

Financial Engines®

Retirement Help for Life® Enhancements Frequently Asked Questions

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*** Financial Engines' Social Security guidance can provide reasonable estimates for you and your spouse age 18-69; estimates are not guarantees of future benefit payments. Income planning experience available for participants age 55-69 AND 7 years or less from retirement. All estimates are based upon information about you, your stated goals as well as current Social Security laws, rulings and formulas available from the Social Security Administration. Decisions regarding Social Security are highly personal and depend on a number of factors such as your health and family longevity, whether you plan to work in retirement, whether you have other income sources as well as your anticipated future financial needs and obligations.**



Summary

This Frequently Asked Questions (FAQ) document is designed to provide in-depth information about the enhancements Financial Engines made to Retirement Help for Life[®] and Professional Management with Income+. The document addresses many commonly asked questions about our approach to delivering more help to participants nearing retirement through holistic income planning with Social Security guidance.

Quick facts

- Financial Engines has expanded Income+ capabilities by offering holistic income planning with Social Security guidance to participants approaching retirement, at no additional cost to sponsors or participants.
- The holistic income planning experience quickly brings together all the pieces of the retirement puzzle—the 401(k), Social Security, pensions, IRAs, and more—into a comprehensive, year-by-year Income Plan that reflects the entire household.
- Financial Engines' Social Security guidance can provide help to quickly navigate the complicated decisions associated with Social Security, including strategies that may result in more retirement income.
- As participants begin to approach retirement, our advisor representatives will help them develop an actionable, holistic Income Plan, and discuss Social Security claiming strategies with them.
- Deciding when to claim Social Security is one of life's most important financial decisions. Many individuals equate retirement with claiming Social Security—claiming as soon as possible and potentially missing out on as much as a quarter of their expected lifetime benefit.¹ However, an informed claiming decision could mean additional lifetime benefits of up to \$100,000 for an individual and up to \$250,000 for a married couple.²
- Participants can choose to build a personalized Income Plan online or work with an advisor representative. Professional Management members using Income+ for their 401(k) accounts can work with an advisor representative to implement their personalized Income Plan and receive steady payouts.

¹ The United States Social Security Administration, <http://www.ssga.gov/pressoffice/basicfact.htm>.

² "Efficient Retirement Design: Combining Private Assets and Social Security to Maximize Retirement Resources." John B. Shoven, Sita N. Slavov. 2012 Retirement Income Summit; October 10, 2012.

Overview

Q. What enhancements are you introducing?

A. Financial Engines introduced enhancements to Retirement Help for Life[®] and Professional Management with Income+. The enhancements, available to all participants* include:

- **Social Security guidance** to help participants navigate the challenges—and opportunities—associated with their Social Security claiming decision. Our guidance can help participants understand their claiming options in minutes and how informed choices may result in more retirement income.
- **Holistic income planning** to help near-retirees* bring together all the pieces of the retirement puzzle—the 401(k), Social Security, pensions, IRAs, and more—into a comprehensive, year-by-year Income Plan that reflects the entire household. This experience—conducted online or over the phone with the assistance of an advisor representative—can help participants look at their retirement accounts holistically, leveraging income and saving sources to make the most of what they have.

Q. Why are you introducing these enhancements?

A. Planning for and living in retirement involves a lot of considerations and we've increasingly heard from sponsors and participants that retirement planning involves more than just the 401(k). These enhancements can help participants nearing retirement better understand how all of their retirement income sources fit together. With more complex financial pictures and the least amount of time to recover from mistakes, we believe it's critical to provide additional planning services to participants closest to retirement and in retirement.

Q. How much does it cost to add these enhancements?

A. The enhancements are included with our advisory services at no additional cost to sponsors or participants.

Q. Are there any requirements to receive these enhancements?

A. The enhancements are an extension of our Retirement Help for Life[®] advisory services designed to help those closest to retirement. In order to make these enhancements available, sponsors need to have Professional Management with Income+ rolled out.

