Creating successful participant outcomes, part II.

Helping your employees retire on time.

CUNA Mutual Retirement Solutions

People driven. *Outcome* focused.®

Today’s topics.

1. Plan design that drives behaviors.
2. Is re-enrollment for you?
3. Stop the leakage.
4. How you can help.

What we covered in session 1.

*Source: Financial Wellness in the Workplace , June 2015, Alliant Credit Union
**Source: http://www.investmentnews.com/article/gray-hairedglut , 2012

How employees feel*:

- Have a great deal of regret about their past saving behavior.
- Know it is important to save but want more direction on how to do so.
- Aspire for independence rather than affluence in retirement.
- Look to their employers to help them establish positive saving and investing habits.

*American Century Investments Annual Survey, 2015

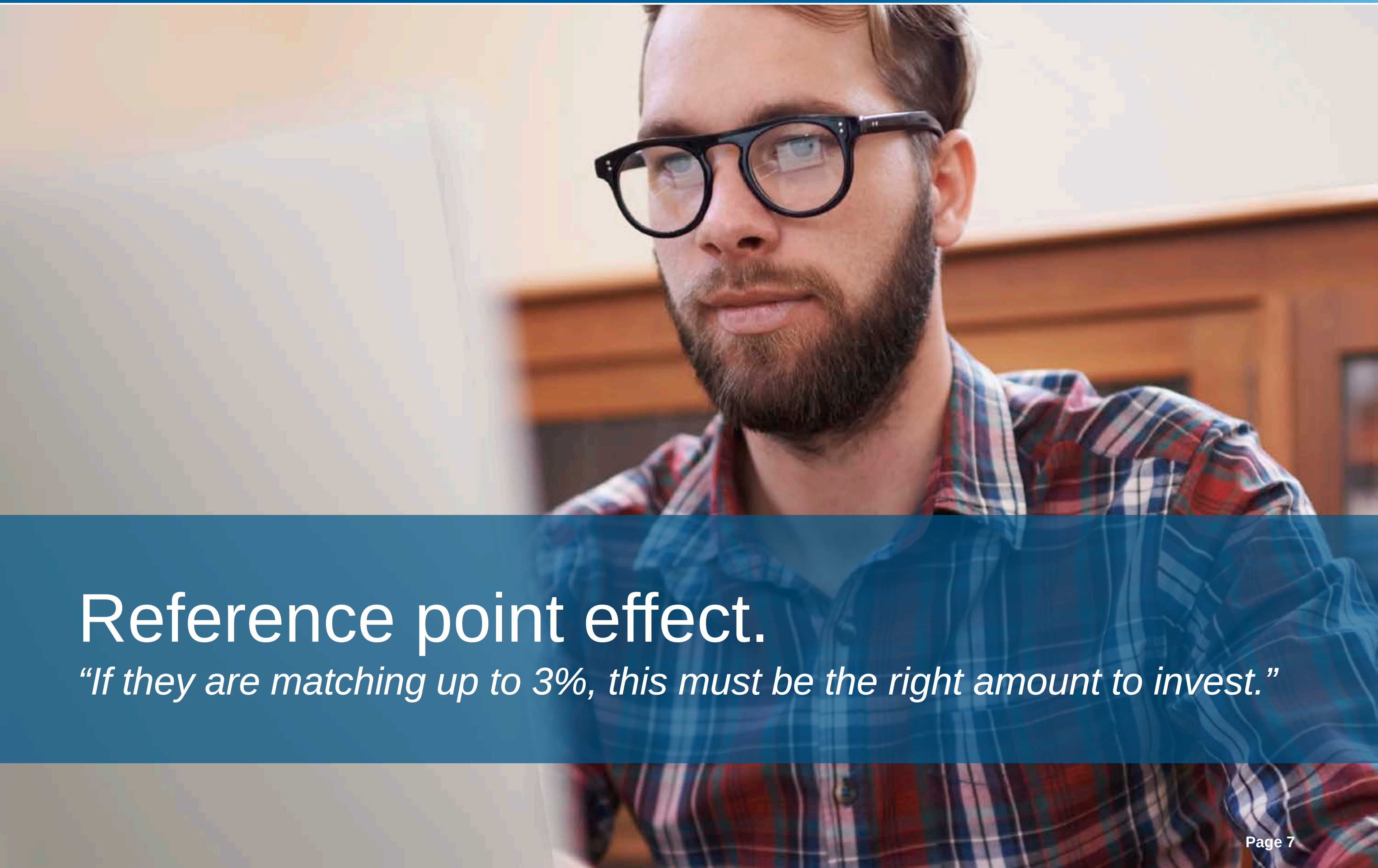
Participant engagement.

