



## Benefits of Collective Investment Trusts (CITs)

Why do consultants, advisers and plan fiduciaries select CITs?

Let's explore some of the benefits that make these investment funds increasingly popular in the retirement marketplace.

### 1 Cost

- CITs typically have lower administration, marketing and distribution costs as compared with mutual funds.
- On average, CIT fees can be 25 to 40 basis points less than mutual fund fees.<sup>1</sup>

### 2 Customized fees and optional revenue sharing

- CITs offer different opportunities to structure fees based on plan needs:
  - Share classes may be available with zero and multiple levels of revenue sharing; and
  - Customization of payment methodology for management fees is available (e.g., fees separately invoiced outside of the fund or fees deducted from the fund's NAV).

### 3 Speed to market

- Ease of entry.
- CITs can be quickly brought to the market.

### 4 Efficiencies

- Nimble ability to add and adjust product as demand shifts.
- CITs are exclusively available to qualified retirement plans, which tend to be consistent long-term investors. As a result, CITs typically are not subject to volatile asset movement.
- Depending upon plan design, certain plan participants may be more likely to maintain an account within their plan even after retirement in order to take advantage of CITs since they are not available to retail investors.

### 5 Flexible investment strategies

- Portfolio managers may have more flexibility to implement the strategy per institutional guidelines.
  - CITs need not rely on investment income limitations to maintain their tax-exempt status.
- CITs may act as underlying sleeves in glide path/target-date funds (TDFs) due to lower cost and ability to customize.

Further evidence that CITs are closing the gap between mutual funds:

- Daily valuation.
- Most CITs now have offering documents designed to provide similar information to that which an investor would expect from a mutual fund.
- CIT database participation and support (e.g., Morningstar, eVestment) is gaining increased momentum.

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<sup>1</sup> Ignites: CITs: A Cheaper Option Many Sponsors Ignore, July 1, 2013