



401(k) Plans

BRIDGING THE GAP

Between Sponsors and Participants

Dave Gray

VP, Client Experience and Product Management

THE DATA

CFO Research Services

What:
Online survey

When:
July–August 2011

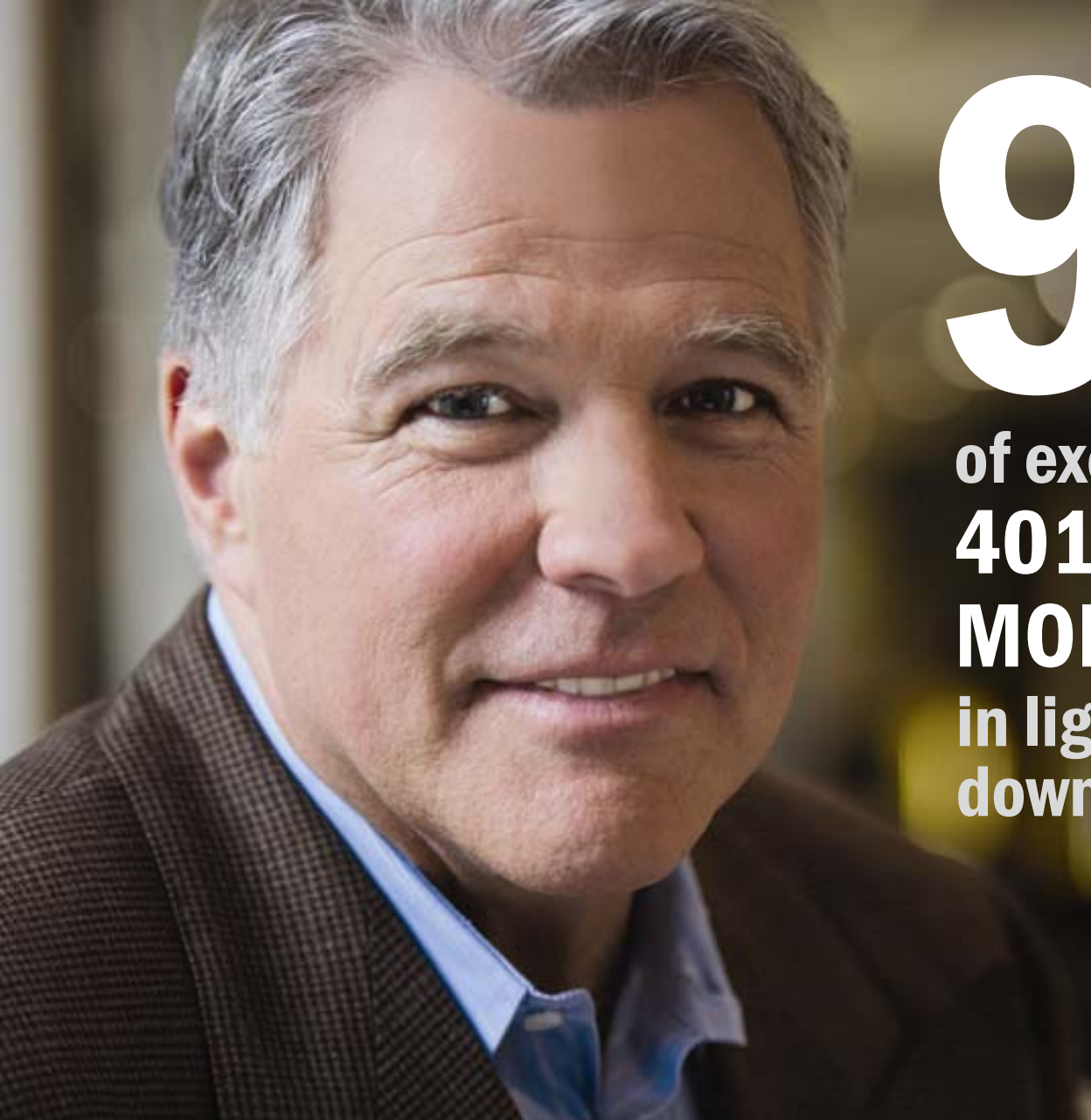
Who:
215 senior finance and HR executives
at U.S. companies with annual
revenues of \$100 million or higher