Source: Lincoln Financial: https://fulfillment.lfg.com/CF/LFG/EF/35357/DC-ENGDM-WPR001_Z02_VIEW.PDF

Plan design.

- ✓ Matching formulas
- ✓ Automated features
- ✓ Roth options

Your match matters.



Reference point effect.

“If they are matching up to 3%, this must be the right amount to invest.”

Stretch your match.

- 100% on the dollar, up to 3% of pay
  (a combined contribution of 6%)
- 50% on the dollar, up to 6% of pay
  (a combined contribution of 9%)
- 25% on the dollar, up to 12% of pay
  (a combined contribution of 15%)

Source: PLANSPONSOR April 2015

3 important automated features.

- Automatic enrollment
- Automatic escalation
- Qualified default investment alternative (QDIA)

Why automation works.

in·er·tia

/iˈnərSHə/

noun

1. a tendency to do nothing or to remain unchanged.
   "the bureaucratic inertia of government"
   synonyms: inactivity, inaction, inertness; More
2. PHYSICS
   a property of matter by which it continues in its existing state of rest or uniform motion in a straight line, unless that state is changed by an external force.

Translations, word origin, and more definitions

Automatic enrollment… proven winner.

Plans with automatic enrollment averaged **89%** participation, while those with voluntary enrollment see a **61%** participation rate.

Vanguard, How America Saves, 2015

Automation can help employees.

62%

62% of large plans offered auto-enrollment in 2014.

31%

31% of employees say auto-enrollment makes savings easier.

The Defined Contribution Institutional Investment Association Plan Sponsor Survey, 2014.

Automatic enrollment default deferral rate.

1. Automate higher contribution levels.
2. Review your company match.

Global Retirement Survey 2015: Sate Street Global Advisors

Auto-escalation works.

54%

54% of plan participants feel positive about auto-escalation.

2x

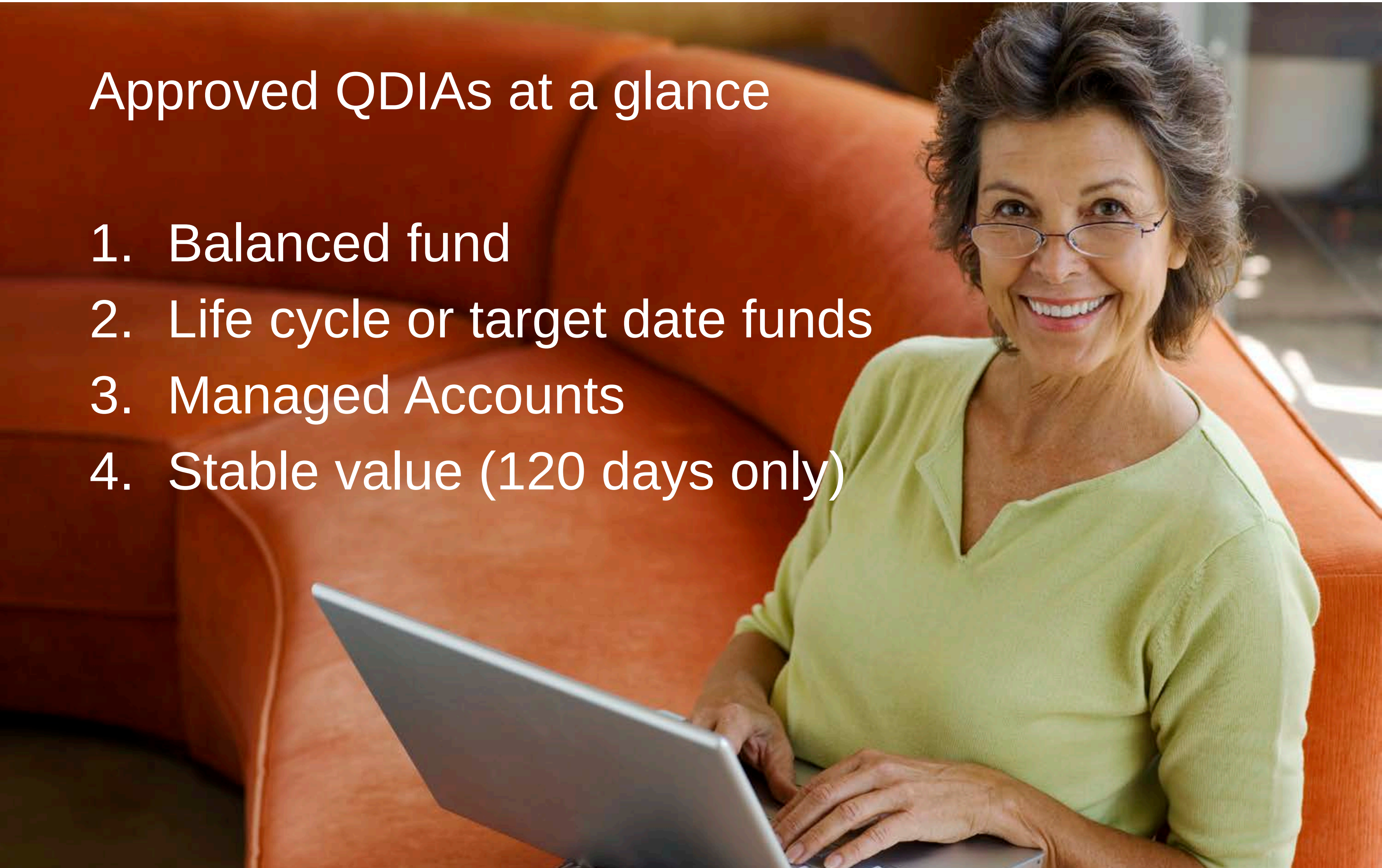
Combining auto-enroll with auto-escalation results in twice as many employees saving over 15%.

