

FISHER INVESTMENTS INSTITUTIONAL GROUP®
PERSONALIZED RETIREMENT OUTCOMES (PRO)



PERSONALIZED QDIA ANALYSIS
PREPARED FOR ABC 401(k) PLAN

Intended for use of employers sponsoring retirement plans and their advisors; not for personal use by plan participants. Please do not distribute further. Investing in selectivities involves the risk of loss. Unless otherwise noted, data presented is based on information provided by the plan and its record keeper

Date: 9/30/2018

ABC 401(k) PLAN ANALYSIS

RESEARCH PROCESS

GOAL

- ▶ Identify asset allocation risk across ABC 401(k) Plan's participant population
- ▶ Identify the degree to which personalized asset allocation could benefit participants using the default investment
- ▶ Identify the degree to which personalized asset allocation could benefit participants who have made their own investment elections
- ▶ Identify the number of participants improperly using the plan's current Target Date Fund (TDF) series
- ▶ Examine a range of savings rate improvements ABC 401(k) plan may experience by using a Managed Account as a default investment

APPROACH

- ▶ Using individual participant holdings and demographic data, compare current allocations to allocations if Personalized Retirement Outcomes was utilized

DATA SET

- ▶ Include all participants who are active with ABC 401(k) Plan

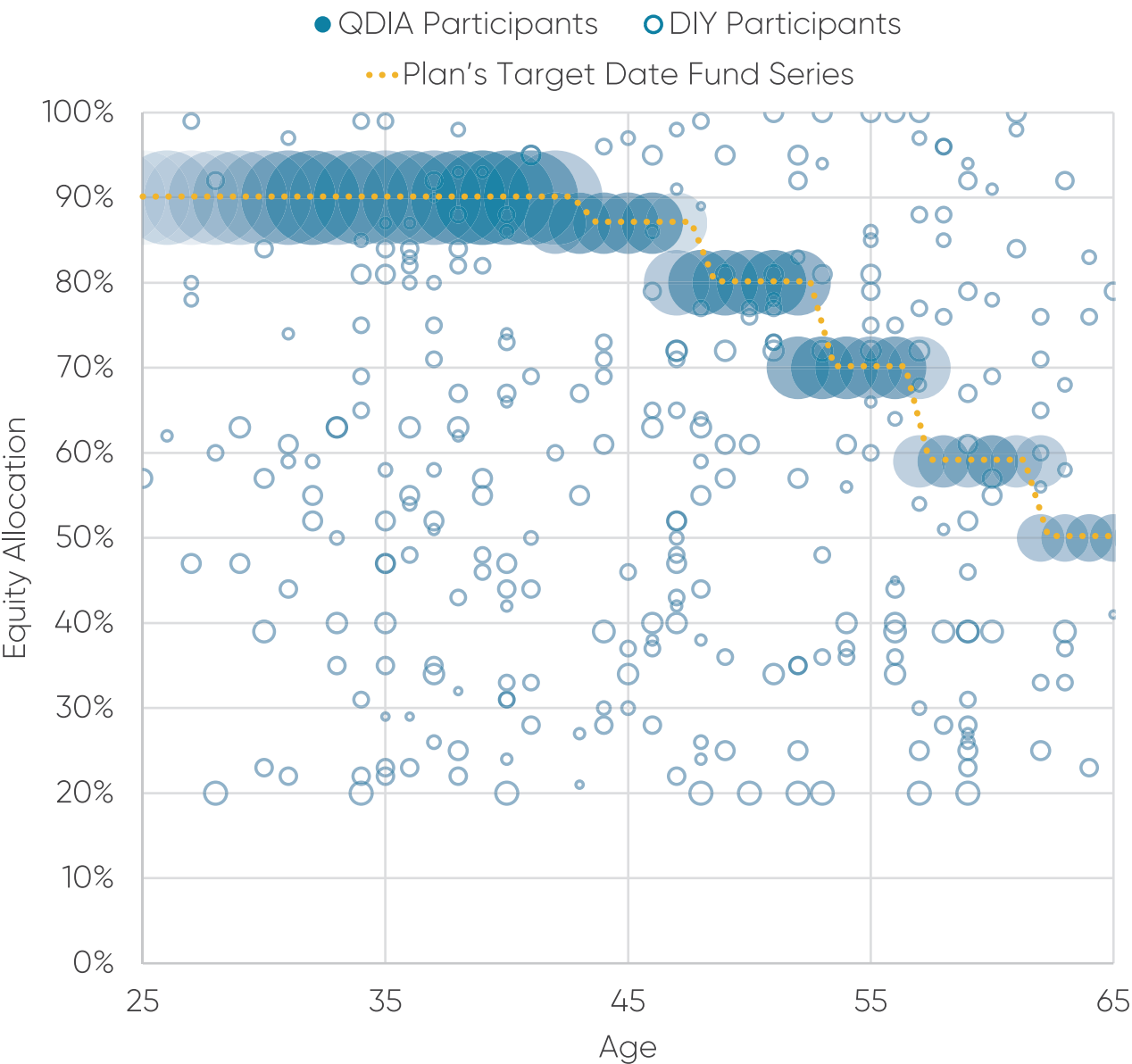
ABC 401(k) PLAN ANALYSIS

CURRENT PLAN PARTICIPANT ALLOCATIONS

- ▶ Allocations of individual ABC 401(k) Plan participants based on their age and holdings
- ▶ Size of the circles represents the frequency of the allocation. QDIA Participants are those who are defaulted into the TDF series. DIY ("Do-It-Yourself") Participants are those who have made their own investment elections
- ▶ The orange line represents how the target date fund series utilized by the ABC 401(k) Plan allocates participants.

