

RETIREBRIGHTSM: A COMPLETE GAME PLAN FOR RETIREMENT READINESS



Bright tomorrows begin today.

When exactly can I retire? It's a question that today's workforce struggles to answer, but workers aren't the only ones who should be concerned with answering it. Simply put, when an employee can't retire on time, it affects more than that individual; it can become a significant pain point for the company sponsoring the plan as well.

Most employees understand the need to save for retirement; however, studies suggest that few of them are adequately saving. One recent survey found that 28% of workers have less than \$1,000 saved for retirement.¹ This gap puts today's plan sponsors in an awkward predicament; they need to ensure their employees are able to amass enough wealth to retire on time or face the repercussions of keeping an aging population on their payroll.

SPONSORING MORE THAN THE PLAN

Pensions are falling by the wayside, and Social Security benefits may not remain at their current levels. So let's face it, we have entered the age in which more employees will rely on the savings from their defined contribution plans to be their primary source of retirement income. Gone are the days when retirement plans were just an added perk to a benefits package; defined contribution plans have transformed into an integral piece in helping employees achieve retirement readiness.

In response, today's plan sponsors feel an obligation to offer more than just a retirement plan. They want to offer a plan that works. In fact, 84% of plan sponsors feel that it is their responsibility to take an interest in whether their employees are tracking toward a comfortable retirement, yet only 20% of them have conducted a retirement readiness assessment.² So despite plan sponsors' good intentions, a disconnect between obligation and execution has formed.

To take it one step further, improving employees' retirement readiness levels extends past a simple pay-it-forward mentality; the impact can trickle all the way down to the inner workings of a company. When older workers retire on time, employers can maintain an uninterrupted cycle of promoting new employees to fill the roles of those who have left. That process breaks down if tenured workers cannot retire as expected.

When seasoned employees stay on the job longer, it can have a noticeable effect on the morale of younger workers. Millennials are especially eager to progress in their careers and are less willing to wait three to five years for a promotion, which could mean that if there's no room for advancement, key employees may grow restless and move onto another company.³ And when you factor in the possible \$15,000 to \$25,000 price tag of replacing a millennial employee, plan sponsors could face a recipe for disaster.⁴ Further still, health and disability insurance costs tend to rise with age. These factors can make an impactful difference in productivity and overhead.

DETACHED FROM SAVING

Multiple studies suggest that employees do want to save for retirement, but they may not know how to do it. One recent study found that nearly 93% of workers think they should be contributing some portion of their income toward retirement, and half of them believe they should contribute more than 10%; however, only one-fifth are currently saving 10% or more.⁵ There is also a preconceived notion that workers will retire somewhere in their early to mid-60s, depending on when they want to stop working. In reality, being able to retire doesn't have so much to do with age as it does with the amount of income needed to do so.

1 EBRI's 2013 Retirement Confidence Survey: Perceived Savings Needs Outpace Reality for Many, 2013

2 Annual 401(k) Retirement Readiness Survey, Deloitte 2010

3 *Forbes*: 7 Surprising Ways to Motivate Millennial Workers, <http://www.forbes.com/sites/jennagoudreau/2013/03/07/7-surprising-ways-to-motivate-millennial-workers/>, March 2013

4 "Why are 60 percent of millennials leaving their dream jobs?," CareerBuilder, October 2013

5 Saving for Retirement: Americans Know What They Should Do, but Challenge Lies in Follow-Through, <http://www.marketwatch.com/story/saving-for-retirement-americans-know-what-they-should-do-but-challenge-lies-in-follow-through-2014-03-17>, 2014

Most financial advisors say retirees will need 70% of pre-retirement gross earnings to comfortably maintain their standard of living.⁶ But ignorance, apathy, confusion, fear and procrastination all act as blinders to saving that much for retirement. When it comes to planning for life after work, newly hired employees actually spend less than one hour thinking about a retirement savings strategy.⁷

Today's participants grapple with some of the most basic questions regarding their retirement plan and savings strategy:

- » Should I enroll?
- » How much should I save?
- » Which investments should I choose?⁷

It's harder to answer these questions when present-day expenses are battling for pieces of an employee's paycheck. In today's economy, more than one in four workers use funds from their 401(k) and other retirement savings accounts to pay everyday bills.⁸ As a result, the concept of saving for the future oftentimes takes a back seat.