Market Strategies International: Navigating Change in the 401(k) Market, July, 2015.

Qualified default investment alternative

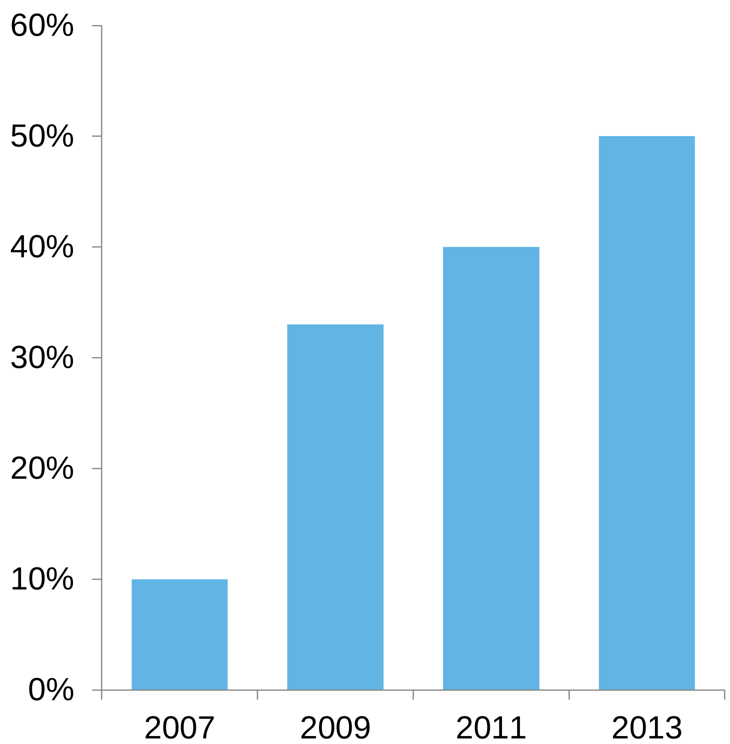
Approved QDIAs at a glance

1. Balanced fund
2. Life cycle or target date funds
3. Managed Accounts
4. Stable value (120 days only)

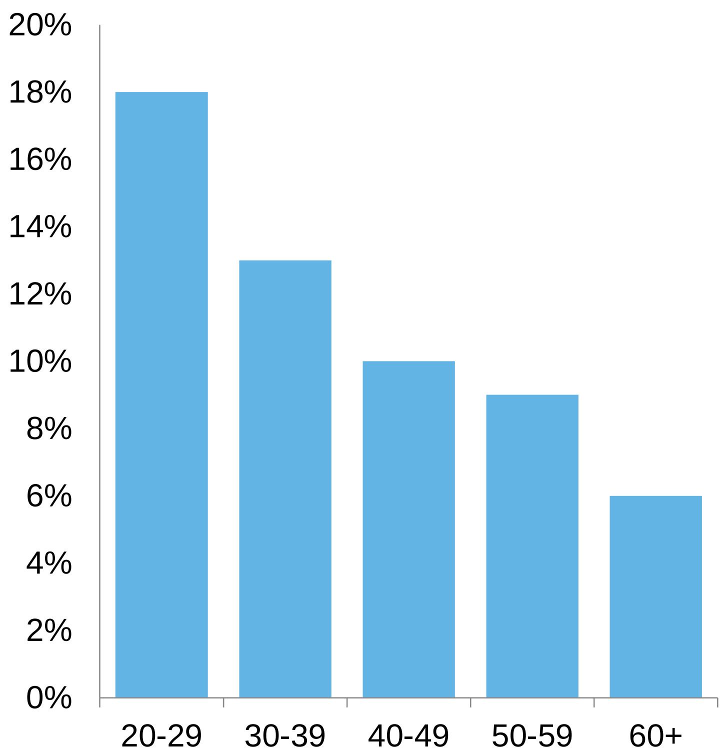


Roth 401(k) option.

Percentage increase in employers offering Roth



Percentage of workers who have contributed to Roth.



Source: 2014 AON Hewitt

Additional strategies.

What's a re-enrollment?

Common actions

1. Automatically shift investment accounts into QDIA
2. Enroll employees not participating into the plan
3. Changes deferral rates to automatic enrollment rates unless participant is already at that rate or higher

Plan leakage.

45%

45% of plan participants cash out of their 401(k) plans prior to retirement when switching jobs.

