

*2015 Advisory Council on Employee Welfare and Pension Benefit Plans
Plan Sponsor Education on
Lifetime Plan Participation*

Sponsor Tip Sheet and Sample Communications

Preamble

Participants who maintain assets in retirement plans which are subject to the standards established under the Employees Retirement Income Security Act of 1974 (herein referred to as “ERISA”) enjoy a number of protections and advantages which are not provided as a matter of current law or regulation to individual retirement accounts and comparable vehicles which fall outside the governance of ERISA. Participants in qualified retirement plans often enjoy access to special features, investment expertise, and cost effective investment choices that they may not be able to replicate outside of those plans.

In spite of these well-established protections and advantages, individuals frequently demonstrate a propensity to transfer assets out of qualified retirement plans at the time of an employment transition or retirement to individual retirement arrangements (“IRAs”), or in many cases, to take cash distributions which are often subject to taxes and penalties. Such actions can result in significant immediate and long-term financial consequences.

This behavior is likely influenced by a combination of factors.

Individual participants are frequently unaware of their rights after a change in their employment status. Many are not familiar with opportunities to remain in their current plans, subject to the satisfaction of applicable rules and regulations. Those individuals who might be aware of their options with respect to continued participation in their current plan may not be aware of or fully appreciate the value of the protections and advantages which they enjoy as a consequence of continued participation. This lack of awareness or comprehension may result from a lack of communication from plan sponsors, personal inattention, or a lack of knowledge and misunderstanding, or, in some cases, misinformation with respect to the value and availability of

these benefits. Some factors that impact participant behavior include: confusion related to required notifications, communication and messaging participants may receive from sources outside of the plan, and challenges with respect to transferring existing qualified plan assets into a new employer's plan.

At the same time, plan sponsors may harbor varying attitudes around their desire to retain assets within the plan on behalf of plan participants who are not actively employed by the plan sponsor, and may not be aware of or understand the potential direct and/or indirect benefits available to the plan, and by extension to the plan sponsor, in doing so. In addition, many sponsors may benefit from further guidance with regard to the required standard of care for the acquisition, safekeeping, investment, and distribution of assets on behalf of plan participants who are not actively employed by the plan sponsor.

It is the intent of this guidance to further inform plan sponsors and providers regarding the topic. For sponsors who are interested in promoting lifetime plan participation, this guidance provides information to consider with respect to plan features and forms of communication that may be helpful in that regard.

It should be noted that these initiatives are voluntary. The Department encourages sponsors to tailor their plan features and communications based on their benefit design objectives, all attendant obligations under ERISA, the Code or other applicable law, and any unique needs and circumstances of eligible plan participants which may be identified, acknowledged, and addressed in this manner.

This guidance is divided into two primary sections. The first provides tips and FAQs on plan features that sponsors could consider in terms of those that may encourage lifetime participation. The second section focuses specifically on communications, providing tips, principles, and samples for sponsors to consider in this regard.

SECTION 1: Plan sponsor Tips for Promoting Lifetime Plan Participation

Allow partial or periodic withdrawals for participants who have separated from service

Q: How does this promote lifetime plan participation?

A: Participants who are permitted to access their retirement savings through partial or periodic withdrawals are more inclined to hold the majority of their assets in their retirement plan over the long term, and use it as a source of periodic retirement income and/or emergency funds. Some research suggests only allowing inactive participants to take full distributions after leaving active employment encourages them to curtail their savings while actively employed and to leave the plan entirely after separation from service.

Q: How would the plan allow for this?

A: Sponsors are encouraged to check and, if necessary, amend their plan documents to allow for partial or periodic withdrawals. Many sponsors adopt prototype documents which only allow for full account distributions, particularly for terminated or retired participants. Such changes are considered “settlor” functions and do not constitute a “fiduciary” decision under ERISA. Plan sponsors are also encouraged to check with their plan record keeper around withdrawal capabilities and costs to administer such forms of distributions. It is common for plans to establish a withdrawal hierarchy for partial distributions. In other words, it may be necessary to establish the order in which money will be withdrawn from the plan based on how the money was originally contributed, and this order may vary based on the age and employment status of a participant. Additionally, plan sponsors may need to re-negotiate fees charged for participant distributions, including those associated with the generation of Form 1099-R, check-writing and electronic fund transfers.

Q. I’m concerned about the costs of periodic distributions, either incurred by the participant, or to the plan.

A. Sponsors should negotiate distribution costs with their plan administrator and ensure they are fair and reasonable. In many cases, plan sponsors can obtain waivers or volume discounts for recurring distributions, such as monthly or quarterly payments under a systematic withdrawal feature. Fees for recurring payments can sometimes be as low as or lower than the cost of taking a withdrawal from a bank ATM. Plans can pass this expense through to participants if it is deemed reasonable in relation to the benefits of the feature.

If not already available, consider adding an option for lifetime income

Q: How does this promote lifetime plan participation?

A: Lifetime income options (as described here) are designed to generate income in retirement through a service or product that has been evaluated by the plan sponsor. Plan sponsors may choose among a broad range of options for producing steady retirement income. However, it is important for plan sponsors interested in lifetime plan participation to understand the differences between them and which options allow participants to keep some or all of their retirement savings in the plan.

Q: How can I find out more about lifetime income options?

A: There are several sources of information for plan sponsors to learn more about lifetime income options and how to distinguish one from another.