A feature of the Professional Management program, Income+ is an in-plan retirement income solution. Using the plan's existing investment options, participants' accounts are managed to help them to avoid big losses just prior to retirement and to provide steady monthly payouts from their retirement accounts that can last for life.³

³ Lifetime income guarantee requires out-of-plan annuity purchase. Issuer minimum requirements may apply. Financial Engines does not guarantee payout amounts or payouts for life.

Q. To whom will the enhancements be available?

A. Social Security guidance is available to all participants.* Using Financial Engines' patented Income+ investment methodology, our advisor representatives will help them build a personalized, holistic Income Plan online or via telephone. Professional Management members using Income+ for their 401(k) accounts can work with an advisor representative to implement their Income Plan and receive steady payouts.⁴

Q. How will these enhancements be communicated to participants?

A. Online Advice users and Professional Management members age 55-69 will see an Income Planner tab on the advisory services website.⁵ Participants can go through a self-guided online session or they can call an advisor representative to take them through the planning experience.

As participants approach retirement, our advisor representatives will discuss a holistic Income Plan and potential Social Security approaches with them. This help is integrated into the advisor representative-led Retirement Checkup, which Professional Management members can schedule at any time. The advisor representative team may also proactively schedule Checkups or initiate the income planning discussion when participants call with routine questions.

The enhancements will also be introduced to eligible Online Advice users and Professional Management members* via an email, direct mail notification, or integration on your recordkeeper's website. For participants who are not Online Advice users or Professional Management members, your annual communications campaign will include information about these new services for near-retirees.

Q. Do we need to sign a contract to add these enhancements?

A. At this time, no additional contracts or contract amendments are required for sponsors with Income+ included in their agreement with Financial Engines. Because these enhancements are built on the Income+ methodology, sponsors must have Income+ live in their plan for these enhancements to be available to their participants.

Holistic income planning experience

Q. What is holistic income planning?

A. Financial Engines' holistic income planning experience includes a personalized Income Plan designed to increase lifetime income by bringing together all sources of retirement income, including the 401(k), Social Security, pensions, accounts outside of the sponsored 401(k) plan, and more. By integrating Social Security guidance into a broader income planning strategy, we can help participants make the most of what they have. This experience will be available to **all** participants as they approach retirement—not just Professional Management members—through a phone-based, advisor representative-led discussion or a do-it-yourself online experience.

⁴ Lifetime income guarantee requires out-of-plan annuity purchase. Issuer minimum requirements may apply. Financial Engines does not guarantee payout amounts or payouts for life.

⁵ The Income Planner tab is available for Income+ eligible participants age 55-69 and 7 or less years from retirement.

Q. What is the Income Plan? How does it help my participants?

A. The personalized Income Plan is designed to help increase lifetime income by quickly bringing together all sources of retirement income and savings. The comprehensive Income Plan includes a year-by-year income stream projection for households to help participants make decisions about which sources to use to create income in retirement.

Q. How do the new services help my participants?

A. For many participants, retirement planning is overwhelming; with our services an advisor representative can help them with their questions. Holistic income planning brings all of the retirement pieces together to help participants understand how they can leverage their income sources to increase lifetime income. By integrating Social Security guidance into a broader income planning strategy, we can help participants make the most of what they have.

Many participants do not realize the importance of their Social Security decision. Taking Social Security benefits early can significantly impact lifetime income and once started the ability to change your election is limited. In fact, the only Social Security education many receive is their Social Security Administration statement. To provide this important education to participants, we start by proactively introducing and discussing holistic income planning and Social Security as they begin to approach retirement.

Social Security guidance

Q. What is Social Security guidance?

A. With more than 8,000 different claiming options for a married couple, deciding when to begin claiming Social Security is incredibly complex. With Financial Engines' Social Security guidance, participants can receive personalized help with this complicated decision, including what they should take into account and how informed choices may result in more retirement income. This guidance can help participants understand how their savings can be used to fill the income gap in order to delay claiming their Social Security benefit, as well as how this decision can impact their other retirement income sources.