PLAN CHARACTERISTICS

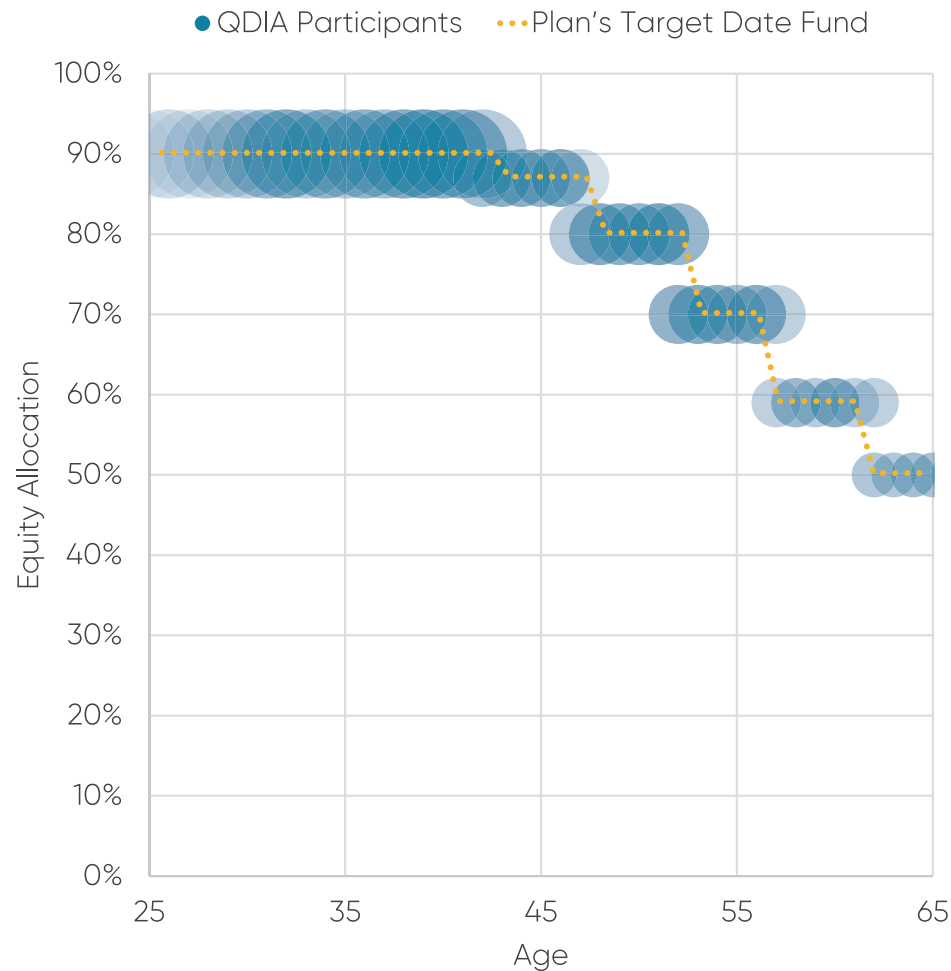
CHARACTERISTIC	ABC 401(K) PLAN
Number of Participants	782
Average Age	47
Average Savings Rate	8.5%
Average Balance	\$75,400



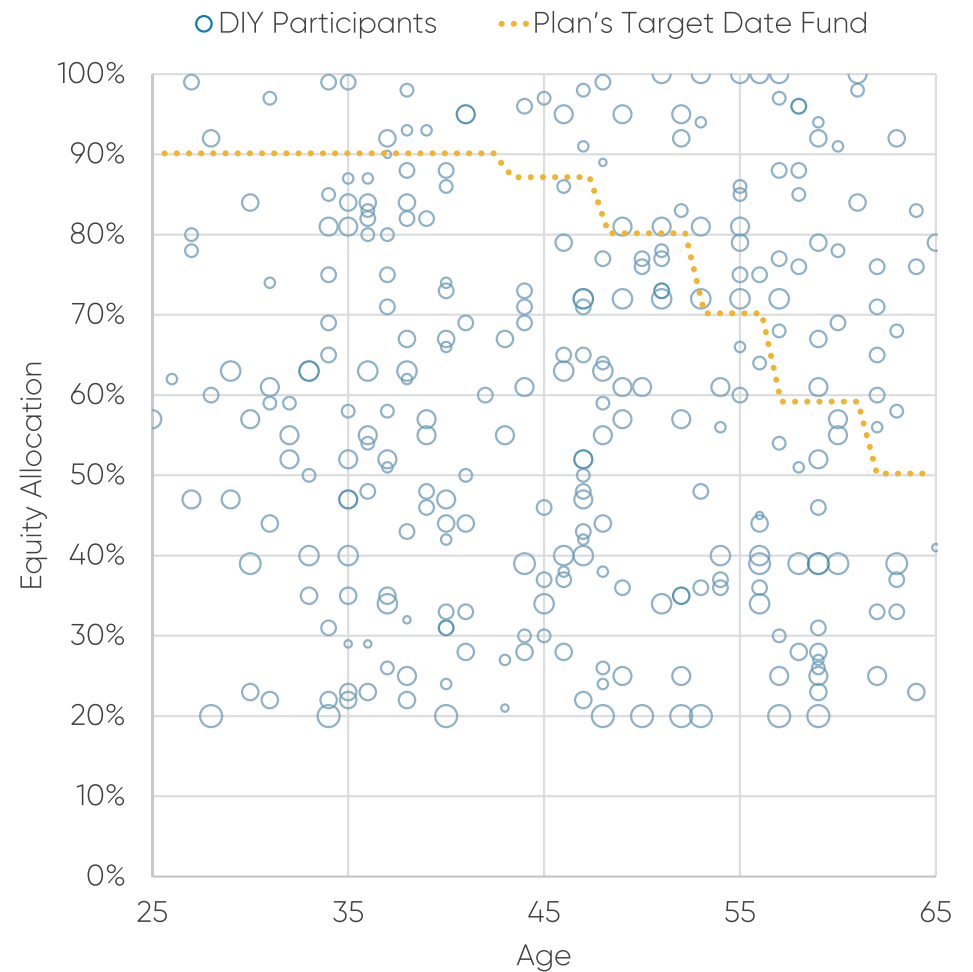
ABC 401(k) PLAN ANALYSIS

CURRENT ALLOCATIONS

Current Allocations of ABC 401(k) Plan's **Defaulted Plan Participants**. Comprises **61.6%** of total plan participants.