One source is the Department of Labor's Employee Benefits Security Administration (EBSA) web site. Its extensive collection of helpful information includes the Joint Request for Information (RFI) on Lifetime Income issued by DOL and the Treasury Department in 2010, along with the broad range of submissions the agencies received in response. It's an excellent place to start.

Also on EBSA's web site is the RFI on Lifetime Income Illustrations, which is another informative document with a host of helpful responses posted on the site.

More useful background and observations may be found in the reports issued by the 2012 ERISA Advisory Council on the topic of Lifetime Income, as well as the reports on Lifetime Plan Participation issued by the 2014 and 2015 Councils.

In addition to information posted on the EBSA web site, the GAO issued two relevant reports in recent years, the first on Retirement Income (GAO 11-400), and Retirement Security, specifically looking at Annuities with Guaranteed Lifetime Withdrawals (GAO 13-75).

Q: Where can I find out more about what might be available in the marketplace now or in the future?

A: This topic has been a focus of DOL for a long time and remains a high priority on our regulatory agenda. Consequently, it is a developing area in the world of defined contribution pensions. While a number of innovative solutions are currently available, such as non-guaranteed options like systematic withdrawal services and managed accounts, and guaranteed options like annuity-based solutions, others are currently under development, and we expect to see even more in the future.

Keep in touch with your record keeper and your plan advisor or consultant (if you work with one) as they may be aware of new lifetime income options coming to the market. There

are also several trade organizations with web sites which may offer helpful information as well.

Q. What should I consider as a fiduciary in regards to lifetime income options?

A: While fiduciary concerns over lifetime income options and a debate over the existence of regulatory guidance get a lot of attention in the media, this area is widely misunderstood. In fact, DOL and Treasury have published a lot of guidance on this subject over the last several years in an effort to clear up misconceptions.

As a general matter, the selection of a lifetime income option should be performed in the same manner as the selection of other plan service providers. Here, the Department of Labor has indicated that a fiduciary should engage in an objective process that is designed to elicit information necessary to assess the provider's qualifications, quality of services offered, and reasonableness of fees charged for the service. The process also must avoid self-dealing, conflicts of interest, or other improper influence. While not exhaustive, a plan fiduciary would also want to consider the fiduciary status of the lifetime income option provider, and how that might extend to some or all aspects of the offering.

In addition, plan fiduciaries would also want to consult any specific DOL guidance that applies to the assessment of any specific kind of service provider or product.

DOL's proposed and final rules on Annuity Selection in Individually-Directed Account Plans offer insight into some of the key regulatory requirements regarding annuity-based solutions and they may be found at: <http://www.dol.gov/ebsa/regs/fedreg/proposed/2007017743.pdf>, and <https://webapps.dol.gov/FederalRegister/PdfDisplay.aspx?DocId=21588>, respectively. While the final rules published in 2008 include changes to the proposed rules and were intended to clarify and simplify the safe harbor requirements, the proposed rules included descriptive language which many fiduciaries might find helpful and informative in relation to developing and implementing a due diligence process for the evaluation and selection of annuity providers for use in defined contribution plans.

DOL Field Assistance Bulletin No. 2015-02 (Selection and Monitoring under the Annuity Selection Safe Harbor Regulation for Defined Contribution Plans), which addresses some uncertainty related to the 2008 rule by providing guidance to sponsors on the scope of their fiduciary obligations with respect to annuity selections under defined contribution plans, should also be of assistance.

Q: What other guidance from DOL or other agencies is available?

A: On July 1, 2014 the U.S. Department of the Treasury (Treasury) and the Internal Revenue Service (IRS) issued final regulations regarding longevity annuities, making them accessible to the defined contribution (DC) and individual retirement account (IRA) markets. The regulations exclude from an individual's account balance up to \$125,000 from required minimum distributions to purchase a qualifying longevity annuity. Additional information can be found in Internal Revenue Bulletin 2014-30: http://www.irs.gov/irb/2014-30_IRB/ar07.html.

Separately, in November 2014, the IRS issued guidance that enables qualified defined contribution plans to provide lifetime income by offering, as investment options, a series of target-date funds that include deferred annuities among their assets, even if some of the TDF' within the series are only available to older participants. IRS Notice 2014-66 (<https://www.irs.gov/pub/irs-drop/n-14-66.pdf>) provides that if certain conditions are satisfied, a series of TDFs in a defined contribution plan will be treated as a single right or feature under the Internal Revenue Code non-discrimination rules.

In addition, the DOL sent a letter to the IRS confirming that TDFs serving as QDIAs may include annuities among their fixed income investments. The letter also reinforces the applicability of the annuity selection safe harbor and further describes how fiduciary requirements can be satisfied when a plan sponsor appoints an investment manager that selects the annuity contracts and issuer (<http://www.dol.gov/ebsa/regs/ILs/il102314.html>).

Upon separation from service, allow both initiation of loans and continuation of loan payments for participants with outstanding loans

Q: How does this promote lifetime plan participation?

A: Participants are often forced to pay off outstanding plan loans or, more commonly, take an unwanted distribution from an employer-sponsored plan at the time they separate from active employment with a plan sponsor. Unwanted distributions represent a form of leakage (which is defined as money leaving the qualified plan environment and potentially eroding an individual's retirement security) as well as a financial hardship for most participants who are required to pay resulting taxes and penalties.