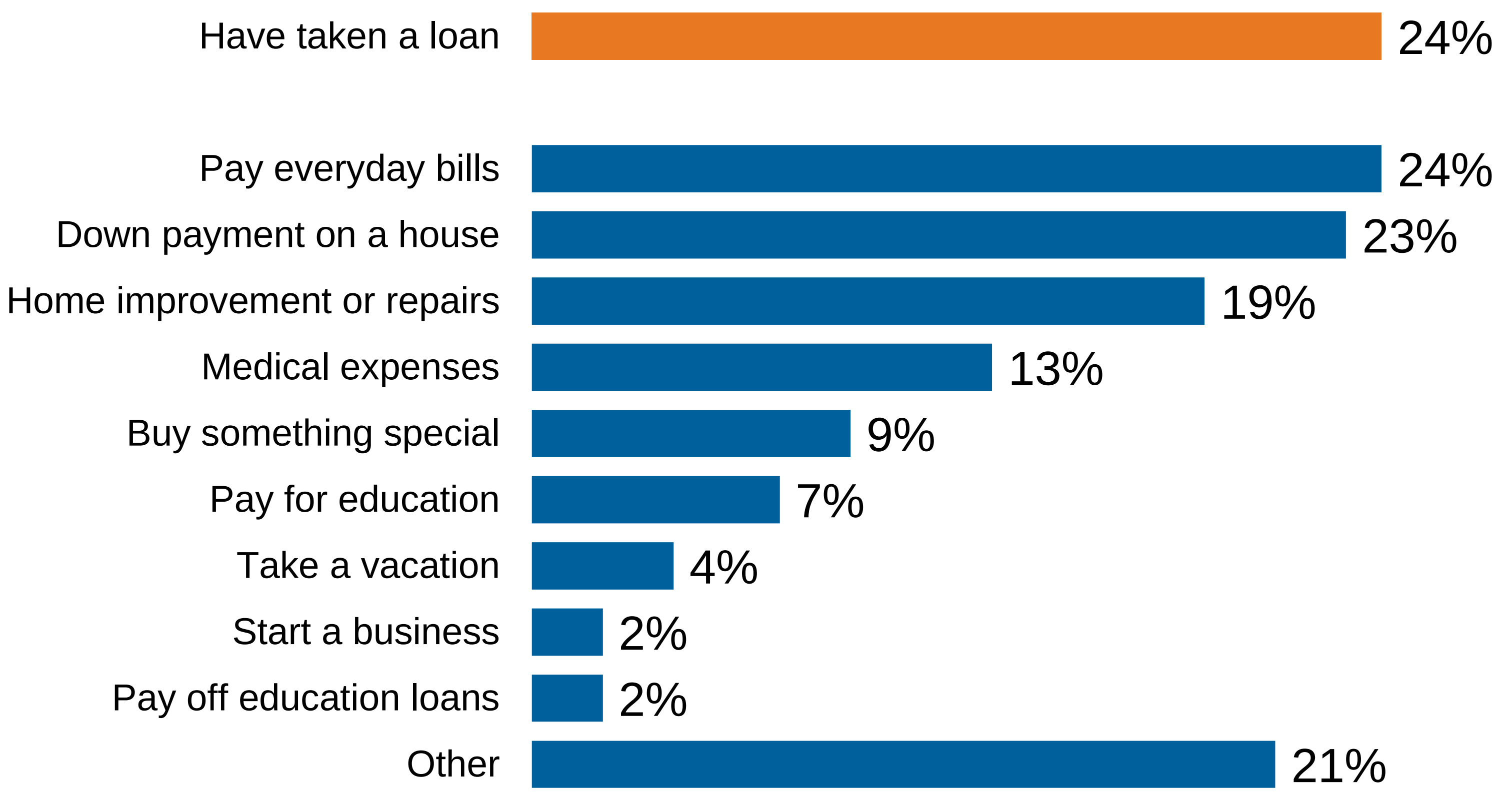
80%

of those do so knowing they are needlessly paying taxes and penalties.

Boston Research Group, 2015.

What are loans used for?

One in four participants has taken a 401(k) loan.



Source: 2014 Charles Schwab 401(k) Participant Survey

Three types of plan leakage

1. Defaulted loans.
2. Hardship withdrawals..
3. Cash-outs due to separation from service.

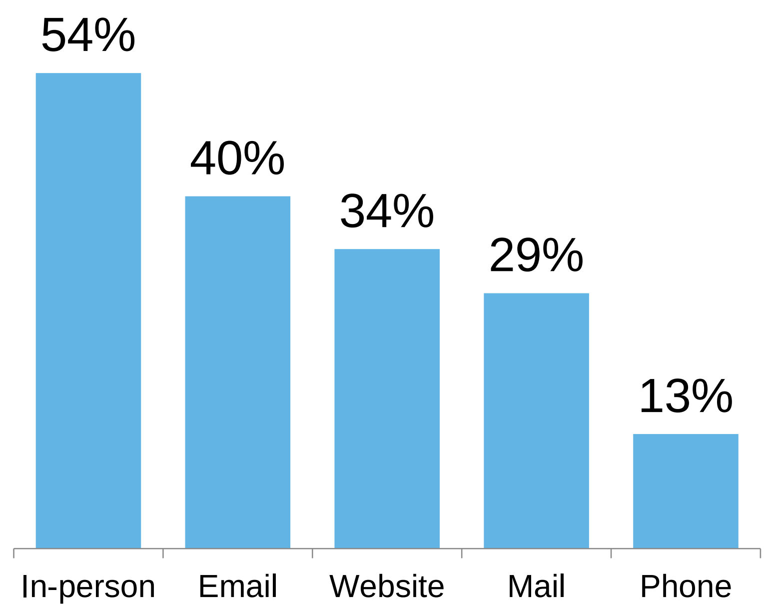
