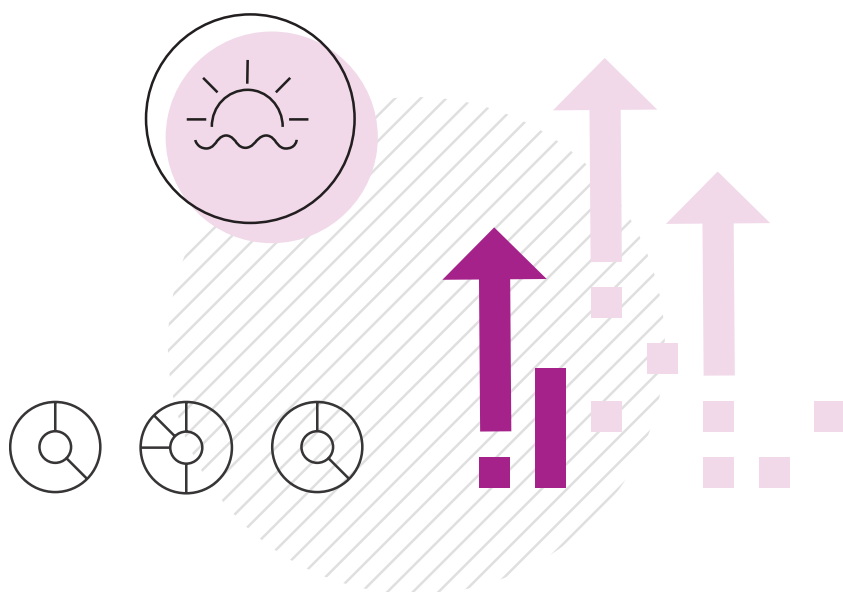


Morningstar Managed Accounts Frequently Asked Questions



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1

What is Morningstar Managed Accounts?

Morningstar Managed Accounts is a service designed to provide you with a personalized retirement plan. When you're focused on today's priorities, it can be hard to find the time and motivation to focus on planning your financial future. Your employer wants to help you take action.

You access Morningstar Managed Accounts online, so you can use it just about anywhere. It takes about five minutes to get started with setting up a plan—and that plan will be completely personalized to your unique situation. You have access to Morningstar Managed Accounts as part of your company's overall benefits package. Anyone eligible to participate in your company's 401(k) program can use the service.

2

Who's Morningstar, Inc.?

Morningstar, Inc. is a company that has been helping people make more-informed investing decisions for more than 30 years. When it comes to the information they provide to investors, Morningstar, Inc. is obsessed with two things: quality and independence. Around the world, they have become a trusted source of objective, unbiased information about investing.*

Morningstar, Inc. and its subsidiaries uses their data, research, and investment management knowledge and experience to provide retirement solutions to hundreds of thousands of employers and their employees on retirement planning and investing—with the aim of helping individuals achieve their financial goals.

Morningstar Investment Management is a registered investment advisor and subsidiary of Morningstar, Inc. and provides some of the advisory services through Managed Accounts.

3

Why should I consider using Morningstar Managed Accounts?

Saving and investing for retirement is something we all know we have to do, but it can be difficult to find the time and motivation. Morningstar Managed Accounts helps make it easier by providing you with a personalized plan to help you figure out how much you need to save and how to invest your savings. You can get your plan in as little as five minutes.

Also, you get to decide how involved you want to be in managing your retirement account. You can either manage it yourself or have the professionals at Morningstar Investment Management manage it for you.

*Morningstar U.S. brand study, May 2016

4

Why should I consider using Morningstar Managed Accounts?

You can access Morningstar Managed Accounts through your plan provider website. Once you log onto the website, there will be a link to access Morningstar Managed Accounts. You'll be able to confirm some information about yourself and your financial situation, and in about five minutes, you will have a personalized plan for saving for retirement. Morningstar Managed Accounts helps you figure out answers to these kinds of tough questions:

- ▶ How much money do I need in retirement?
- ▶ When will I be able to retire?
- ▶ How much money should I be saving now?
- ▶ How much risk should I take on?
- ▶ What investments should I choose?

These questions can be complicated because there are a lot of factors to consider and so much depends on your unique situation. Morningstar Managed Accounts takes many aspects into account—your age, financial situation, other sources of income, etc.—and then runs simulations to build a plan for your retirement goals and creates a savings plan that's completely customized for you.

5

How much time will it take me to set up my plan and choose my investments?

This is hard to believe, but true: Getting started with Morningstar Managed Accounts and receiving your personalized retirement savings plan takes about five minutes! Going forward, if you've chosen to have Morningstar Investment Management's professionals manage your investments, you should expect to spend about 10 minutes a year focusing on your plan.

6

What is a managed account?

Managed accounts uses details (like your age and salary) to create a professionally managed portfolio designed specifically for your financial situation. Next to hiring a personal financial planner, managed accounts is one of the only options that offers a full retirement strategy, including a recommended savings rate, a target retirement date, and a retirement income projection and goal.