Allowing loan payments to continue after separation from active employment facilitates repayment of the funds into the retirement account and avoids leakage. Allowing participants to initiate loans post termination eliminates an incentive for participants to leave the plan by offering continued access to their savings in an emergency and may avoid the penalties and taxes associated with early withdrawals.

Q: How are loan repayments processed for terminated participants since they are no longer on the corporate payroll system?

A: Automated electronic payments via ACH payment are now offered by the vast majority of record keepers. Coupon books are still available for those who wish to pay via check.

Q: Are there any costs associated with loans and loan payments post-employment?

A: There may be costs associated with initiating a loan as well as loan payments. These costs can also be negotiated with the plan record keeper and could be passed on to the individual taking the loan, if appropriate.

Allow participants to roll-in qualified plan assets from prior employers, including for inactive participants, and simplify the process for doing so

Q: How does this promote lifetime plan participation?

A: When participants change jobs, they would have the chance to move funds from their prior employer plan into the current plan for ease of retirement account administration via consolidation of retirement assets. This allows lifetime plan participation by keeping the participant in the retirement plan system and if they desire, have their assets consolidated in to less accounts.

Q. I have been told that allowing rollovers into the plan exposes the plan to risks if the rollovers are not properly verified by my record keeper

A. IRS Rev. Rul. 2014-9 (https://www.irs.gov/irb/2014-17_IRB/ar05.html) helps plan administrators more easily accept their employees' rollover contributions. It describes simplified due diligence procedures for a plan administrator to confirm the sending plan or IRA's tax-qualified status and conclude that a rollover contribution is valid.

Allow for the roll-in of DB lump sum distributions

Q: How does this promote lifetime plan participation?

A: In many cases, participants facing the choice of staying in the DB plan or taking a lump sum distribution will be better off staying in the DB plan and preserving retirement security than taking a lump sum. However, for those still choosing to take a lump sum because they want greater access to their retirement benefit, encouragement to roll those assets into the defined contribution plan can be another way to help preserve retirement security.

Where possible, offer low cost, institutionally priced investment options

Q: How does this promote lifetime plan participation?

A: One factor many investors consider in deciding where to invest is fund cost, including the expense ratio and any commission costs. Using their buying power, plan sponsors can often offer participants fund options at an equal or lower cost than they may be able to find for a similar option outside of the plan, such as in an IRA account. Participants get the added benefit that these investment options are being overseen by a plan fiduciary. By offering institutionally priced, low cost plan investment options, sponsors can make staying in the plan a more attractive option, or at least remove one incentive to rolling over to a retail IRA account, for participants separating from service.

Add or maintain investment options whose objective is capital preservation

Q: How does this promote lifetime plan participation?

A: Participants moving into retirement are often concerned about stability and capital preservation. While almost everyone would like to see the value of their assets continue to grow, near retirees and retirees are most sensitive to the risk of loss. The availability of investment options with the primary objective of capital preservation, and that have been selected and made available in the qualified plan environment by a plan sponsor after thoughtful consideration/due diligence, should be attractive to such participants.

Q: What are some types investment options focused on capital preservation?

A: Short duration bond funds, Stable Value funds, and Treasury Inflation-protected securities are a few such examples, generally available to plan sponsors. Fixed annuities with guarantees for principal preservation are also available in some retirement plans.

Make available investment guidance, advice, managed account services, financial planning services, and other helpful tools and calculators

Q: How does this promote lifetime plan participation?

A: Whether the plan participant is accumulating or in the retirement years, these services can provide tools and services needed to help manage retirement assets. Such tools and services can range from guidance on appropriate asset class level portfolio construction, to fund specific recommendations, to options to delegate portfolio management to a professional, and access to broader financial planning services. Many such tools and services are integrated with the plan record keeper, making use of them relatively easy for participants.

Q: What should I consider from a fiduciary perspective if I add these services?

A: The Pension Protection Act of 2006 expanded the availability of fiduciary investment advice to participants in defined contribution plans, subject to safeguards and conditions. To further broaden the availability of investment advice, in October 2011 the DOL took additional action in a final rule to "Increase Workers' Access to High Quality Investment Advice." Further, most advisory services providers will take on fiduciary responsibility for their advisory services rendered.

Q: How can I find out who offers such services in the marketplace?

A: Many plan record keepers have made available one or more advisory services providers. DC Plan consultants and advisors are good sources, as are industry publications, such as Plan Sponsor magazine, which publishes an annual advisory services provider guide.

Continue access to educational information, including ongoing seminars, webinars, and workshops for terminated and retired participants

Q: Do I increase my administrative costs by doing this?

A: Many providers will make such existing services available to terminated participants for no additional charge. Additionally, webinars, which can be recorded and available on an ongoing basis, are an excellent way to reach participants who no longer work for the company.

Add features, such as a brokerage window or mutual fund window, to increase the range of investment options that may otherwise be only available outside the plan

Q: How does this promote lifetime plan participation?

A: After separation from service, or nearing/at retirement, some participants feel they there are not enough investment options available in the defined contribution plan to meet their needs, and that they may be better serviced outside of the plan. Sponsors, by adding a mutual fund window, or brokerage window, can expand the available options in the plan, and thus make staying in plan more attractive to the participant.

Q: What are my fiduciary considerations when adding such options?