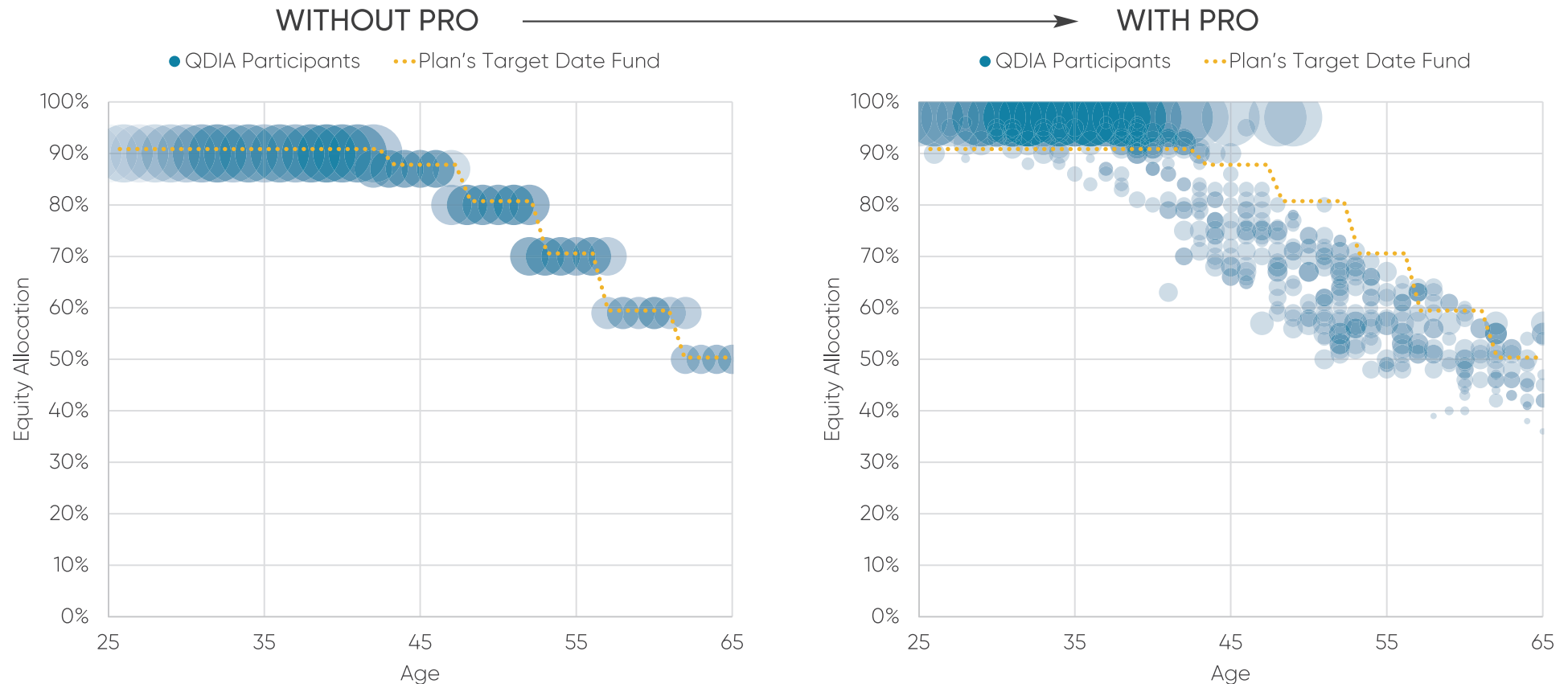
Current Allocation of ABC 401(k) Plan's **DIY Participants**. Comprises **38.4%** of total plan participants.



PERSONALIZED RETIREMENT OUTCOMES AS A DEFAULT OPTION

AIMING FOR BETTER ALLOCATIONS WITH BETTER DATA

Current allocations vs. recommended personalized allocations for the Plan's QDIA participants.



- ▶ Large number of participants are not at an appropriate risk level based on the individual participant information reviewed
- ▶ Participant allocations will **not** be adjusted to account for important changes to a participant's financial circumstances, such as taking a hardship loan or increasing saving rate

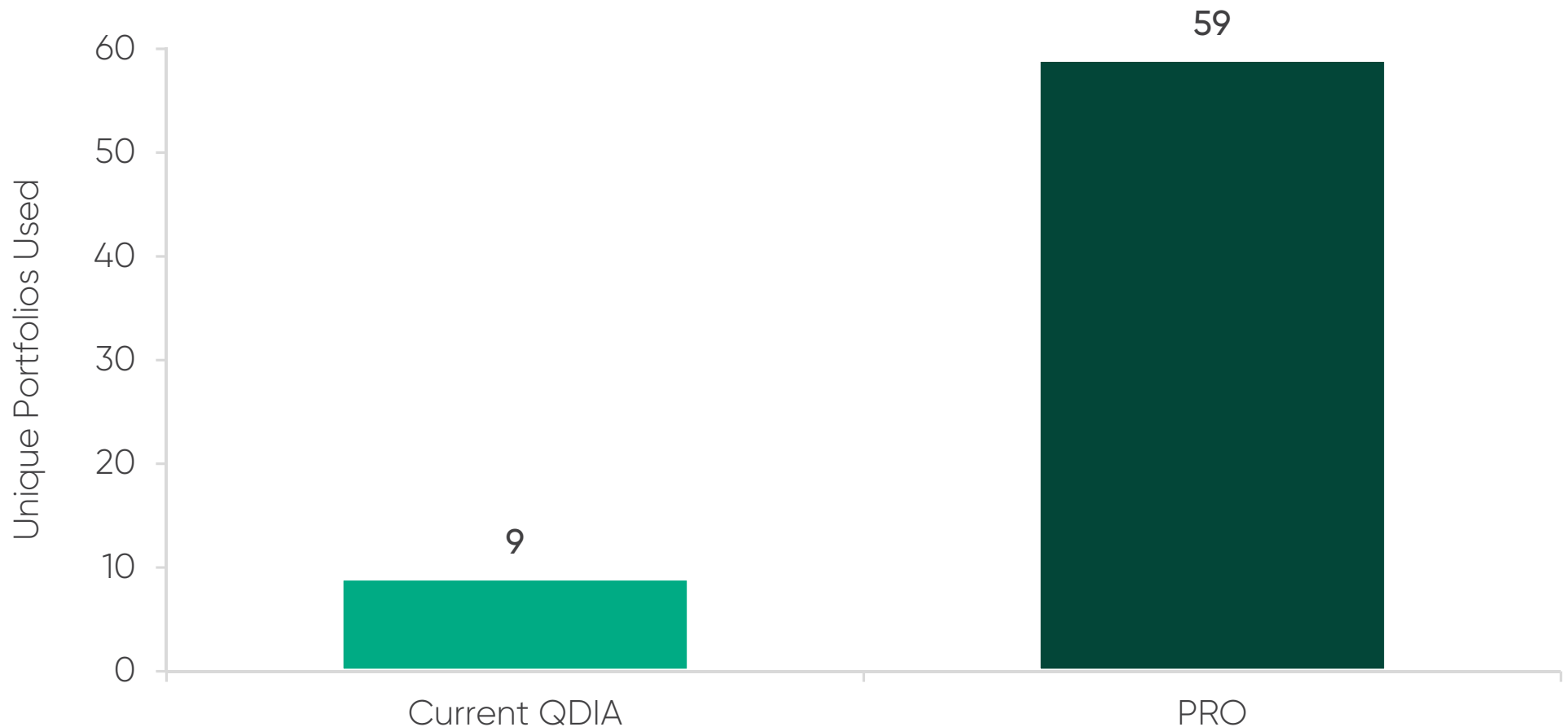
- ▶ All participants will be placed at an appropriate level of risk based on the individual information reviewed
- ▶ Each participant's retirement readiness will be monitored and allocations will be automatically adjusted to account for identified changes impacting a participant's retirement readiness, such as recent market performance, the taking of a hardship loan or increasing saving rate

ABC 401(K) PLAN ANALYSIS

AIMING FOR BETTER ALLOCATION WITH BETTER DATA

The Target Date Fund buckets the 482 QDIA plan participants into just 9 portfolio allocations, 1 for every 5 years of age.