Q. How does Social Security guidance help participants?

A. For many participants, when to claim Social Security is life's most important financial decision. However, few understand the challenges—and opportunities—that Social Security presents. By getting expert help that takes minutes to complete, your participants will be better prepared to navigate this complexity and make informed choices that may result in more retirement income. By integrating Social Security guidance into a broader income planning strategy, we can help participants make the most of their savings.

Q. What do you expect Social Security guidance to do for a participant's income stream?

A. For many participants, Social Security represents a substantial portion of their retirement income. As such, for some participants an informed Social Security claiming strategy can increase their overall wealth in retirement. In fact, an informed decision could mean additional lifetime benefits of up to \$100,000 for an individual and up to \$250,000 for a married couple.²

Q. How will you educate our participants so that they make the most of Social Security?

A. Participants nearing retirement will be introduced to holistic income planning with Social Security guidance* as described in the “Holistic income planning experience” section of this document. Whether completed online or via phone with an advisor representative, in minutes this experience will help participants better understand the impact an optimal Social Security claiming decision can have on their overall wealth in retirement—as well as strategies for leveraging other retirement income sources to facilitate the implementation of the guidance.

Fiduciary considerations

Q. As a plan fiduciary, what other information should I consider?

A. Plan sponsor fiduciaries with service provider monitoring obligations⁶ may find the following information helpful. In providing either or both Social Security guidance and an Income Plan, it should be noted that:

- There are no changes in the availability, delivery, or methodology of Financial Engines’ core advisory services—Online Advice and Professional Management with Income+.⁷
- The enhancements are included with our advisory services at no additional cost to plan sponsors, plans, and participants.
- Social Security guidance is based on a methodology outlined in a Financial Engines white paper that is available at:
http://corp.financialengines.com/employer/FE_Social_Security_Methodology_0214.pdf.
- These enhancements do not change the manner or method by which Financial Engines is compensated for provision of its advisory services. Financial Engines continues not to sell or distribute any investment products, and will not receive any commissions, sales charges, or other fees in providing the enhancements.
- Any Income Plan is based on the application of Financial Engines’ Income+ methodology. Income Plans do not contain any recommendations to buy or sell any investments or securities.
- In providing Social Security guidance, Financial Engines will not request, accept, or maintain any participant personal health information.
- Any user information received by Financial Engines will be treated in accordance with Financial Engines’ privacy policy promulgated under Regulation S-P.

⁶ The DOL has stated that in monitoring investment advisers, it anticipates that fiduciaries will periodically review, among other things, the extent to which there have been any changes in the information that served as the basis for the initial selection of the investment adviser, including whether the adviser continues to meet applicable federal and state securities law requirements, and whether the advice being furnished to participants and beneficiaries was based upon generally accepted investment theories. Fiduciaries also should take into account whether the investment advice provider is complying with the contractual provisions of the engagement; utilization of the investment advice services by the participants in relation to the cost of the services to the plan; and participant comments and complaints about the quality of the furnished advice. (See DOL FAB 2007-1).

⁷ With Financial Engines® Professional Management with Income+, payouts begin in retirement at your request. Professional Management with Income+ seeks to manage your investments to create payouts that can last into your early 90s. If you think you’ll want payouts longer than that and want a lifetime guarantee, consider an optional annuity purchase. However, annuities are not guaranteed to be available and are generally unavailable to those over age 85 or for balances less than \$10,000. Annuities are not right for everyone and you should decide if they are appropriate for you. Financial Engines does not sell or solicit the sale of insurance products. Financial Engines does not guarantee payout amounts or payouts for life.

- Any use of the enhancements by participants is solely voluntary. There is no requirement to receive Social Security guidance or an Income Plan in order to use already deployed advisory services.
- Financial Engines believes that the enhancements will add value to existing services by enabling more comprehensive help for a participant's retirement plan.

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