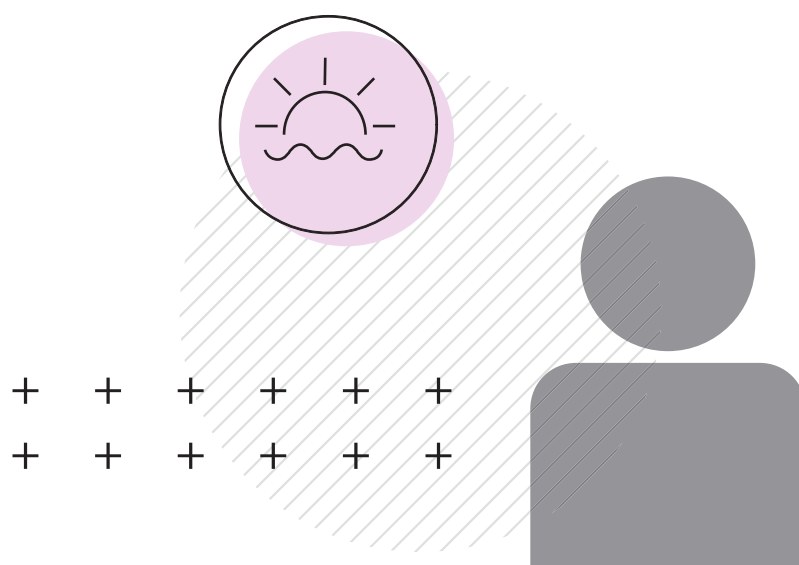


MANAGED ACCOUNTS AND ADVICE METHODOLOGY

# Powering Personalized Retirement Services



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## Your Personalized Retirement Advice

Through your employer's retirement plan, you have access to our professional online financial advice service, managed accounts and advice, which uses, in full or in part, investment and financial planning methodologies Morningstar Investment Management LLC has created to help you build and plan for your retirement goals.

Morningstar Investment Management is a leading provider of investment advisory services for the retirement plan industry. We are a registered investment adviser and wholly owned subsidiary of Morningstar, Inc., a company that has been helping people like you make better-informed investing decisions for more than 30 years.

Our online financial advice service helps you:

- ▶ **Build a personalized investment portfolio** that positions you to take on the appropriate amount of investment risk based on your specific needs and financial situation.
- ▶ **Determine how much to set aside each pay period** based on your specific situation and goals for retirement.
- ▶ **Estimate how much you will need to save in total** to pursue a certain lifestyle through the duration of your retirement.
- ▶ **Manage and monitor your investment portfolio** in alignment with your needs, making changes when necessary on your behalf (available through our managed accounts service only).
- ▶ **Fully utilize your employer's retirement plan** by helping you get the most out of the employer match, evaluating options for guaranteed income, and analyzing options in regard to company stock.
- ▶ **Provide guidance on when you should retire** based on your retirement objectives and the amount you've already saved for retirement.
- ▶ **Assess your Social Security benefit** by helping you determine when you should take it.

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## How We Personalize Your Advice

We update and personalize your advice based on a range of different data points, including:

**1. Information provided by your plan provider, such as:**

- ▶ Income
- ▶ Savings rate
- ▶ Company match
- ▶ Account balance
- ▶ Defined-benefit pension from employer
- ▶ Age
- ▶ Gender
- ▶ State of residence
- ▶ Required retirement age, if applicable
- ▶ Balance and investments from other accounts housed by the same plan provider

**2. Industry data, such as:**

- ▶ Social Security retirement benefits
- ▶ Federal and state taxes
- ▶ Salary curves, which use national data to estimate how individuals' salaries might grow over time
- ▶ Cost of college
- ▶ Maximum savings rates
- ▶ Mortality assumptions
- ▶ Investment return assumptions
- ▶ Required minimum distributions

**3. The data you provide us with through the online interface, such as:**

**Information on other accounts you are using to save for retirement**

The more information you provide, the more personalized of a plan we can create for you. For instance, if you or your spouse have a brokerage account or a retirement account from a previous employer, we can take that into consideration when building and managing your investment and savings strategy. We can also give overall asset allocation guidance on these other accounts.