Slow down or prevent leakage.

- Eliminate or limit number of loans your plan allows
- Educate employees on the consequences of a loan BEFORE they take it
- Encourage employees to see if their new employer can accept their plan loan as part of a plan rollover
- Design your plan to encourage roll-ins from your new employees' prior plans
- Refer participants to their advisor or Investor Guidance Center for help

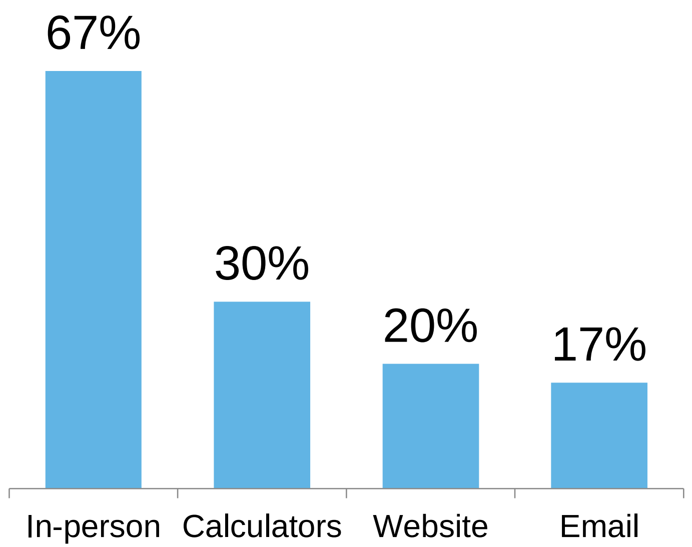
How can you help?

