the average bond mutual fund expense ratio decreased 56 percent over the same period. Investor interest in lower-cost funds has helped fuel this trend.

"The continued decline in average equity and bond mutual fund expense ratios partly reflects the demand for no-load funds," said Shelly Antoniewicz, ICI's Senior Director of Industry and Financial Analysis. "Gross sales of no-load funds without 12b-1 fees have nearly doubled since 2000, and now make up the vast majority of long-term mutual fund gross sales."

The Majority of Long-Term Mutual Fund Gross Sales Went to No-Load Mutual Funds Without 12b-1 Fees

Percentage of long-term mutual fund gross sales, annual



Sources: Investment Company Institute, Lipper, and Morningstar

This shift stems from more mutual fund investors paying for advice and assistance directly out of pocket rather than indirectly through 12b-1 fees; in addition to the widespread use of retirement accounts, which often invest in institutional no-load share classes.

Investor interest in lower-cost mutual funds has also helped fuel the decline in average expense ratios for both actively managed and index equity mutual funds. In 2022, the average expense ratio for actively managed equity mutual funds fell 2 basis points to 0.66 percent and the average expense ratio for index equity mutual funds fell 1 basis point to 0.05 percent.

Competition from other low-cost products—like exchange-traded funds (ETFs)—also helps drive down average expense ratios of mutual funds. Because ETFs are generally index funds and typically do not bundle distribution and account servicing or maintenance fees in their expense ratios, their expense ratios are typically low. Economies of scale and competition continued to put downward pressure on average expense ratios of ETFs in 2022. The average equity ETF expense ratio declined 1 basis point to 0.16 percent, and the average bond ETF expense ratio declined 1 basis point to 0.11 percent.

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