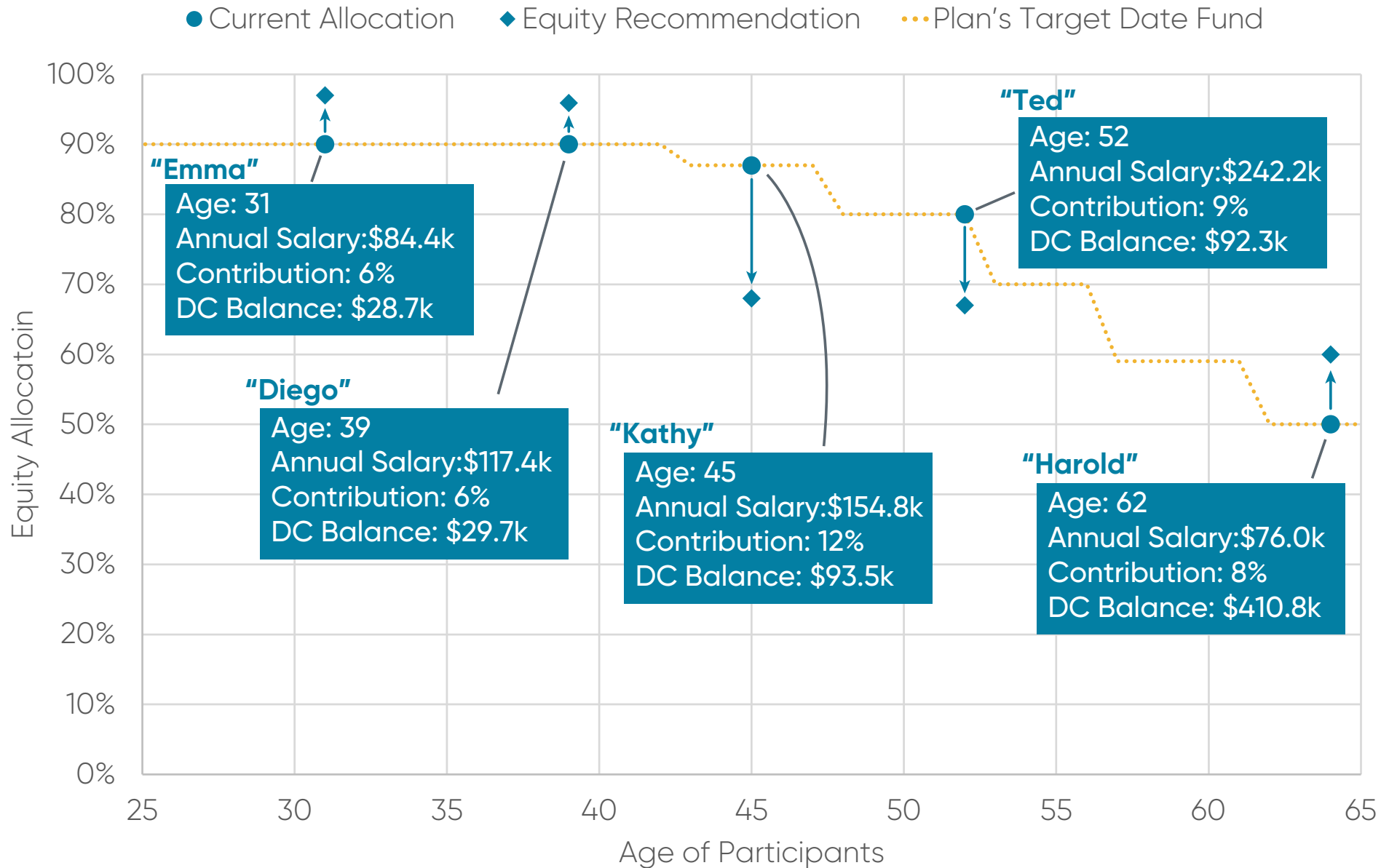
After reviewing the current individual participant information, PRO would utilize 59 portfolio allocations to satisfy the various needs of the QDIA participant base. As information changes or is added by participants, additional portfolio allocations (up to 67) may be utilized.



EXAMPLE PARTICIPANTS

DRILLING DOWN INTO SPECIFIC PARTICIPANT ALLOCATIONS

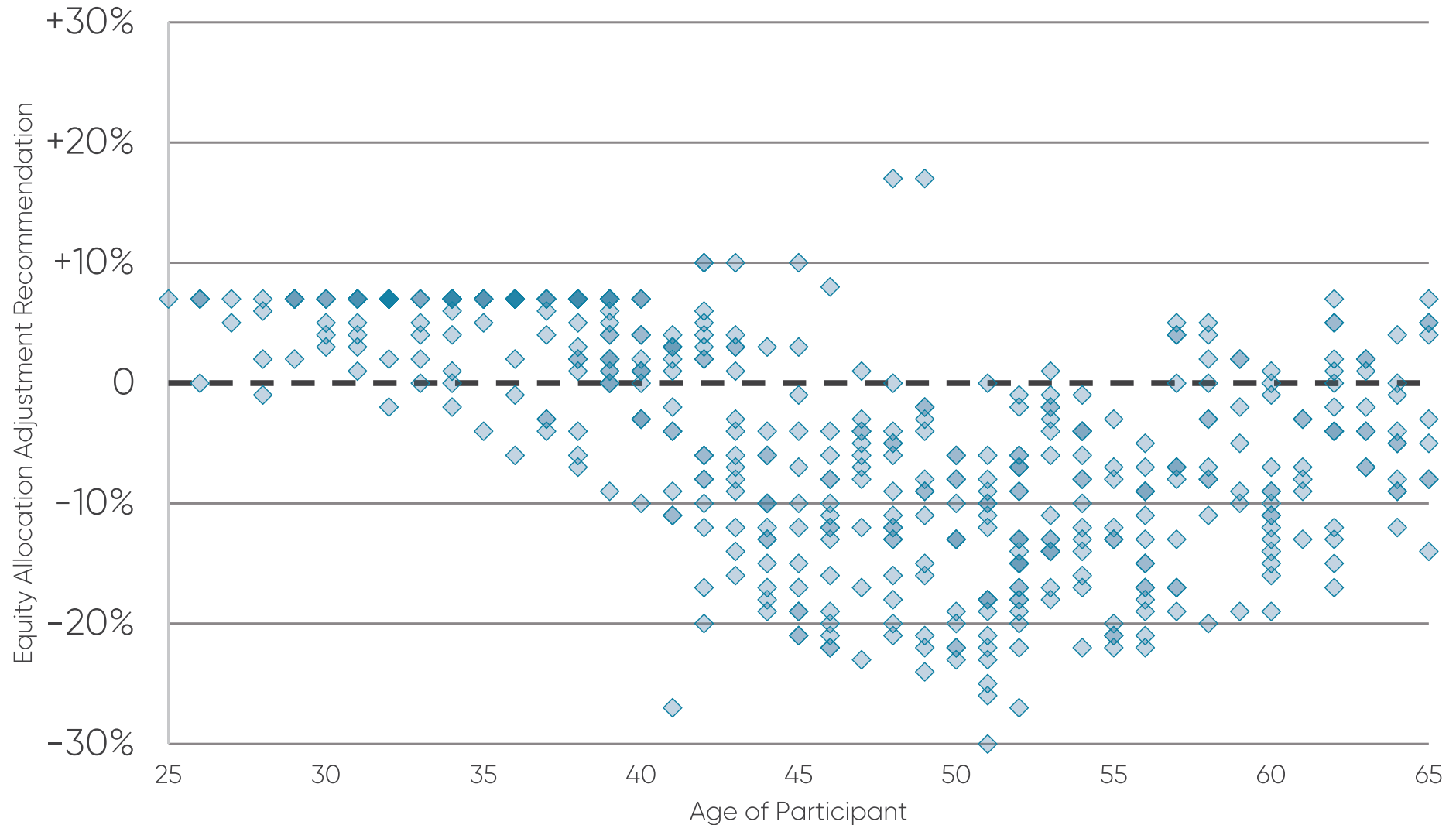
A look into personalized allocation driven by 5 QDIA participants' unique circumstances.