Communication preferences.

Preferred method to inform decisions.*

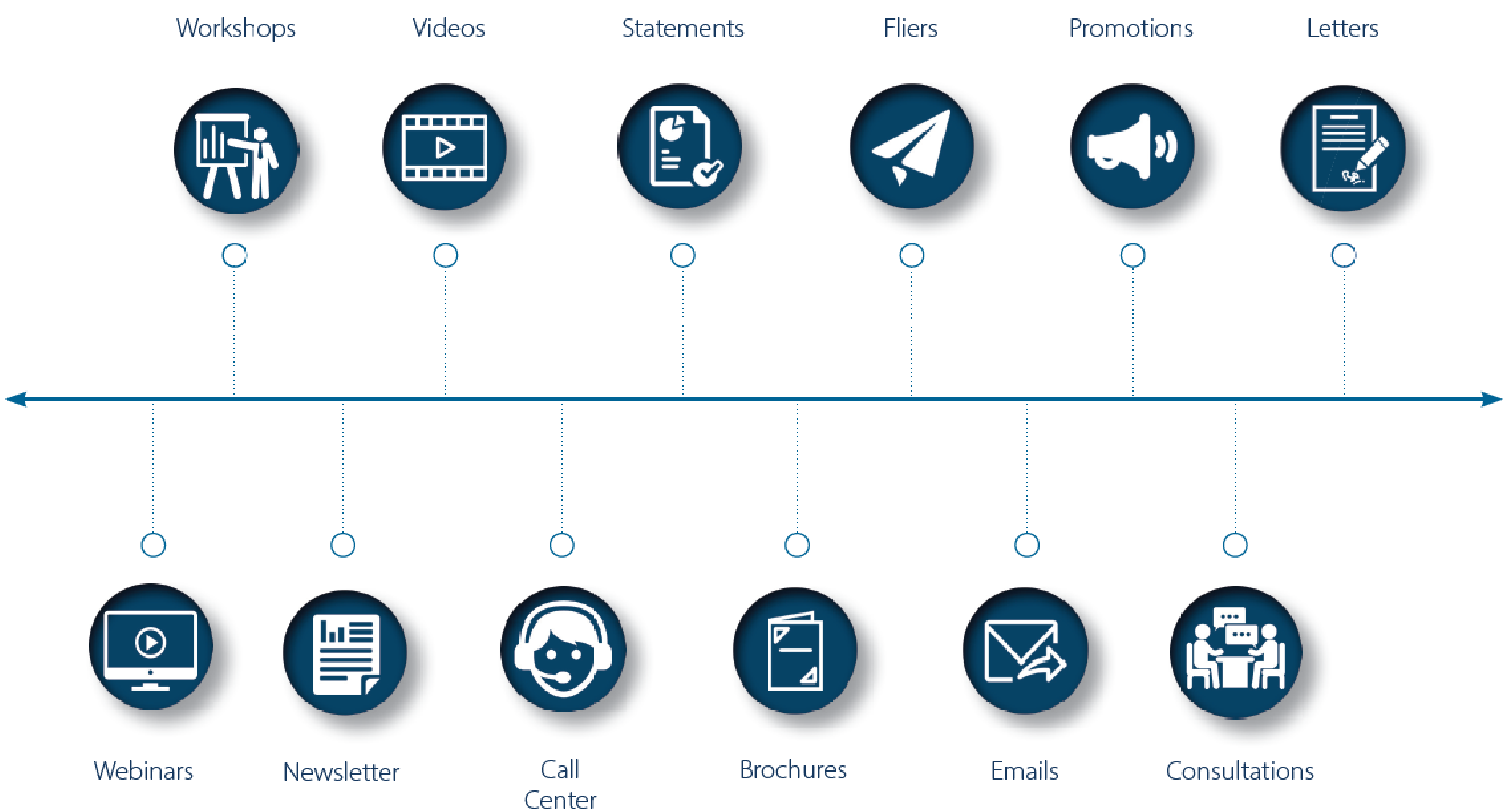


Preferred methods to motivate changes.*



*Source: 2016 Lincoln Retirement Power Participant Engagement white paper.

Improving participant success.