**Any large financial expenditures you will incur in retirement**

If you have significant expenses planned, such as a wedding, a second home, or a child's college tuition, this information helps us more accurately tailor our advice.

**Other sources of income in retirement**

These include supplemental income, a side business, or incoming life insurance payments. We take these into account to create a more accurate picture of your situation.

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## What is Behind Your Personalized Advice from Morningstar Investment Management?

### **Our Holistic Total Wealth Approach**

We take a holistic or household approach to managing your assets. This means that, when providing advice, we consider all the assets you've told us about, not just your employer sponsored plan. For example, you can include a brokerage account, retirement account from a previous employer, or even a spouse's account—all of which we will consider when providing advice. The result is a comprehensive financial plan that properly accounts for your risk and goals across your various financial accounts.

Our total wealth methodology further helps us determine your specific risk level by calculating the value and asset allocation of your human capital or nonfinancial assets. For the most part, we calculate it based on your age, gender, income, savings rate, and Social Security benefit estimate. Once we have developed an estimate of your total wealth, we adjust the asset allocation of the retirement portfolio to ensure your total wealth is at an age-appropriate risk level.

### **Diversified Asset Allocations**

Complementary to the total wealth approach, our team of investment professionals create diversified portfolios. Your asset allocation (the types of investments we use to construct your personalized portfolio) is based on your expected retirement age. In general, the allocation to stocks and bonds is typically more aggressive for younger investors and more conservative for those nearing retirement.

### **Customized Portfolios**

The service will evaluate the funds in your employer's plan and will help you assemble them into an appropriate portfolio for your specific situation. If you select our managed accounts service, we also will monitor the funds in your portfolio on an ongoing basis, making any necessary modifications as the funds in your employer's plan change. As part of this portfolio evaluation process, we will:

- ▶ Group and analyze the available investment options in your retirement plan
- ▶ Estimate the risk of each investment option
- ▶ Incorporate changes in fund fees

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### **Services for Retired Users**

Morningstar Investment Management has provided advice for those in retirement for more than a decade, including guidance on how much individuals can withdraw from their savings each year to ensure their money will last throughout their retirement. Our managed accounts service also offers recommendations on RMD transfers, retirement cashflows, and the incorporation of guaranteed income products, and can explicitly model certain retirement expenses, such as medical costs.

We'll advise you on how to tax-efficiently withdraw money and which sources to draw from first, whether it's your 401(k), IRA, or a taxable account, etc. Managed accounts uses an evolving life expectancy assumption to ensure your retirement plan stays aligned with your situation, and features portfolios specifically designed for the drawdown phase with a focus on safe growth, inflation protection and capital preservation.

### **Wealth and Income Projections**

Not all financial calculators are equal. We seek to model the complete range of possible future outcomes, so that your advice is as accurate as possible and tailored to your unique circumstances.

## **Ready to Receive Personalized Advice?**

You can access our professional online financial advice service through your plan provider website. If you have trouble accessing the service, contact your human resources department for assistance.

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This commentary contains certain forward-looking statements. We use words such as “expects”, “anticipates”, “believes”, “estimates”, “forecasts”, and similar expressions to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially and/or substantially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.

Investment advice delivered through Managed Accounts and Online Advice is based on information provided and limited to the investment options available in a retirement plan. Projections and other information regarding the likelihood of various retirement income and/or investment outcomes are hypothetical in nature, do not reflect actual results, and are not guarantees of future results. Results may vary with each use and over time.

All investments involve risk, including the loss of principal. There can be no assurance that any financial strategy will be successful. Morningstar Investment Management does not guarantee that the results of their advice, recommendations or objectives of a strategy will be achieved.