EXAMPLE PARTICIPANTS

DRILLING DOWN INTO ADJUSTMENT RECOMMENDATIONS

DEGREE OF EQUITY ALLOCATION CORRECTIONS FOR QDIA PARTICIPANTS UNDER PRO



Diamonds are semi-transparent; darker diamonds indicate multiple participants occupying a similar category.

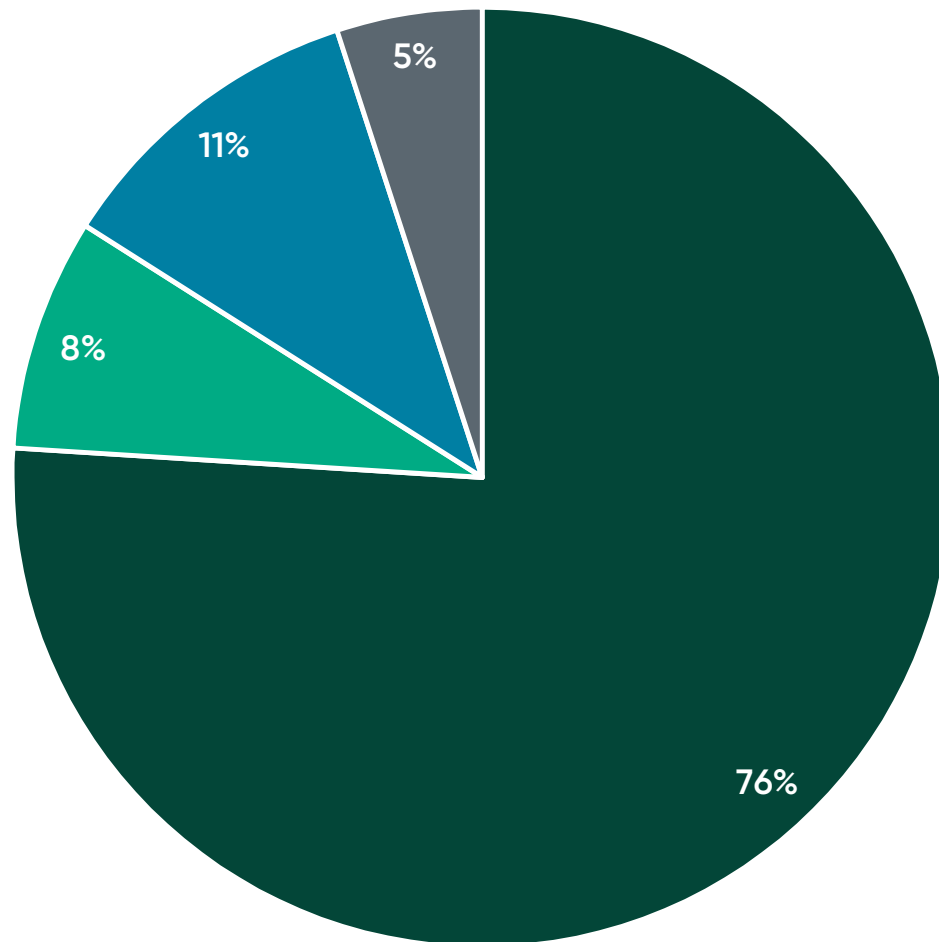
ABC 401(K) PLAN ANALYSIS

CURRENT ALLOCATIONS

When Target Date Funds are improperly used, their benefits diminish quickly.

- ▶ 24% of participants using the TDF series are improperly utilizing the funds:
 - ▷ 16% of participants using the TDF are invested in more than one vintage (e.g. 2030 Fund & 2035 Fund)
 - ▷ 8% of participants using the TDF are invested in a mix of TDFs and other mutual funds

- One Target Date Fund
- One Target Date Fund & Mutual Funds
- Two Target Date Funds
- Three or More Target Date Funds