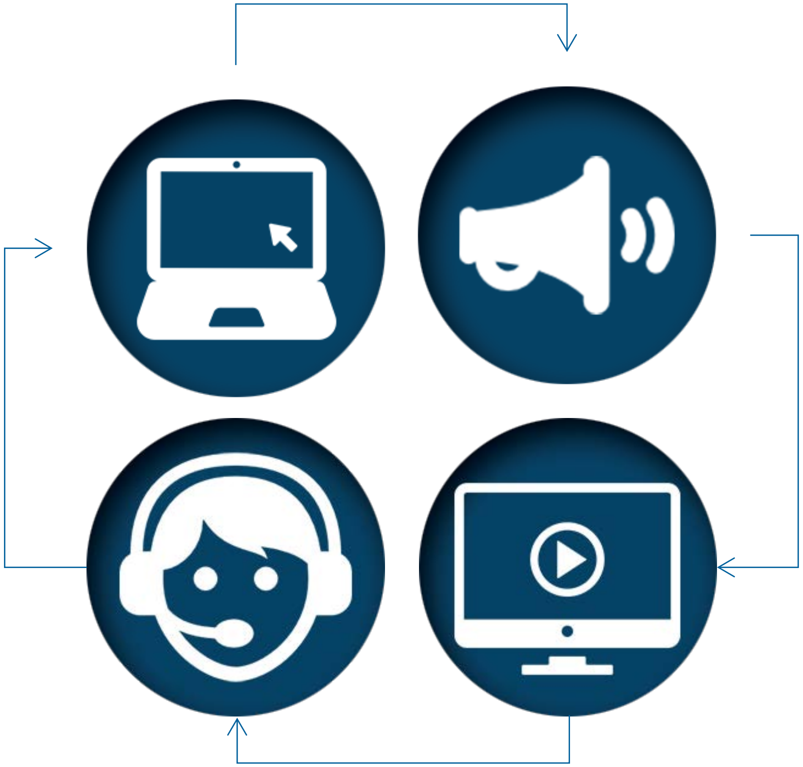
Communication barriers.

Postal Mail:

- Not preferred
- Costly
- In-efficient

Email:

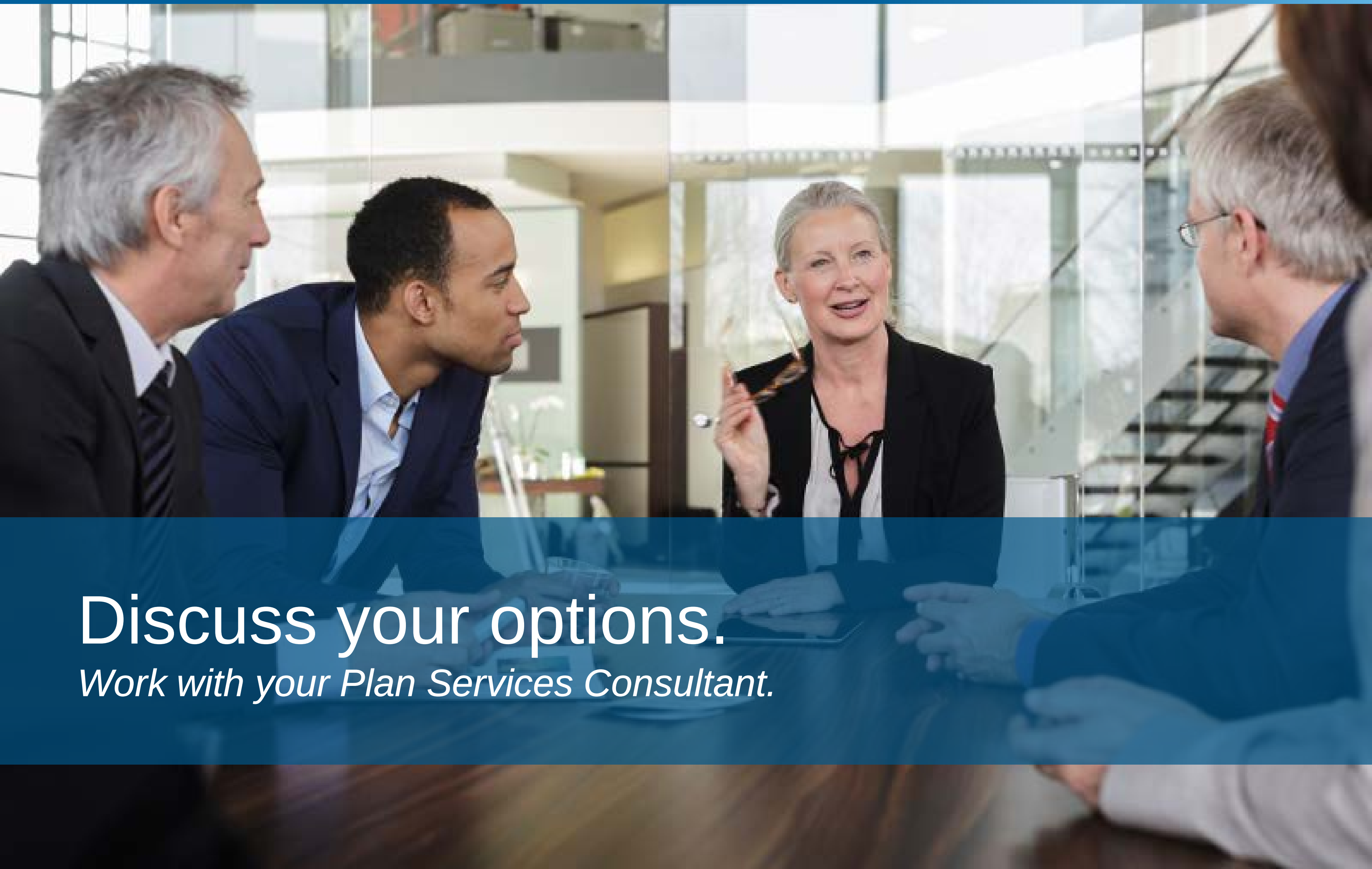
- Preferred
- Low cost
- Efficient
- Effective