A: Fiduciaries of plans which offer an investment platform that includes a brokerage window, mutual fund window, self-directed brokerage account, or similar plan arrangement and do not designate any of the funds on the platform or available through the brokerage window, self-directed brokerage account, or similar plan arrangement as "designated investment alternatives" under the plan are not required to treat it as such. However, fiduciaries are still bound by ERISA section 404(a)'s statutory duties of prudence and loyalty to participants and beneficiaries who use the platform or the brokerage window, self-directed brokerage account, or similar plan arrangement, including taking into account the nature and quality of services provided in connection with the platform or the brokerage window, self-directed brokerage account, or similar plan arrangement. [Taken from the Revised FAB 2012-2R: <http://www.dol.gov/ebsa/regs/fab2012-2R.html>]

In practice, this duty might be met by conducting a thorough initial review of the fees associated with the use of the platform, such as annual account maintenance fees, commissions and other transaction charges, fees for electronic fund transfers and expenses associated with default funds such as a money market fund which are required conduits for asset transfers to and from the platform and a comparing them to alternatives either within or outside of the Plan to confirm that such fees and expenses are reasonable in relation to the value of the services and benefits they provide. Periodic subsequent reviews of such fees and similar ongoing comparisons might be helpful to confirm that fees remain reasonable and competitive with available alternatives.

Additionally, it may be advisable when possible to monitor and consider the segment of the plan population which uses such a platform and how it is used in practice by tracking items such as: the total number of participants with accounts on the platform, the number of accounts which are open versus those which are funded and the level at which those accounts are funded, the size of each account as a percentage of a participant's combined plan balance, the number of investments in each account, the number of participants and the market value of assets invested in similar or identical investments through the platform, the number of participants and market value of assets invested in securities which are substantially similar to the plan's designated investment alternatives, whether or not participants are actively investing the assets transferred to the platform or potentially leaving assets idle in default vehicles such as money market funds for extended periods of time.

Support initiatives to encourage low balance participants to retain assets within the qualified retirement plan system

Q: How does this promote lifetime plan participation?

A: The average American changes job up to 10 times in their lifetime. Forced distributions and the tendency of such participants to cash out prevent frequent job changers from accumulating enough in their retirement accounts.

Q: What are some ways to support low balance participants upon termination?

A: There are a few things to consider. For one, communication and education can help reinforce the benefits of preserving retirement assets for these individuals. Second, plan sponsors can consider reducing the automatic force out limits as allowed by regulations. Finally, sponsors can work with their providers on ways to support simple, efficient and perhaps automatic plan-to-plan rollouts and roll-ins to encourage account aggregation and lifetime plan participation.

Q: Wouldn't that increase administrative costs to the plan?

A: Many plans will pass the recordkeeping fees through to terminated participants. This is beneficial both to the plan (lower expenses) and allows terminated participants to receive the benefits of the sponsor fiduciary role as well as access to institutionally priced funds.

Make available to participants information on Social Security, guidance on claiming strategies, links and calculators

Q: How does this promote lifetime plan participation?

A: For many, Social Security will be a significant, and perhaps the largest, component of their income in retirement; yet, most retirees make uniformed decisions on when to take Social Security, often forgoing significant lifetime benefits. Help in understanding social

security, making informed decisions, and coordinating with other retirement income sources like retirement savings in company sponsored defined contribution plans can yield a needed boost in retirement income. Providing education, tools, and services to plan participants is likely to be viewed as valuable and will promote lifetime participation. The more information plan participants have on sources of income in retirement, the better choices they make in saving towards retirement.

Q: What are some sources for Social Security help?

A: There is a wealth of information available at the Social Security Administration's website, ssa.gov. In addition, several companies have made available free social security tools. Check with your plan record keeper for such tools and services.

Provide participants with lifetime income projections

Q: How does this promote lifetime plan participation?

A: By helping participants reframe how they think about their retirement savings in terms of lifetime income, instead of merely a lump sum of assets, they may feel more compelled to preserve their balances in plans and tax deferred vehicles instead of cashing out.

Q: How can I learn more about this?

A: Many plan sponsors already offer some form of lifetime income projections. In addition, the DOL currently has a regulatory project in this area to further promote the inclusion of such projections on participant statements.

SECTION 2: Sample notices related to lifetime plan participation

Sponsors are encouraged to make participants aware of the benefits of lifetime plan participation through effective communications not only upon separation, but throughout their lifecycle. The following section provides useful tips, followed by principles, which have been developed to guide sponsors in the development and dissemination of such communications.

The principles below are intended to help guide sponsors in effectively communicating the benefits to plan participants of retaining assets in their current plan, or rolling assets forward to a new employer plan in lieu of leaving the qualified plan environment. In addition to these principles, included in the exhibits are some samples of the types of communications sponsors can consider as guidance when developing their own communications.

