



Raw Data source: Morningstar Analysis by Craig Israelsen, Ph.D., Brigham Young University

The chart shows the after-tax balance after 20 years in a 401(k) plan under three expense ratio assumptions (0.4%, 0.8% and 1.2%) and in a taxable account that is invested in the Vanguard 500 Index Fund from 1987 to 2006 (when fees ranged from 0.26% to 0.18%). The chart assumes an initial investment of \$10,000, the application of a 20% income tax rate on the ending balance for each of the 401(k) accounts, and a 20% income tax rate and a 15% capital gains rate paid on distributions from the Vanguard Fund on an ongoing basis and a 15% capital gains rate paid on the ending balance after 20 years. Unlike the Vanguard Fund, the 401(k) plan incurs no portfolio transaction costs.