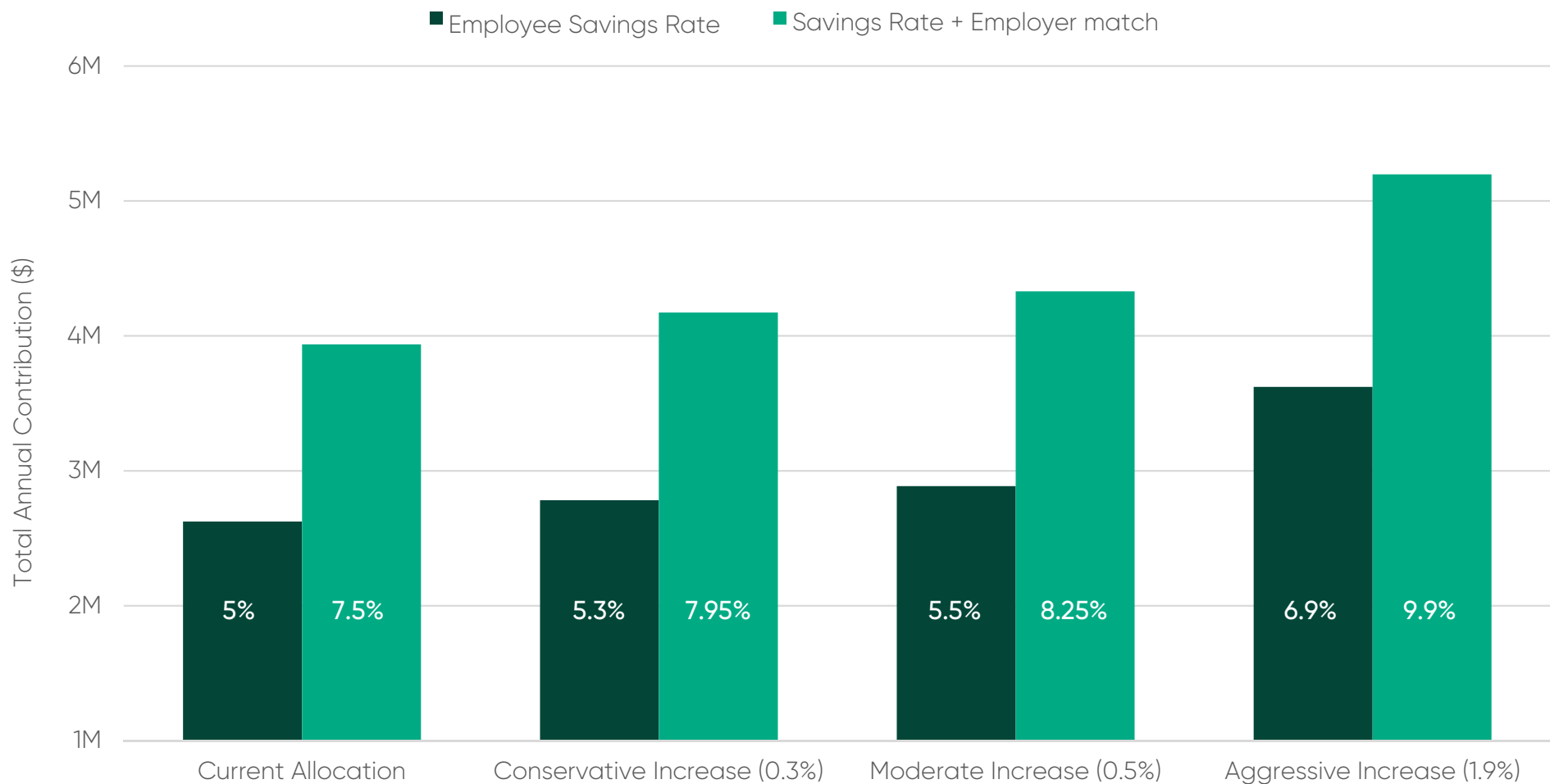


ABC 401(K) PLAN ANALYSIS

DEFAULT SAVINGS RATES AND PLAN SIZE

Plans that utilize a personalized managed account as the default investment option display an average savings rate of 0.5% greater than plans using target date funds for QDIA participant, according to a recent Morningstar studyⁱ.

POTENTIAL IMPACT TO SAVINGS RATE FROM ADOPTING A MANAGED ACCOUNT QDIA



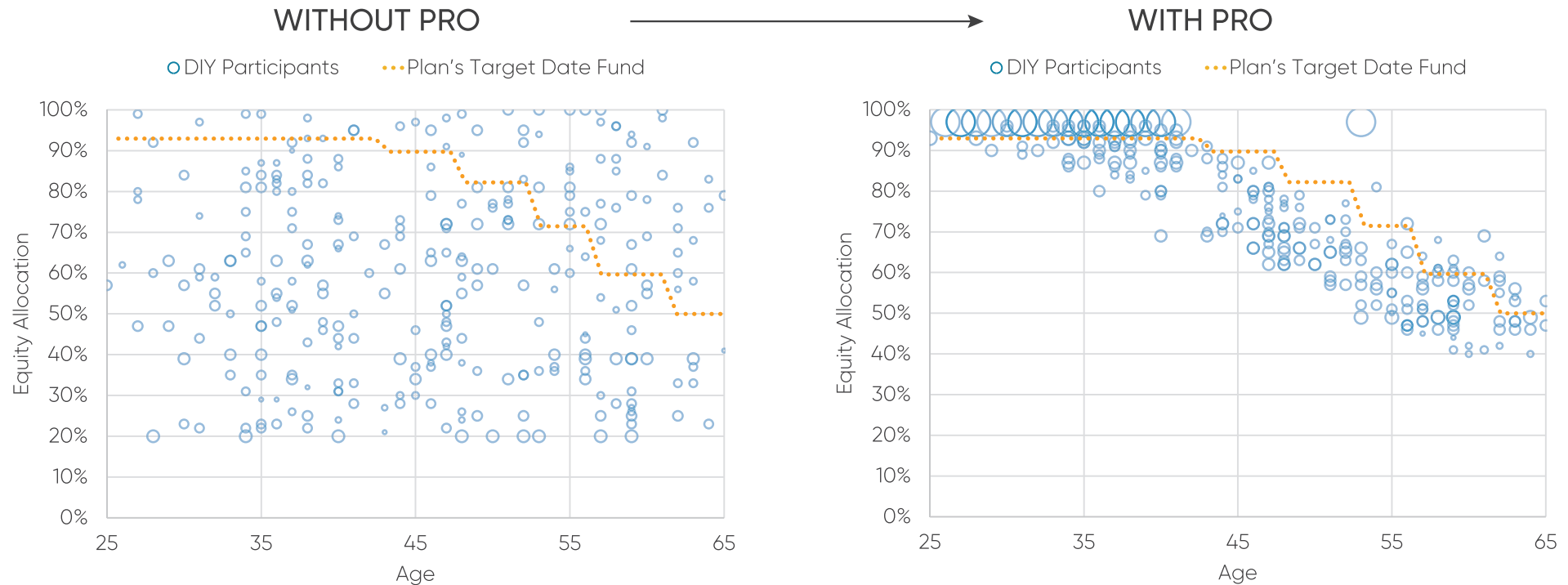
The above data makes an assumption that salary remains the same over the next annual period.

ⁱ Blanchett, David, et al. The Impact of the Default Investment Decision on Participant Deferral Rates: Morningstar, 2016, pp. 2.

PERSONALIZED RETIREMENT OUTCOMES BENEFITS FOR DIY PARTICIPANTS

AIMING FOR BETTER ALLOCATIONS WITH BETTER DATA

Current allocation vs. recommended personalized allocations for Plan's DIY participants.