Tips for communicating the concept of Lifetime Plan Participation

- Plan sponsors are encouraged to provide simple and easy to understand communications to participants at all stages of employment and plan participation, which promote the protections and potential advantages which are enjoyed by participants who maintain savings in employer-sponsored qualified retirement plans governed under ERISA.
- Sponsors are encouraged to promote the features of their plan to participants separating from service. (Exhibit 4) While the most relevant time during which participants are most likely to be engaged on this topic is at separation, Plan Sponsors are further encouraged to begin these communications early in the participant lifecycle, and reinforce them throughout. Examples of features which could be deemed attractive include:
 - Investment options that have been carefully selected and are regularly monitored
 - Institutionally-priced fund options
 - Unique options helping to preserve capital, such as TIPS or Stable Value
 - Lifetime income options
 - Brokerage windows
 - Financial education, investment guidance, advice, managed account and financial planning services
 - Other help tools, including account aggregation, lifetime income projection calculators and social security planning/decision tools
 - Partial, periodic withdrawals
 - Loan initiation & continuation
 - Ability to consolidate qualified plan assets (from other former employers)
- Plan sponsors are encouraged to promote the benefits of keeping money (Exhibit 5) in the qualified plan environment, including but not limited to:

- Ongoing fiduciary oversight
- Creditor and spousal protections, depending on the state of residence
- Ongoing support from plan sponsor
- Ongoing support from plan record keeper
- Fee Benefits
- Protection from required minimum distributions (RMD's) prior to retirement
- Processing of required minimum distributions (RMD's)

Communications principles for Plan Sponsors to encourage Lifetime Plan Participation

1. Plan sponsors are encouraged to develop a philosophy on lifetime plan participation.
2. Communications should aim to be simple, concise, engaging and easily understood, while making sure participants have enough information and tools to make informed decisions. Consider the use of graphics and charts to make communications visually appealing. (Exhibit 1)
3. Plan sponsors are strongly encouraged to communicate the benefits of lifetime plan participation through various channels and at all stages of employment and plan participation.
4. Sponsors should look at various forms of written and electronically disseminated information, tailored to their population.
5. Sponsors are encouraged to remind participants of the features of the plan so they can make informed decisions when comparing to other options.
6. The use of stories and communications that describes the consequences of actions can be considered.
7. Communications can be developed directly by the plan sponsor, acquired from one or more service providers associated with the plan, or other sources deemed to be credible and accurate.
8. Messages can be general and/or specific, but should be factual to the best knowledge of the plan sponsor and/or service provider responsible for the development of the communications
9. The completeness and accuracy of communications should be based on the facts and circumstances prevailing at the time of development. However, plan sponsors have a duty to periodically review, revise, and/or replace communications which are deemed to be outdated, inaccurate, inapplicable, or inappropriate at the time of the subsequent review.
10. Communications may include accurate numerical values and other factual content which is subject to change so long as the date on which the values or other facts were collected is clearly disclosed.

11. Communications may include estimates / projections / forecasts so long as they are clearly identified as such and all material assumptions used in such estimates / projection / forecasts are clearly disclosed.
12. Communications may include text, tables, charts, and graphs depicting current factual values and estimates / projections / forecasts as well as comparisons of any of the forgoing so long as each is clearly delineated as such and material assumptions are clearly disclosed.
13. Communications may be in static, variable, and/or interactive formats so long as all disclosure requirements are met.
14. Language, illustrations, and images used in communications may be of a persuasive nature, but should fairly represent comparisons, avoid glaring omissions of pertinent information and avoid derogatory, defamatory, or exploitive content.
15. When various choices are presented to participants, sponsors should consider the order in which they are provided and the impact that may have on participant decision making.
16. Communications should be culturally competent to the extent possible and with respect to the intended audience and plan participants. In other words, communications should reflect an ability to interact effectively with people of different cultures and socio-economic backgrounds, particularly in the context of employment and retirement with respect to persons from different cultural/ethnic backgrounds and take into account specific characteristics of a given plan population.
17. It is recommended that communications be tailored to segments or a subset of a broader audience
18. The contents of any communications tailored under this guidance should be segmented into standalone elements which may be used in whole or in part.
19. Plan sponsors are also encouraged to stress that participants stay in touch with the plan sponsor, making contact periodically to confirm or update contact and beneficiary information to ensure timely delivery of statements, important notices, and plan distributions when necessary. (Exhibit 3)

EXHIBITS

Exhibit 1 – Savings Made Simple

This sample has many features that exhibit specific principles including:

- Clear and simple messages
- Use of color and graphics to make engaging
- Use of persuasive language and a call to action
- Appropriate for participants at different stages of their careers

Sponsors and providers can consider this format and style to communicate areas of focus for the specific needs of particular plans.



Saving made simple: 4 mistakes to avoid

One day, you're going to retire—whether you're planning to work for the next 5 years or the next 50. No matter when you stop working, your retirement plan is the key to your future. Social Security payments will help. But to enjoy life the way you want, you'll need your own savings, too.

To set yourself up for success, avoid these 4 mistakes:

- 1 Procrastinating.**

The key to a happy, restful retirement is to save as much as possible—for as long as possible. Your 401(k) makes it easy, because the money comes out of your paycheck before you even miss it. If you haven't joined your plan or started saving, do it now!
- 2 Stealing from your future self.**

That's what you do when you take a 401(k) loan. Sometimes times get tough financially, but a 401(k) loan should be your very last option.
- 3 Cashing out.**

When you change jobs, you might be tempted to "cash out" and withdraw all your savings from your 401(k) plan—don't do it! Here's why: You'll have to pay taxes on the money, and a 10% penalty, too. You'll be left with about half in cash now—and back to zero for retirement. Instead, "roll over" the money into a 401(k) at a new job—or keep it in the old one. You'll skip penalties, pay lower fees, and stay on track to retire when you want.
- 4 Relying on guesswork.**

1 + 1 = 2. Knowing how much money you need in retirement can be just as easy. Chances are it's a pretty big number. But knowing is better than guessing. Use a retirement calculator (there are lots of them online)—you'll have an answer in minutes.