Koski Research

What:
Online survey

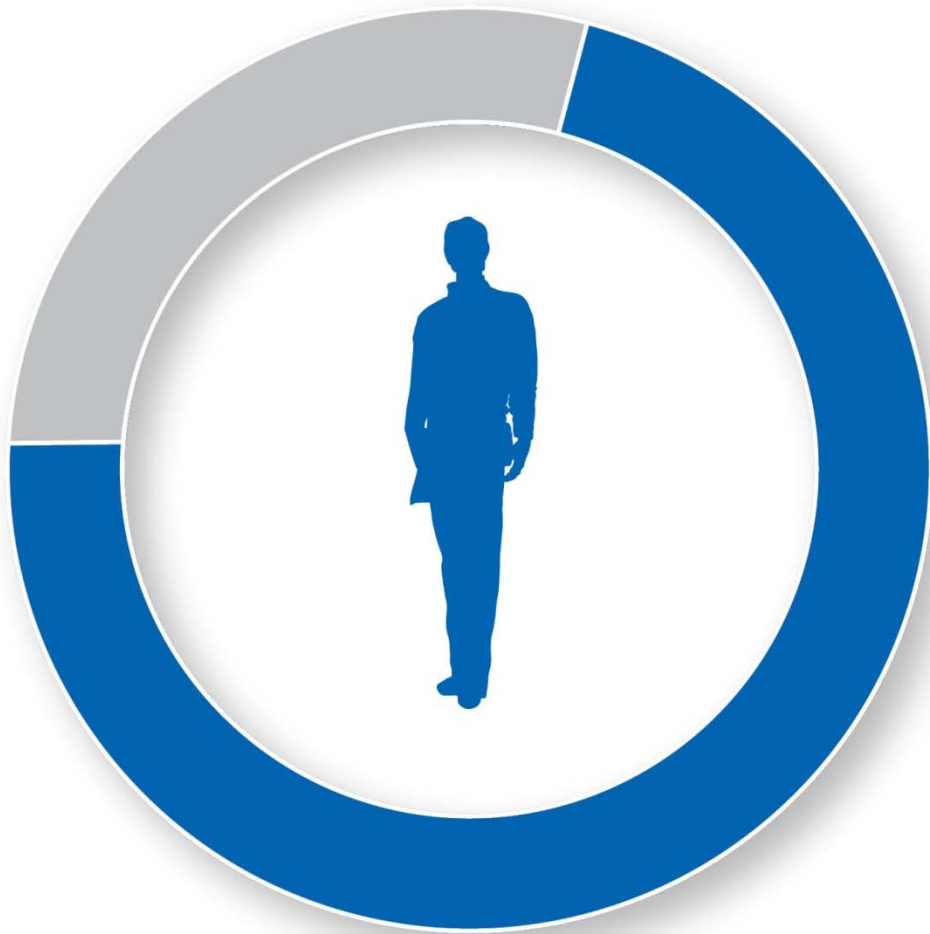
When:
August 30–September 1, 2011

Who:
A nationally representative
sample of 1,005 U.S. workers



90%

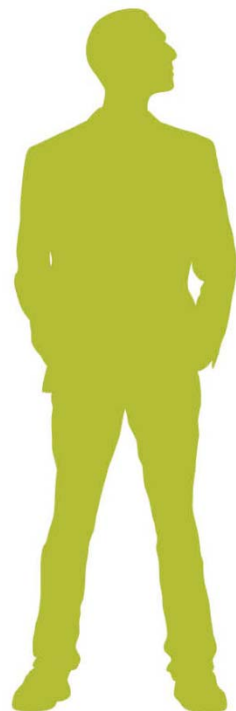
of executives think
**401(k) PLANS ARE
MORE VALUABLE**
in light of the economic
downturn.



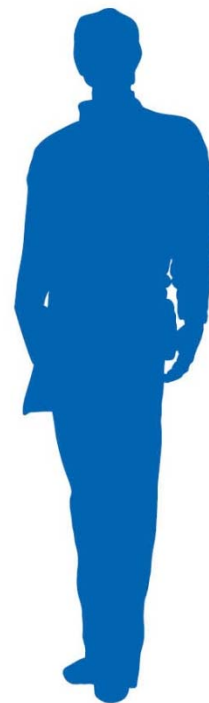
70%
OF PARTICIPANTS

**401(k) is the only or
primary source of
retirement savings.**

Sponsors



Participants



SPONSOR VIEW

Fee Disclosure Regulations

JULY 1, 2012

Concerns About Costs

1. Administration

2. Investments

**3. Impact on
readiness**

79%

**Evaluating
administration
fees**

64%

**Evaluating
investment
expense**

49%

DON'T KNOW
how to justify fees.

Potential Impact of Fee Disclosure on Participants

POSITIVE

NEGATIVE



NO EFFECT



401(k) Services

ARE THEY UTILIZED?

54%

of participants
don't use
401(k)
services.