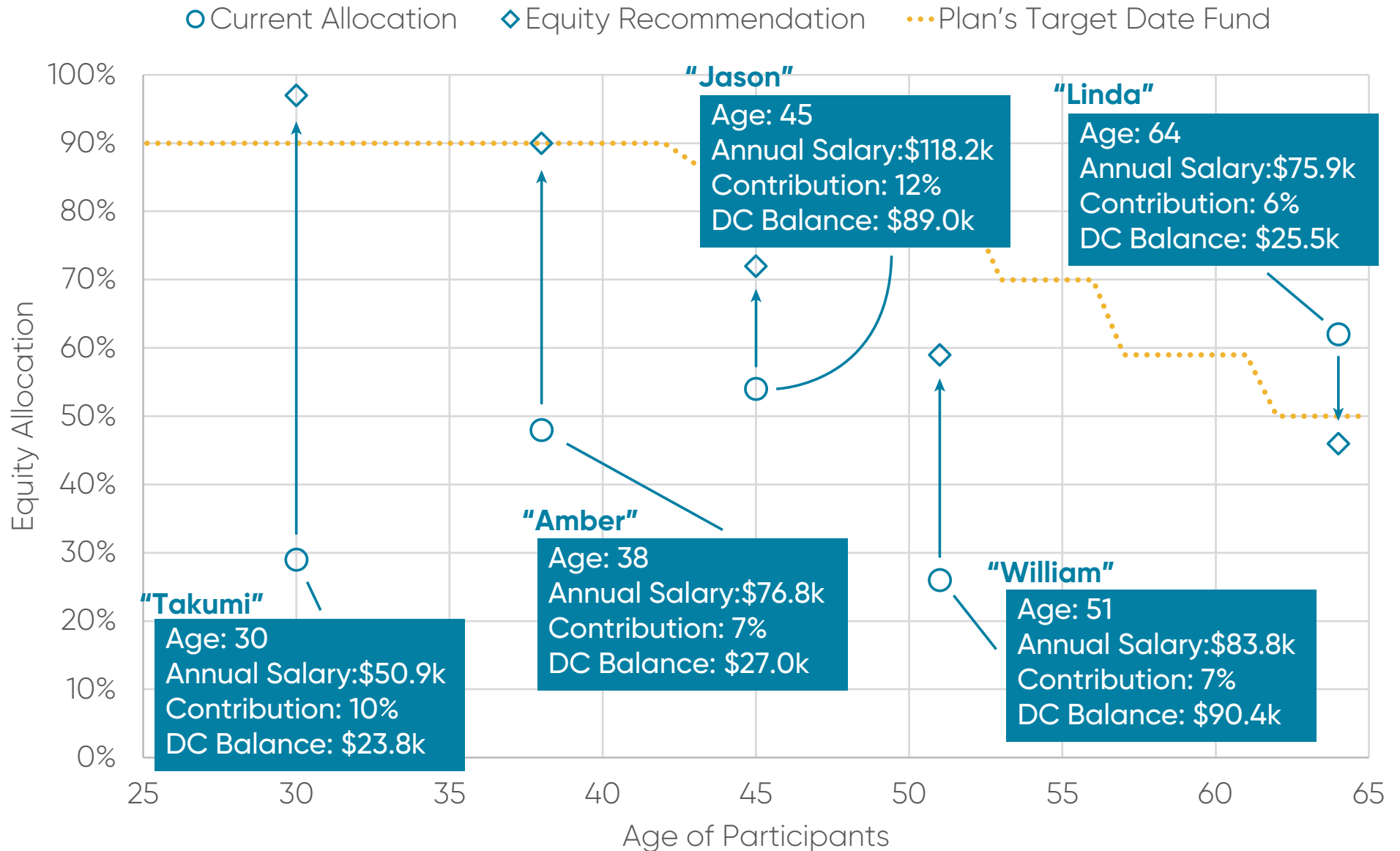


- ▶ Large number of participants are not at an appropriate risk level based on the individual participant information reviewed
- ▶ Large number of participants lack sufficient foreign equity or fixed income portfolio exposure
- ▶ Participant allocations will **not** be adjusted to account for important changes to a participant's financial circumstances, such as taking a hardship loan or increasing saving rate
- ▶ All participants will be placed at an appropriate level of risk based on the individual information reviewed
- ▶ All participants will receive a professionally managed, globally diversified portfolio
- ▶ Each participant's retirement readiness will be monitored and allocations will be automatically adjusted to account for identified changes impacting a participant's retirement readiness, such as recent market performance, the taking of a hardship loan or increasing saving rate

EXAMPLE PARTICIPANTS

DRILLING DOWN INTO SPECIFIC PARTICIPANT ALLOCATIONS

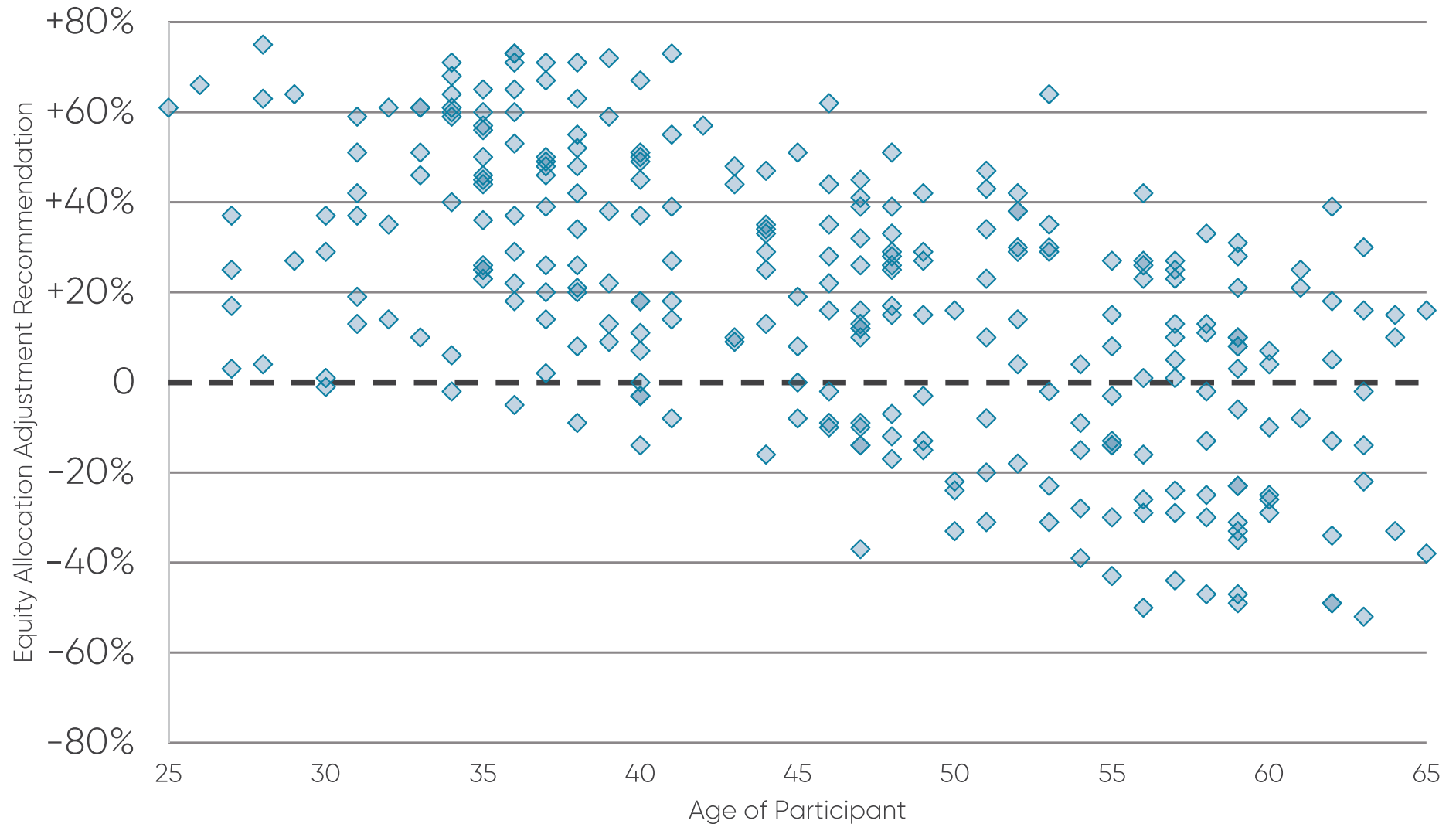
A look into personalized allocation driven by 5 DIY participants' unique circumstances.