Get information on avoiding these mistakes and more at [doi.gov/yourfuture](https://www.doi.gov/yourfuture).

Source: Benz Communications

Exhibit 2 – SAMPLE ILLUSTRATIONS

The table below contains a hypothetical illustration of the tax implications you could incur from taking a cash distribution.

Assume you start with an account balance of \$50,000 in your [REDACTED] Plan, and you decide to take the entire amount as a lump sum cash distribution.

Example:

Gross amount of cash distribution	\$50,000
Mandatory 20% federal tax withholding	- 10,000
	\$40,000
Additional federal income tax due at tax time*	- \$2,500
	\$37,500
Early 10% withdrawal penalty	- \$5,000
Net cash proceeds*	\$32,500

*Hypothetical example for illustrative purposes only. The example assumes a 25% federal income tax bracket and that the person is under 59½ and subject to the 10% federal tax early withdrawal penalty. State and local taxes are not taken into account.

Source: Fidelity

Or

<i>Impact of Taking Your Money Out Now...</i>	
Your Account Balance as of July 24, 2015	\$12,345
Federal Income Tax (mandatory withholding of 20%)	(\$2,469)
Additional Federal Income Tax (potentially an additional 5% due when you file taxes)	(\$617)
Additional State and Local Income Tax (potentially an additional 0-10% due when you file taxes)	(\$1,234)
10% Early Withdrawal Penalty (since you are not at least age 59 ½)	(\$1,234)
Potential Cash Distribution (what you may actually keep from taking your money out now)	\$6,791
<i>Versus Keeping Your Money Invested...</i>	
Your Projected Account Balance at Age 65 (if you keep your money invested for retirement in a plan or with an IRA)	\$86,000

Source: Flodin, August 2015

Exhibit 3 - Stay in touch example

Below is sample language that can be added to plan communications to remind participants to keep their address information current with their plan.

VERY IMPORTANT! STAY IN TOUCH!

If you keep your money in the Company 401k Plan, make sure XYZ always has your current home address and updated beneficiary information. That way we know where to mail your statements and Plan information, and we know who should receive your Plan balance if something should happen to you.

Exhibit 4 – Sample communication promoting plan features

Included on the pages that follow are two examples of sample communications which are intended to convey nearly identical information, but illustrate differences styles. The first is the more familiar layout written in a traditional tone. In contrast, the second is a presentation utilizing personalization, informal persuasive language, color and graphics.

Congratulations.

You are fortunate to be a participant in YYZ Plan, which comes with benefits that are described below. To be eligible to join the plan you have to be employed by YYZ, Inc. Once you are in the YYZ Plan you can stay in it after you leave employment with YYZ, Inc., even for your entire life and the life of your spouse if you have one. Many people think you have to leave the Plan when you change jobs or retire, but that's a common misunderstanding.

You always have the option to leave.

Here are some features of the YYZ Plan:

- The Lifetime income Strategy
- Financial guidance and investment advice
- The Plan's investment alternatives
- A crediting rate and security through our stable value fund
- Access to listed securities through our brokerage window
- Our consolidation service combines your other retirement assets like IRAs, old 401(k) balances, qualified retirement plan payouts, and other eligible accounts through the YYZ Plan. We can also consolidate spousal accounts.

Participants in the YYZ Plan can use on-demand account statements and payroll tax withholding optimizers. Ongoing loan eligibility, modeling and electronic repayment options are available. The Lifetime Income Strategy, comprehensive retirement income illustrations, Social Security benefits claiming guidance and institutional annuity supermarket are available, too. You can access your account information on your mobile device, your desktop computer, over the phone or through an on-site financial guidance counselor.

If you are changing jobs or retiring you should consider continuing your participation in the YYZ Plan. Here are some benefits of continuing to participate:

- Fiduciary oversight and protection for participants
- Lowers costs relative to the cost of investing elsewhere
- Outcome-oriented designs
- Explain plan-specific / unique investments (e.g., stable value fund, custom lifecycle options, and personalized advice/strategies)]

However, participation in the YYZ Plan comes with rules. Here are some that you should consider, but see your Summary Plan Description for more details:

- You must maintain a balance greater than or equal to \$1,000 at all times.
- If the balance in your is less than \$1,000 you will receive a lump-sum payment of the entire amount of your Savings Plan accounts, less income taxes, 90 days from the day it falls below \$1,000. See your Summary Plan Description for more details.
- Note that if the balance in your Savings Plan accounts is less than \$1,000 and you have Activated a Single or Joint Life Income Benefit under the Lifetime Income Strategy, you may leave your accounts in the Savings Plan.
- Failure to repay an outstanding loan will result in default and a distribution of some of or your entire remaining plan balance. See your Summary Plan Description for more details.
- Special rules govern the minimum annual distributions you must receive after the year in which you reach age 70½. See your Summary Plan Description for more details.

So, you may want to consider staying in the YYZ Plan. Consult your Summary Plan Description for more information.

Congratulations, Lily!

"Congratulations? For what?" you might ask.

