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SCHWAB

Advice matters

Optimizing plan design



Own your tomorrow™

We believe
in the value of
a personalized
savings and
investment
strategy.

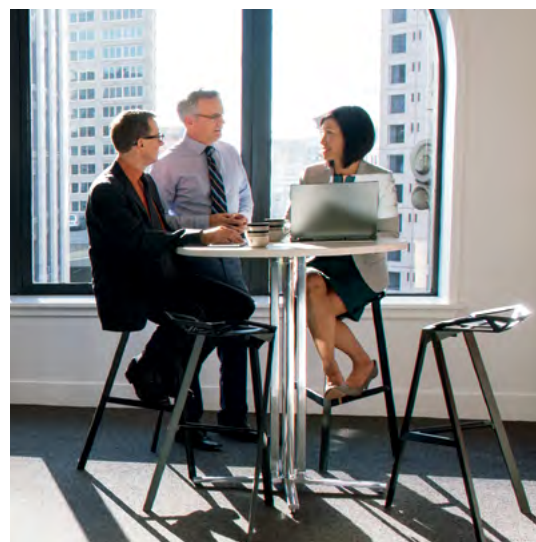
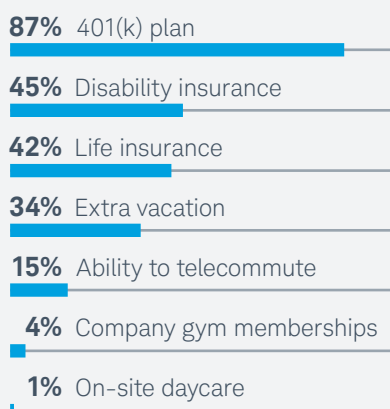


The 401(k) is evolving

The 401(k) plan has evolved into one of the most essential benefits a company can offer its employees. In fact, in a recent Schwab Retirement Plan Services, Inc. survey,* nearly 9 out of 10 participants indicated the 401(k) was the number one “must-have” benefit, excluding health insurance. Moreover, close to 90% reported their 401(k) was their only or largest source of retirement savings.

But while the data recognizes the 401(k)’s importance, it also reveals that many workers are not taking full advantage of their 401(k) benefits. Today, many 401(k) plans offer some type of investment advice, and many of the participants surveyed believed they would benefit from this type of assistance. Yet relatively few are actually taking advantage of this resource, even though it may help improve retirement saving outcomes. Most people see a doctor when they’re sick or a mechanic when their car isn’t running. But they’re much less likely to seek help allocating their 401(k) contributions.

Participants’ indicated “must-have” benefits aside from health insurance



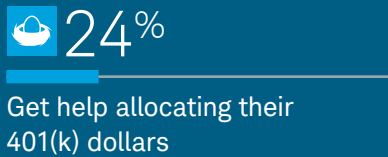
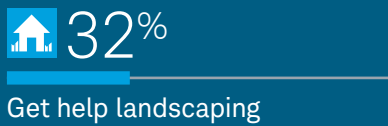
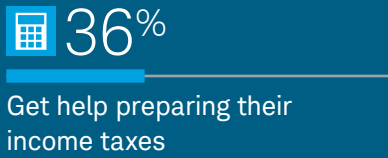
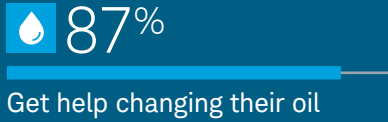
Delivering a personalized savings and investment strategy

With so much at stake, we believe it’s time to take a more active role in delivering a personalized savings and investment strategy to 401(k) participants. With the amount of participant-specific data readily available—including age, salary, account balance, savings rate, marital status, and more—plan sponsors can offer participants an approach using managed portfolios designed to potentially help each saver work toward his or her own unique retirement income goal.

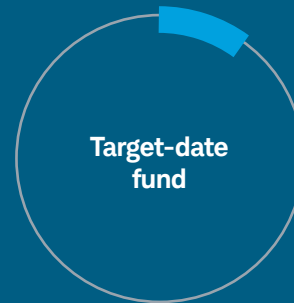
We know that advice based on multiple personal data points can play an important role in retirement readiness because we’ve seen firsthand the positive impact it can have on participant behavior and outcomes. Specifically, 401(k) participants who used a personalized savings and investment strategy tended to:

- Increase their savings rate
- Become better diversified in their investment allocations
- Stay the course with their investing decisions in times of market uncertainty.¹

Workers reported getting professional help for lots of things, but not for choosing 401(k) investments.



Considering multiple data points goes a long way toward building a more specific strategy.

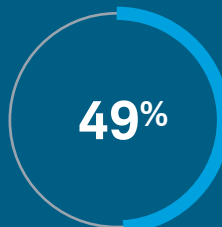


- Age
- Account balance
- Salary
- Savings rate
- Estimated Social Security benefits
- Employer contribution formulas
- Related retirement plans
- State of residence
- Marital status
- Gender

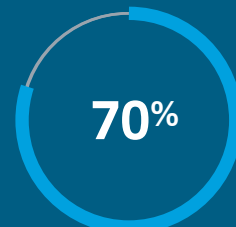
Participants said they'd feel more confident if they consulted a financial professional.



23% of those with access to professional advice have used it.



49% of those not receiving professional advice believed they would achieve better investment results by getting help.



70% said they would feel extremely or very confident in their ability to make the right investment decisions if they consulted with a financial professional.

*Unless otherwise indicated, all data are from the 2014 401(k) Participant Survey conducted by Koski Research for Schwab Retirement Plan Services, Inc.



“To us, an appropriate portfolio means knowing a lot more than age.”

Beyond a single data point

Portfolio appropriateness, to us, means knowing a lot more about the participant than just his or her age.

That's why we believe personalized, professional account management is superior to those investment allocation options and products—like target-date funds—that take very little into account about the participant and instead rely on a single data point, such as age. After all, no two people are exactly alike, not even two people of the same age working for the same employer. Taking multiple personal data points into account goes a long way toward building out a more specific retirement savings strategy for each participant.

The confidence of an investor with advice

It's clear that participants want this kind of personalized savings and investment strategy. In fact, 70% of survey respondents said they would feel extremely or very confident in their ability to make the right investment decisions if they had help from a financial professional, while just 39% said they would feel that same level of confidence when making investment decisions on their own.

We believe in the power of saving and investing to help savers create a better tomorrow, and access to advice is an important first step. We believe that, when done right, saving and investing liberate people to take steps toward the future they envision.

But while advice can make a difference, not all advice is created equal. We believe that personalized, professional management is the most effective approach. Our experience also suggests that when armed with this kind of advice, participants may become, on the whole, more engaged with their 401(k) plans.

We know that as a plan sponsor or consultant, you want to do the right thing by employees. We can help evaluate whether your plan's approach to advice is making the difference you'd like it to make.

To start changing the status quo or learn more about the research reported here, let's continue the conversation. Contact your Schwab Retirement Plan Services, Inc. representative, call **1-877-223-7036**, or visit **rethinkyour401k.com**.

1. Charles Schwab in conjunction with Koski Research, The New Rules of Engagement for 401(k) Plans, 2010.

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