EXAMPLE PARTICIPANTS

DRILLING DOWN INTO ADJUSTMENT RECOMMENDATIONS

DEGREE OF EQUITY ALLOCATION CORRECTIONS FOR DIY PARTICIPANTS UNDER PRO



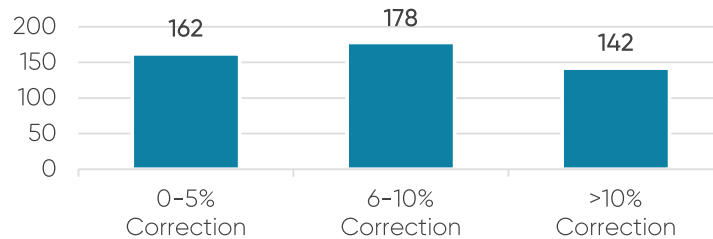
Diamonds are semi-transparent; darker diamonds indicate multiple participants occupying a similar category.

IN SUMMARY

PERSONALIZED ASSET ALLOCATIONS IMPACT ON BOTH QDIA & DIY PARTICIPANTS.

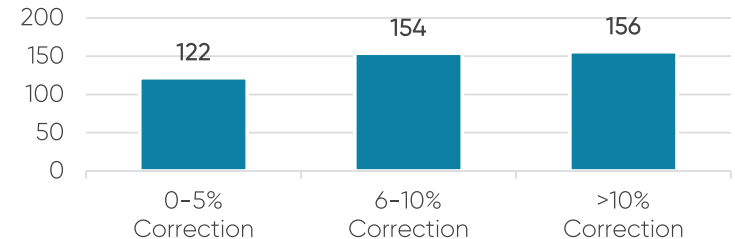
After accounting for each ABC 401(k) plan participants' unique situation, Personalized Retirement Outcomes (PRO) has found participants need an average equity allocation correction of 11.6% to better fit their retirement needs. Across the entire participant population, over two-thirds of participants need an equity allocation correction of over 6%.

QDIA PARTICIPANTS

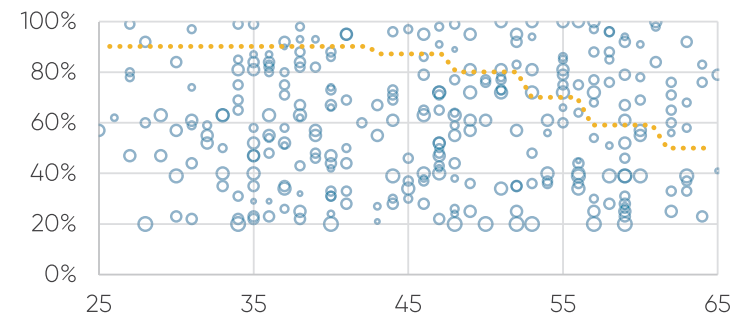
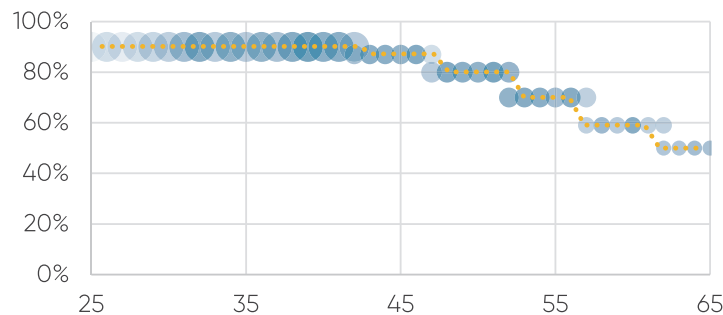


Corrections span from minor to major.

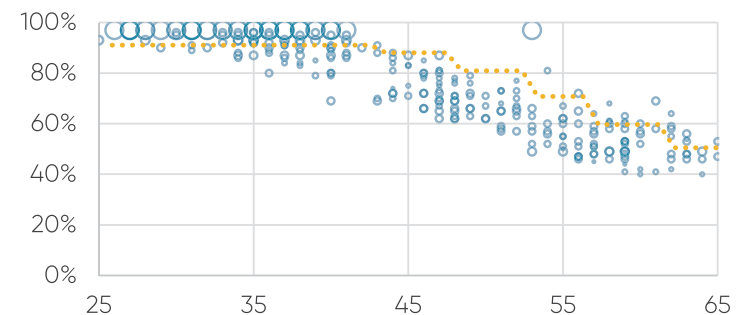
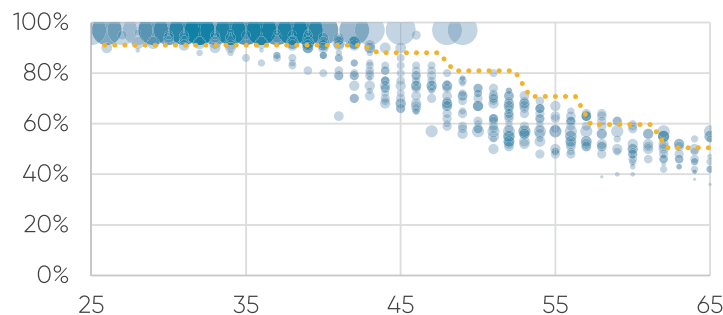
DIY PARTICIPANTS



Participants current allocations are often one size fits all or not well suited to their situation.



Personalized, managed accounts put participants in an allocation better tailored to their specific needs.



DISCLOSURES

No assurances are made that Fisher Investments will continue to hold these views, which may change at any time based on new information, analysis or reconsideration.

The previous scenarios are for illustration purposes and should not be construed as investment advice. Actual allocations may differ from those shown.

Contact Us for Your QDIA Analysis

To learn more about PRO or request a personalized QDIA analysis for your plan, please reach out to us below.

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