Website registration helps to facilitate emails, webinars, video, promotions, tools, and resources

Investor Guidance Center: 800.999.8786

Session overview.



Thank you.

Susan Reynolds, Director Retirement Solutions
susan.reynolds@cunamutual.com

CUNA Mutual Retirement Solutions

People driven. *Outcome* focused.®

Consider the consequences.

Taking a loan from your retirement plan may not be the best option for you.

PARTICIPANT SOLUTIONS

Participant: Jason

If you are in the 25% tax bracket like Jason, earning $1 only gives you $0.75 toward repaying the loan. That $0.75 you put back into your retirement account as a loan payment will be taxed again when you take the money out.

It's a loan—not free money

You might think that borrowing from your retirement plan is like going to the bank and taking money out of a savings account — after all, it's your own money. But this is not the case. When you borrow money from your retirement plan, you are taking out a loan. This means you promise to pay back what you borrow — with interest added on — just like any other kind of loan.

Your retirement plan is a qualified investment, with immediate tax benefits and special rules. Your payroll contributions to the plan and the interest you earn, is subject to special tax treatment when you put the money in and when you take it out. That's why you're not able to take money out of your retirement plan the same way you do from a regular savings account.

When you take a loan from your retirement plan, you need to establish a repayment plan, which usually ranges from one to five years. The payments will be deducted from your paycheck automatically. Just as if you were to take out any other type of loan, this will become an ongoing expense you'll need to budget for until your loan is repaid in full.

Your retirement plan is set up for the primary purpose of helping you save for the "retirement paycheck" you'll need after you stop working. Before taking out a loan, consider other options first and have a full understanding of what borrowing from your retirement plan will really cost you.

You'll be taxed twice on the money you borrow

The money you borrow from your retirement account is typically money that you contributed before taxes. But you will pay the loan back with after-tax money. Unlike your contributions, it is not deducted from your paycheck before taxes. Then, when you withdraw the money at retirement, it will be taxed again, according to the rules that govern qualified plans.

Avoid taking a loan against your retirement plan — unless it's your last option.

You'll miss out on interest earnings

If you've got a loan outstanding, those dollars aren't invested and working hard for you. Yes, you are repaying your loan back with interest, but that loan interest rate is often lower than what your plan's investment returns could provide you. And if you have to lower your contribution rate so you can budget for your loan repayments, you'll be missing out on both contributions and earnings.

You'll face additional consequences if you leave your employer

If you leave your employer with a loan outstanding on your plan, be aware that most plans require you to pay back the balance of the loan in full. If you can't repay it, your loan will be considered in default and you'll have to pay taxes immediately on the entire loan amount. And if you're under age 59-1/2, you'll also have a 10% early withdrawal penalty. This could quickly put a big dent in your retirement savings.

Think first

Your retirement plan is there to make it easy to plan and provide for your future income needs. Don't jeopardize your retirement paycheck to meet short-term needs. Let your plan work for you so you can retire on your own terms.

People driven. *Outcome* focused.™

1809 24TH ST • GREAT BEND, KS 67530
800.279.4015, EXT. 206
WWW.CUNAMUTUALRS.COM