**TARGET DATE FUNDS EDUCATION
TOOLS INVESTMENT OPTIONS ADVICE**

What's the plan?
DOUBLE DOWN

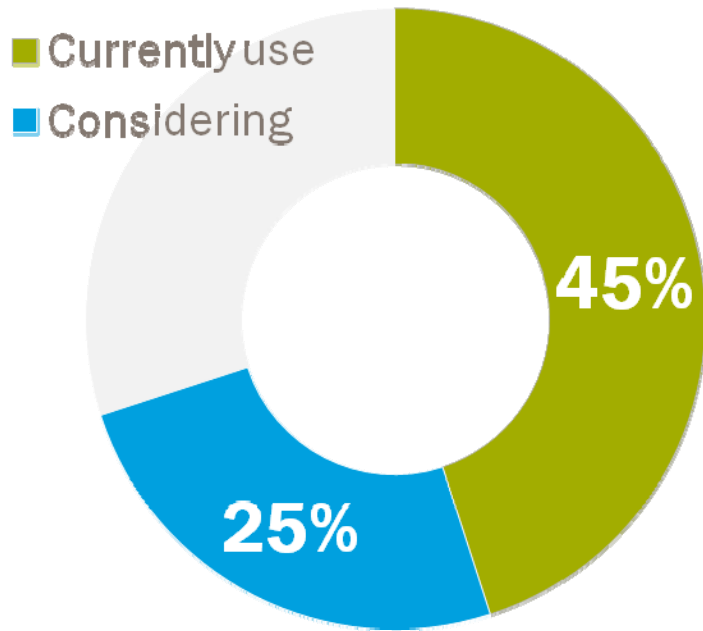
93% INTERACTIVE TOOLS

93% EDUCATIONAL MATERIALS

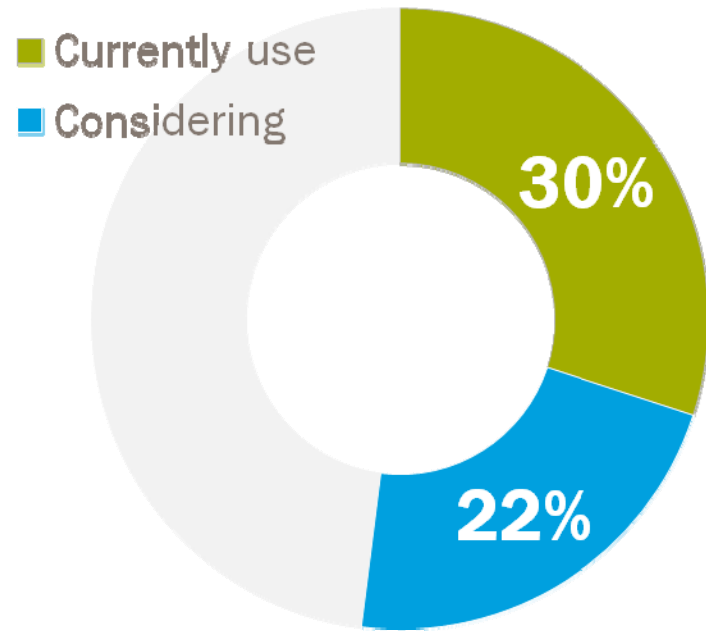
81% WORKSHOPS

Adding Automatic Solutions

Automatic Enrollment



Automatic Deferral Escalation



PARTICIPANT VIEW

A woman with short dark hair, wearing a colorful floral patterned top, is smiling and eating a chocolate cake. She is holding a blue plate with the cake on it. In the background, there are other people, including a man in a light blue shirt and another person in a dark jacket, also eating. The setting appears to be outdoors with green foliage in the background.