Well, for starters, you might not know it Lily, but you are one of a *very* exclusive group. You are a participant in YYZ Inc.'s ***Financial Independence Plan***, and that's something not everyone can say. You have to be employed by YYZ Inc. just to be eligible to join the plan. (*And let's face it, we don't let just anyone in here...*)

And what's more, once you're a participant in the ***Financial Independence Plan***, you can stay in it for just about as long as you want. It was built to work for a lifetime... and not just any lifetime: YOUR LIFETIME. (To be perfectly accurate, the IRS might have something to say about it when you and your spouse are around 114 years old, but we have some ideas about that which we can discuss later...)

For now, though, you are participant in the Plan, and that comes with some pretty valuable privileges.

Here are some of the great features at your disposal:

- The award-winning and professionally managed Lifetime Income Strategy, a 21st Century pension
- Our highly-rated, unbiased financial guidance and independent investment advice
- Your choice of the Plan's ultra-low cost and flexible investment alternatives
- Including the highly competitive crediting rate and principal security of our stable value fund
- Virtually unlimited access to listed securities through our brokerage window
- Our new EZ-consolidation service which makes it a breeze to combine your other retirement assets like IRAs, old 401(k) balances, qualified retirement plan payouts, and other eligible accounts all under one roof. We can even consolidate spousal accounts, too!

And these are just a few of the benefits that come with participation in the ***Financial Independence Plan***. [Contact](#) one of our live representatives today and ask how you can take advantage of these valuable features and more!

Participants in the **Financial Independence Plan** can also use our on-demand account statements, payroll tax withholding optimizers, ongoing loan eligibility, modeling and electronic repayment options which can all help you manage your financial picture now; while access to the **Lifetime Income Strategy**, our comprehensive retirement income illustrations, Social Security benefits claiming guidance and our institutional annuity supermarket are all designed to support you in the future. And everything is available at your fingertips whether it's on your mobile device, at your desktop, over the phone or face to face with any of our on-site financial guidance counselors. That's what it means to participate in the Financial Independence Plan.

"That sounds too good to be true," you say? "How can I have all of that for life?"

Well, there is just one catch, Lily...

Once you join the **Financial Independence Plan**, you have to keep some money in it if you want to continue to enjoy all of the benefits of membership. Heck, you could even quit the Plan and rejoin it while you're actively employed by YYZ Inc., and we'll welcome you back with open arms.

So, participation is crucial, but you are NEVER restricted from changing your mind. You can leave the Plan at any time and we won't hold it against you. (Granted, the IRS might have something to say if you don't follow their rules, but that's a really straightforward and simple process that we can help you follow.)

"Wait a minute. Don't I have to leave the Plan when I change jobs or retire?"

Simply put... No. That's a common misconception and sadly it's one that all too many persuasive voices want you to believe. The **Financial Independence Plan** is designed so you always have the OPTION to leave, but that's just one of your rights. It's not a requirement.

In fact, YYZ, Inc. went out of its way to design the Plan so you don't have to leave... ever. When you compare the advantages you get as a participant in the Plan to any of your other alternatives [www.402fnotice.com], you'll almost certainly find the **Financial Independence Plan** comes out on top.

However, once you separate from employment...

LEAVING THE PLAN IS AN IRREVERSIBLE DECISION

...and it's one that could cost you a bundle.

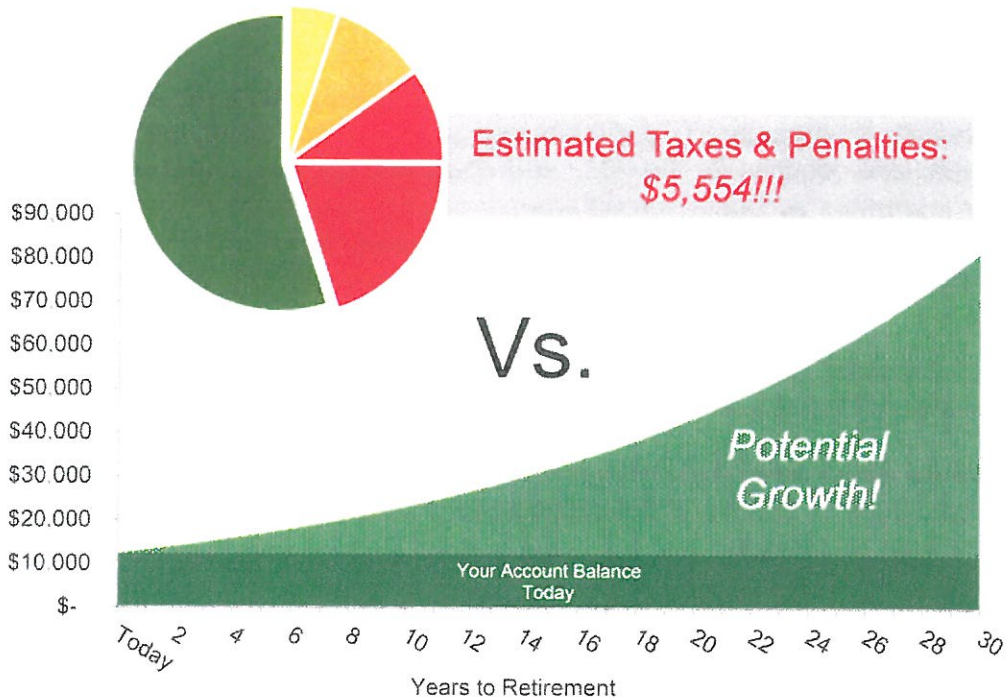
Here, we've even done the math for you:

Impact of Taking Your Money Out Now...