Furthermore, retired workers used to be able to rely heavily on Social Security benefits to supplement the majority of their monthly income during retirement. But with each new generation, that expectation is challenged. Seventy-seven percent of today's workers are less likely to expect Social Security income in retirement than today's retirees. Additionally, 33% of today's workers expect Social Security to provide the majority of their income in retirement, whereas 70% of today's retirees rely on Social Security as their primary income source.⁹

In short, not knowing how to save, coupled with not saving enough and not understanding the importance of saving, is having a profound effect on the future retirement possibilities of many of today's workers. So much so that a typical household approaching retirement has an average of \$120,000 in savings, which could equate to an approximate annual income of \$7,000—nowhere near estimates of needed replacement income.¹⁰ So what's the answer?

EDUCATE, OPTIMIZE, READY, RETIRE

Fortunately, there are solutions to help you prepare your employees for retirement, but it all begins with identifying your participants' needs. When you understand who your participants are, then you can tailor your defined contribution plan to meet their needs.

If you want to see your workers retire confidently, you will need a comprehensive retirement readiness strategy—one that not only motivates your employees to start saving, but also to save sooner, to save more, and to save smarter. But you need more than a blueprint for success; you need a partner who can transform your good intentions into meaningful solutions. Great-West Financial[®] is that partner. And the impactful strategy is our RetireBrightSM solutions suite—Great-West Financial's full spectrum of tools, products and services that support a personalized, actionable and measurable retirement readiness strategy.

It starts with education. Regardless of where on the spectrum an investor falls, he or she can benefit from educational tools and services. An educated participant turns into a wise saver, which is a win-win in the race to retirement. But not everyone learns in the same way. Some of your participants may prefer face-to-face retirement education while others could benefit more from online guidance. RetireBright has solutions for both and everyone in between.

Optimal choices. Educating your participants is only the first step to helping them become retirement ready. They need to be able to put their newfound knowledge to good use. In his book, "Save More Tomorrow: Practical Behavioral Finance Solutions to Improve 401(k) Plans," Shlomo Benartzi talks about that next step. He advocates that plan sponsors need to design a well-developed defined contribution plan with the following characteristics:

- » High participation rates
- » Adequate savings levels
- » Wise investment strategy

So how can your plan acquire these traits? You can start by making it easier for your participants to make good choices. And in order to do that, you have to take a step back to determine where your participants fall on the investing scale. Some may not know a lot about

6 Source: <http://www.socialsecurity.gov/planners/morecalculators.htm>, November 2013

7 "Save More Tomorrow: Practical Behavioral Finance Solutions to Improve 401(k) Plans," Shlomo Benartzi, 2012

8 "The Retirement Breach in Defined Contribution Plans," HelloWallet, 2013

9 EBRI Databook on Employee Benefits, Chapter 7, 2011

10 Center for Retirement Research at Boston College, July 2012

investing, so they will need a little more help or a lot. RetireBright is made up of tools and services that can show how specific plan design features like auto-enroll, auto-escalate and auto-invest into a managed account service can benefit those workers who may not have the time or the know-how to be hands-on investors and need a high level of assistance.

Additionally, our target date funds can help slightly more proactive participants tailor their investment decisions according to their expected date of retirement.

Note: target date funds automatically adjust their asset allocation to become more conservative over time as the target retirement date approaches. The date in a target date fund's name represents an approximate date when an investor is expected to retire (which is assumed to be at age 65) and/or begins withdrawing money. The principal value of the funds is not guaranteed at any time, including the target date. For more information, please refer to the fund prospectus and/or disclosure document.

Finally, for employees who have the ability and the time to choose their own investments, RetireBright accommodates more flexible defined contribution options like self-directed brokerage accounts and a strong lineup of core funds.

Ready to retire. Regardless of the investing comfort level your participants possess, our RetireBright suite can meet their needs. When those needs are met, better decisions can be made. And when participants make well-informed decisions regarding their retirement planning, their financial future gets a little brighter.

BRIGHT SIDE OF RETIREMENT READINESS

So you set a strategy and have a means to deliver it to your participants, but how do you know that it will work or that it will continue to work? You need a way to test your plan's design, measure the results, and then make adjustments. We believe this cycle starts at the participant level.