What is the difference between managed accounts and advice?

Managed Accounts

If you're someone who dreads financial planning or simply doesn't have time for it, check out the managed accounts option. You get a lot of help upfront setting up your plan, and then the professionals at Morningstar Investment Management will manage it for you, tweak it when necessary, and keep you posted on how it's going.

Advice

If you'd rather manage your account yourself, there's the advice option. You get a ton of information that will help you make the most informed decisions—resources, research and educational support—and you call the shots.

You can choose the personalized retirement solution that works for you.

	Managed Accounts	Advice
Target retirement income goal	✓	✓
Projected retirement income amount	✓	✓
Savings rate recommendation	✓	✓
Retirement age recommendation	✓	✓
Personalized asset allocation strategy	✓	✓
Professional investment selection	✓	✓
Ongoing account monitoring	✓	
Automatic account rebalancing	✓	
Changes implemented automatically	✓	
Quarterly progress reports available online	✓	
Annual progress reports mailed	✓	

How much does the service cost?

Receiving your personalized retirement savings plan is available at no cost to you, as this service is provided by your employer as a benefit.

There is an annual account management fee—less than 1 percent of your account balance—if you choose the managed accounts service and have the professionals at Morningstar Investment Management manage your account for you. For example, less than \$350 for a \$35,000 account. That's less than what you'd pay to have a private financial advisor do this work—they usually charge more than 1 percent. You receive this special rate through your employer.

There is no additional charge for the information and support you receive if you choose to manage your account yourself.

How do I know if this service will really help me reach my retirement goals?

No one has a crystal ball, and no financial professional can guarantee certain results when it comes to investing. There's a study¹ that was completed in January 2019 (you can review it online if you like) that asked this very same question. It found that off-track individuals enrolled in the managed accounts service:

- ▶ Increased their savings rates by nearly 33%, an average of 2% of their salary.²
- ▶ The percentage of off-track individuals maximizing employer match increased by 12% after entering a managed accounts service.³
- ▶ Participating in a managed accounts service resulted in more-appropriate portfolio risk levels for individuals.⁴

¹ A total of 60,825 Morningstar Retirement Manager "opt-in" participants were included in the study based on available participant information and various filters and include those that used Morningstar Managed Accounts service between the dates of January 2007 and June 2018. Morningstar® Retirement Manager™ is similar to Managed Accounts, with the difference that all investment recommendations through the service are provided by Morningstar Investment Management LLC, instead of a combination of advice from Morningstar Investment Management and an unaffiliated investment adviser chosen by your plan sponsor.

² For the purposes of this study, a participant who is "Not On Track for Retirement Success" is defined as an individual that has less than a 70% probability of achieving their retirement income goal prior to using the Morningstar Retirement Manager Managed Accounts service.

³ This figure quantifies the change in deferral rates for participants prior to and after using the Morningstar Retirement Manager managed accounts service. The median absolute difference for those not-on-track users was two percentage points with a relative change of 33.3%. The median absolute difference for on-track users was zero percentage points with a relative change of 0%. Changes were not constant across age ranges.

⁴ This figure quantifies the percentage of participants who received the maximum employer match prior to and after using the Morningstar Retirement Manager managed accounts service. Only plans that offered an employer match were included in this analysis. On average, 12% more not-on-track participants received the maximum employer match, when a match was available, versus 1% of on-track participants.

⁵ Equity allocations for portfolios before and after a participant enrolled in the Morningstar Retirement Manager managed accounts service were estimated. After using managed accounts, there were considerable changes in risk levels for some participants, in particular a subset of self-director users who were invested primarily or entirely in fixed income prior to enrolling in managed accounts. Such participants were generally invested too conservatively and had a significant increase in their equity allocations after enrolling in managed accounts. In addition, a significant number of participants, especially older participants, ended up in more conservative portfolios after enrolling in managed accounts. For important information regarding the research statistic(s), and to download the full study, go to: <https://www.morningstar.com/lp/impact-of-managed-accounts>

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Research on The Impact of Managed Accounts on Participant Savings and Investment Decisions

In no way should any performance shown be considered indicative or a guarantee of the future performance of an actual DC plan participant's portfolio with the same investment option or viewed as a substitute for an investment option recommended to an individual participant. Actual results of an individual participant may differ substantially from the historical performance shown for an investment option and may include an individual participant incurring a loss. Past performance is no guarantee of future results.

Performance returns were calculated using a time weighted, geometrically linked rate of return formula. Returns for periods over one year are annualized.

Morningstar Investment Management does not guarantee that the results of their advice, recommendations, or the objectives of an investment option will be achieved.

In no way should the results of this analysis be considered indicative or a guarantee of the future performance of an actual participant using Morningstar Retirement Manager or considered indicative of the actual performance achieved by an individual participant using Morningstar Retirement Manager.

To download the full research paper, please go to: <https://www.morningstar.com/lp/impact-of-managed-accounts>.

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