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Financial Engines & Aon Hewitt Find 401(k) Participants Who Use Professional Help Are Better Off Than Those Who Do Not

Target-Date Funds Often Not Used as Intended, Negatively Impacting Returns

Sunnyvale, Calif. (May 13, 2014) – A new study from Financial Engines, America's largest independent investment advisor¹ (NASDAQ: FNGN), and Aon Hewitt, the global talent, retirement and health solutions business of Aon plc (NYSE: AON), reveals that 401(k) participants who get professional investment help in the form of managed accounts, target-date funds or online advice, earned higher median annual returns than those who go it alone. However, the study also found that many workers investing in target-date funds are not using them as intended, ultimately lowering their investment returns.

The study, *Help in Defined Contribution Plans: 2006 through 2012*, examined the 401(k) investing behavior of 723,000 workers at 14 large U.S. employers. It found that on average, employees using Help had median annual returns that were 3.32 percent higher, net of fees, than participants managing their own portfolios. If two participants—one using Help and one not using Help—both invest \$10,000 at age 45, assuming both participants receive the median returns identified in the report, the Help participant could have 79 percent more wealth at age 65 (\$58,700) than the Non-Help participant (\$32,800).

“We recognize that many workers benefit from some professional assistance with their investing,” explained Rob Austin, director of retirement research at Aon Hewitt. “Help can significantly impact workers’ long-term savings outlook by giving them the resources they need to make smarter investment decisions. The key is to use Help in a way that maximizes results.”

Use of Target-Date Funds

The study found that more than 60 percent of workers who hold money in target-date funds also invest in other funds. Among partial target-date fund users, the average allocation to target-date funds was just 35 percent.

“Target-date funds play an essential role in a well-designed 401(k) plan and can be a cost-effective, all-in-one solution for participants with simple needs. However, when employees fail to invest in them exclusively, they often end up undermining the benefits of these funds, which are controlling risk and providing good diversification,” said Wei-Yin Hu, vice president of financial research at Financial Engines.

¹ For independence methodology and ranking, see *InvestmentNews* RIA Data Center. (<http://data.investmentnews.com/ria/>).

“Improper use occurs for a variety of reasons, including an employer matching in company stock, workers attempting to time the market, or a lack of understanding of how target-date funds work. Participants may also simply be averse to putting all of their money in one fund as their balance grows.”

Target-date fund misuse is hurting investment returns. The study found that, on average, workers who were partially allocated to target date funds had median annual returns that were 2.11 percent lower, net of fees, than individuals exclusively using target date funds and 2.61 percent lower than those in managed accounts.²

Help Usage Over Time

The Financial Engines/Aon Hewitt study found that automatically defaulting workers into target-date funds does not necessarily ensure these funds will be used appropriately. Even when employees start with their entire retirement portfolio invested in a target-date fund, only 57 percent of them remained fully invested in that fund after five years. By contrast, 87 percent of participants enrolled in managed accounts remained in them over the same five-year period.

“Automatically enrolling workers in 401(k) plans has encouraged many who might not have saved for retirement to begin saving,” said Austin. “However, many employees are making investment decisions that run counter to how the plans are intended to work, which can damage their long-term savings outlook. Companies that have automatic enrollment should determine if workers are using the plan appropriately, and if not, make adjustments such as educating participants about proper diversification.”

Different Types of Help Needed for Different Employees

According to the study, age and plan balance were the strongest indicators of the type of Help employees would be most likely to use. Younger workers with lower account balances and lower contribution rates were more likely to hold target-date funds while younger participants with larger plan balances tended to prefer online advice. Older employees with higher average account balances and higher contribution rates favored managed accounts.

“While everyone’s needs are different, it is clear that most employees benefit from getting help with their retirement investing,” said Financial Engines’ Hu. “The key is that you can’t take a one-size-fits-all approach. Employers can enhance their 401(k) plans by offering all three forms of Help. Most importantly, companies need to continue educating employees on how best to save and invest for retirement.”

Copies of the full report that includes methodology and data information are available for download on www.financialengines.com and www.aonhewitt.com.

About the Study

The study, Help in Defined Contribution Plans: 2006 through 2012, looked at actual user behaviors and the financial consequences of their investment decisions. Conclusions were drawn from seven years of data from the defined contribution plans of 14 companies representing 723,000 individuals and more than \$55 billion in plan assets. Of the 14 defined contribution plans studied in the report, 12 auto-enroll employees into target-date funds and 1 auto-enrolls employees into a managed account.

About Aon Hewitt

Aon Hewitt empowers organizations and individuals to secure a better future through innovative talent, retirement and health solutions. We advise, design and execute a wide range of solutions that enable clients to cultivate talent to drive organizational and personal performance and growth, navigate retirement risk while providing new levels of financial security, and redefine health solutions for greater choice, affordability and wellness. Aon Hewitt is the global leader in human resource solutions, with over 30,000 professionals in 90 countries service more than 20,000 clients worldwide. For more information on Aon Hewitt, please visit www.aonhewitt.com.

² Comparative returns for the period from 2010 through 2012.

About Aon

Aon plc (NYSE:AON) is the leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 66,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative and effective risk and people solutions and through industry-leading global resources and technical expertise. Aon has been named repeatedly as the world's best broker, best insurance intermediary, reinsurance intermediary, captives manager and best employee benefits consulting firm by multiple industry sources. Visit www.aon.com for more information on Aon and www.aon.com/manchesterunited to learn about Aon's global partnership and shirt sponsorship with Manchester United.

About Financial Engines: (NASDAQ: FNGN)

Financial Engines, America's largest independent investment advisor³, is dedicated to making high-quality retirement help available to everyone — regardless of how much money they have. We're proudly independent, which means we don't sell products or earn commissions based on our investment recommendations. The companies that choose to work with us offer our services to their workers as a valuable employee benefit.

Co-founded in 1996 by Nobel Prize-winning economist Bill Sharpe, Financial Engines currently offers personalized advice for saving, investing and living in retirement to millions of workers nationwide. Our strong ties with employers give us a unique opportunity to form direct relationships with their employees.

Some people love the challenge of investing. Others prefer to focus their time elsewhere, but everyone needs to plan for retirement. Whatever their interest level in investing, Financial Engines combines cutting-edge technology and a personal, human touch to help all types of investors reach their retirement goals. For more information, visit www.financialengines.com.

All advisory services provided by Financial Engines Advisors, L.L.C., a federally registered investment advisor and wholly-owned subsidiary of Financial Engines, Inc. Financial Engines does not guarantee future results.

Forward-Looking Statements

This press release contains forward-looking statements, including statements regarding the use of professional investment help and automatic enrollment, which involve risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are outlined in our SEC filings. You are cautioned not to unduly rely on these forward-looking statements, which speak only as of the date of this press release. Unless required by law, Financial Engines undertakes no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this press release or to report the occurrence of unanticipated events.

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