GLIMPSE INTO RETIREMENT

Your plan participants all share one common goal—to retire with an adequate amount of money to live comfortably. However, it's easy to lose sight of that long-term goal when present-day objectives like paying off debt and advancing careers are fighting for the limelight. It comes as no surprise that the majority of recently

surveyed participants indicated that they wanted Web access to a personalized action plan that can help them reach their retirement goals.¹¹

Enter the Retirement Income Control Panel tool, provided by Advised Assets Group, LLC (AAG), a federally registered investment adviser. Accessible from a participant's home page, the Retirement Income Control Panel serves as a constant reminder to save for retirement because it's not just another static calculator. Most income projection tools are only capable of providing an estimate of accumulated wealth, but the Retirement Income Control Panel is populated with real participant data that is unique to each individual within your defined contribution plan.

Each participant's Retirement Income Control Panel shows a personalized view of his or her projected monthly income, and then takes it a step further. Participants can see how making changes to their retirement savings (i.e., increasing contributions) and investing strategies can affect their monthly income during retirement. This instrumental element of the Retirement Income Control Panel makes it possible for participants to truly envision their future retirement. And it's this critical observation that can become a catalyst for change.

SOLUTIONS SNAPSHOT

The Retirement Income Control Panel may be the most critical component of the RetireBright solution suite at the participant level, but the Retirement Readiness Report Card (Report Card), also provided by AAG and designed with plan sponsors and advisors in mind, is the crown jewel overall. Similar to your participants' unique Retirement Income Control Panel, the Report Card is a reading of actual participant data—specifically, it's an analysis of all of your participants' saving and investing behaviors. It's a valuable tool for plan sponsors and advisors because it aggregates participants' retirement readiness projections at the plan level.

Of the many measurable attributes of retirement readiness, the Report Card focuses on four pillars that may impact your participants' ability to retire as planned:

1. Savings rate
2. Investment portfolio allocation
3. Years to retirement
4. Income replacement percentage

So as opposed to generic reports, the Report Card provides an analysis of participants' retirement readiness levels, and then shows projected retirement readiness if participants adopted the saving and investing strategies proposed by AAG's advisory service products.

Produced on a quarterly basis, the Report Card is broken into four distinct sections:

- » The **Participant Behavior and Retirement Readiness** section provides some general insights and observations around typical participant behavior and how that impacts the participant's ability to achieve retirement readiness.
- » The next section is **Your Plan's Retirement Readiness Analysis**. It looks at your participants' efforts to prepare themselves for retirement and reviews the four pillars that impact whether or not they are on track to meeting their retirement goals.
- » The next section is made up of **Investment Allocation Assistance and Utilization Statistics**, which includes an analysis of the utilization of investment allocation product and service solutions available in your plan.
- » The last section of the Report Card is the Reality Investing® Advisory Services **Plan Portfolio Analysis**, with information regarding the seven plan-specific risk-based portfolios that range from very conservative to very aggressive. This report summarizes the asset class diversification of the portfolios and details the funds within the plan that are utilized as part of each of the portfolios. A comparison of participant account performance and investment risk profile based on the use of the Investment Allocation Assistance solution rounds out this final section of the Report Card.

Our Retirement Income Control Panel and Report Card work in tandem to provide both insights and solutions for improving retirement readiness. Using the Retirement Income Control Panel, plan participants see how their choices could impact their monthly income in retirement, whereas plan sponsors and advisors can use the Report Card as a gauge to see how plan modifications may impact employees' financial outlook to and through retirement.

SUCCESSFUL MEASURES

In the realm of retirement planning, what individuals choose to do today can greatly affect their income tomorrow. And how a plan participant chooses to answer those rudimentary questions that we touched upon earlier can be the difference between being retirement ready or not:

- » Should I enroll?
- » How much should I save?
- » Which investments should I choose?

Our RetireBright solutions suite makes it possible for each of your participants to answer those questions confidently and in accordance with their own unique retirement goals.

It becomes even easier for your participants to answer those investment questions when you have the necessary tools to provide a behaviorally healthy plan that boasts high participation rates, adequate savings levels, and a wise investment strategy. The resources that are available in the RetireBright solutions suite make it simple for you to design such a plan.

In its entirety, our RetireBright suite provides the retirement readiness solutions you need to ensure that you and your participants can not only answer the question of, "When exactly can I retire?," but that you can also make certain that the answer is "Exactly when I want to."

Join us in our ongoing endeavor to create bright financial futures where retirement is only the beginning.

Prior to selecting investment options for your Plan, Plan Sponsors should consider the investment objectives, risks, fees and expenses carefully. For this and other important information, you may obtain prospectuses for mutual funds, any applicable annuity contract and the annuity's underlying funds, and/or additional disclosure documents for investment options exempt from SEC registration from your registered representative. Read them carefully before making a selection.

Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker dealers.

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