Your Account Balance as of July 24, 2015	\$12,345
Minus Federal Income Tax (mandatory withholding of 20%)	-\$2,469
Minus Additional Federal Income Tax (potentially an additional 5% due when you file taxes)	-\$617
Minus Additional State and Local Income Tax (potentially an additional 0-10% due when you file taxes)	-\$1,234
Minus 10% Early Withdrawal Penalty (if you are not at the minimum retirement age)	-\$1,234
Potential Cash Distribution (what you may actually keep from taking your money out now)	Only \$6,791

Versus Keeping Your Money In the Plan...

Your Projected Account Balance at Age 65 (if you keep your money invested for retirement in a plan or with an IRA)	\$81,654
---	----------



Remember when we said earlier there was one “catch”? Yes?

Good. Lily, it's true that you need to have at least some money in the **Financial Independence Plan** in order to participate after your leave employment with YYZ, Inc. (At least \$1,000 to be exact!) However, we've adopted that rule in order to protect all participants in the plan (including YOU) from unnecessary and unreasonable fees.

And we've also made every effort to simplify the process for you to consolidate your eligible retirement accounts under the **Financial Independence Plan** umbrella so that you can remain in the Plan as long as you like. In fact, our new EZ-consolidation service is a ground breaking feature developed deliberately for that purpose. [Contact](#) one of our live representatives today and ask how you can take advantage of this valuable feature.

And do you remember when we said that the IRS might have something to say if you don't follow their rules? Yes?

Good. Lily, it's true that the IRS is kind of particular about taxpayers and organizations following their rules and that applies to retirement plans like the **Financial Independence Plan**, too. So, we have to calculate and apply the annual “Required Minimum Distribution” or “RMD” for anyone who has reached the age of 70 1/2 and hasn't ALREADY withdrawn the required minimum from their account each year. [Contact](#) one of our live representatives today and ask how the **Financial Independence Plan** can make this simple for you.

But, do you also remember when we said that's a really straightforward and simple process that we can help you follow? Yes?

Good. Because we do the calculations for you, Lily. And we'll automatically send any remaining required distributions to you at the beginning of each December, well in advance of the year-end deadline for the IRS. And while this can get complicated when you have a lot of retirement accounts spread around, our EZ-consolidation service can help there again, by simplifying everything under the **Financial Independence Plan**. [Contact](#) one of our live representatives today and ask how you can take advantage of this valuable feature.

And do you also remember when we said we could make pigs fly, cows jump over the moon and both sides of the aisle in Congress just get along? Yes? No? No.

Good. Because we never said that. It's not a perfect world, Lily. Sometimes, it can get pretty complicated. But the **Financial Independence Plan** is designed to make this part of it simpler and easier to manage.

[Contact](#) one of our live representatives today and ask how we can help you take advantage of all the valuable features we have to offer.

Thanks!!!

Exhibit 5 – Sample table comparing benefits of staying in plan vs. other options

This table is a sample of communicating to participants their options upon termination of employment in a table format.

Providing a table can provide an easy way for participants to compare their options. Using language to help participants understand their choices and the consequences of their choices is an important principle.

Sponsors can tailor the chart on the options and features they feel are more important to highlight. Sponsors can consider customizing the chart so that it reflects specific features and options of their plan.

	Maintain your retirement savings in your former employer's retirement plan	Consolidate your retirement savings in a current or future employer's plan	Move your retirement savings to an IRA	Spend your retirement savings right now
Why would you choose this option?	You want to preserve your retirement savings	You want to preserve your retirement savings.	You want to preserve your retirement savings, but you want to take greater responsibility in selecting your investments or obtaining a trusted advisor.	You do not have any other source of cash and must pay for urgent needs.
What are the advantages?	You like and want to take advantage of the benefits of a plan you are already in and can always change your mind in the future.	You like your new employer's plan and you want to have all your retirement assets in one place.	You think you can invest better than with the options in your plan.	You have enough retirement savings and pensions to make up the gap between Social Security and your current income.
What should I be concerned about?	You do not have immediate access to your money.	You do not have immediate access to your money.	You understand the risk of managing your own investments.	You understand that your withdrawal may trigger taxes or penalties and you could lose a lot of the money you already saved.
Are your savings tax deferred?	Yes	Yes	Yes	No

Is there oversight of plan options by an employer bound by high fiduciary standards?	Yes	Yes	No	No
Is there a difference in fees and expenses?	Varies by plan. Fees are negotiated by the employer.	Varies by plan. Fees are negotiated by the employer.	Varies by IRA. Look at investment fees and account fees.	If you don't spend it, it varies depending on what you do with the money. It may be more expensive.
Is there Asset Protection from Creditors?	Yes	Yes	Varies by state	No
Is there a Potential to Take Penalty-Free Withdrawals at Age 55?	Yes	Yes	No	N/A
Is there a Potential to Defer Required Minimum Distributions if Still Working?	No	Yes	No	N/A
Can I have Immediate Access to Cash?	No	No	No	Yes
What if you Hold Appreciated Employer Stock in Your Plan?	Consider whether you may benefit from special tax treatment available for this stock ("Net Unrealized Appreciation"). Consult your tax advisor for more information.			