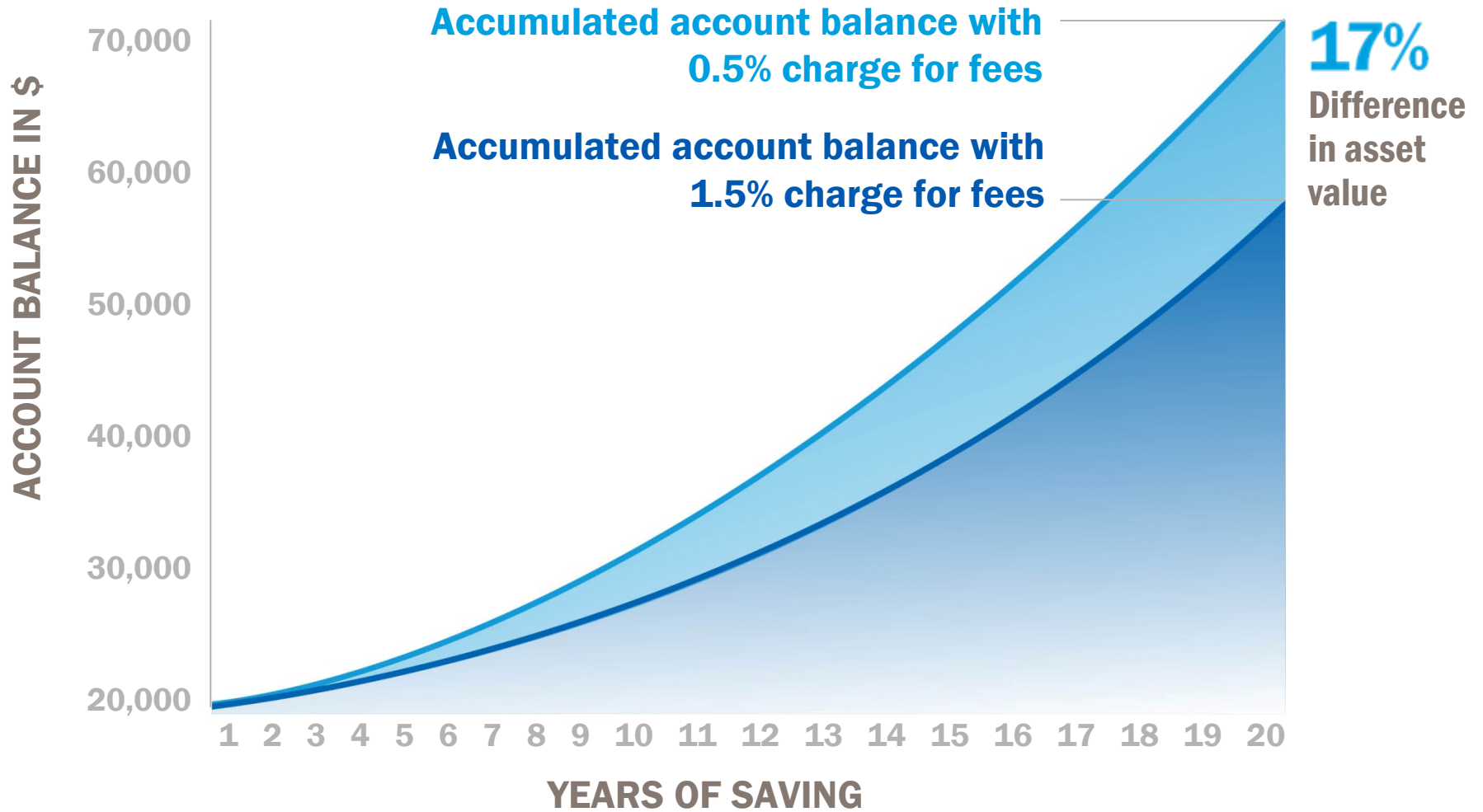
30%

**DON'T KNOW THEY
PAY 401(k) FEES.**

**95% don't know about
investment operating
expenses.**

**67% don't know about
administration fees.**

Impact of Investment Operating Expenses



Hypothetical. For illustrative purposes only. Results not guaranteed.

A MAJORITY OF PARTICIPANTS

Have calculated their needs

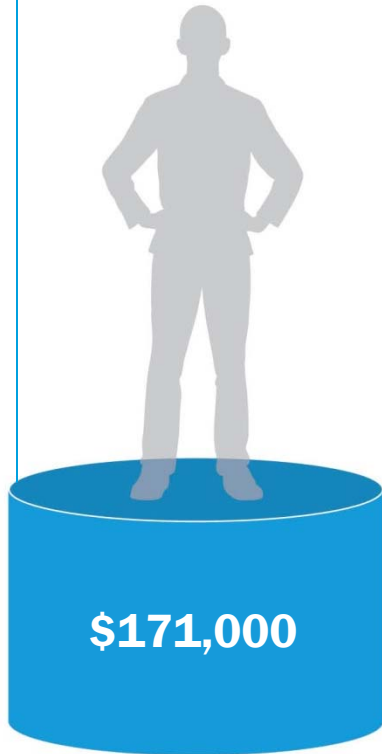
Believe their calculated savings **WILL LAST**

REALITY CHECK

Inadequate Savings

AVERAGE SAVINGS

Most people have \$171,000 in savings.



SELF-CALCULATED NEED

Participants think they need \$1.4 million to retire.



ACTUAL NEED

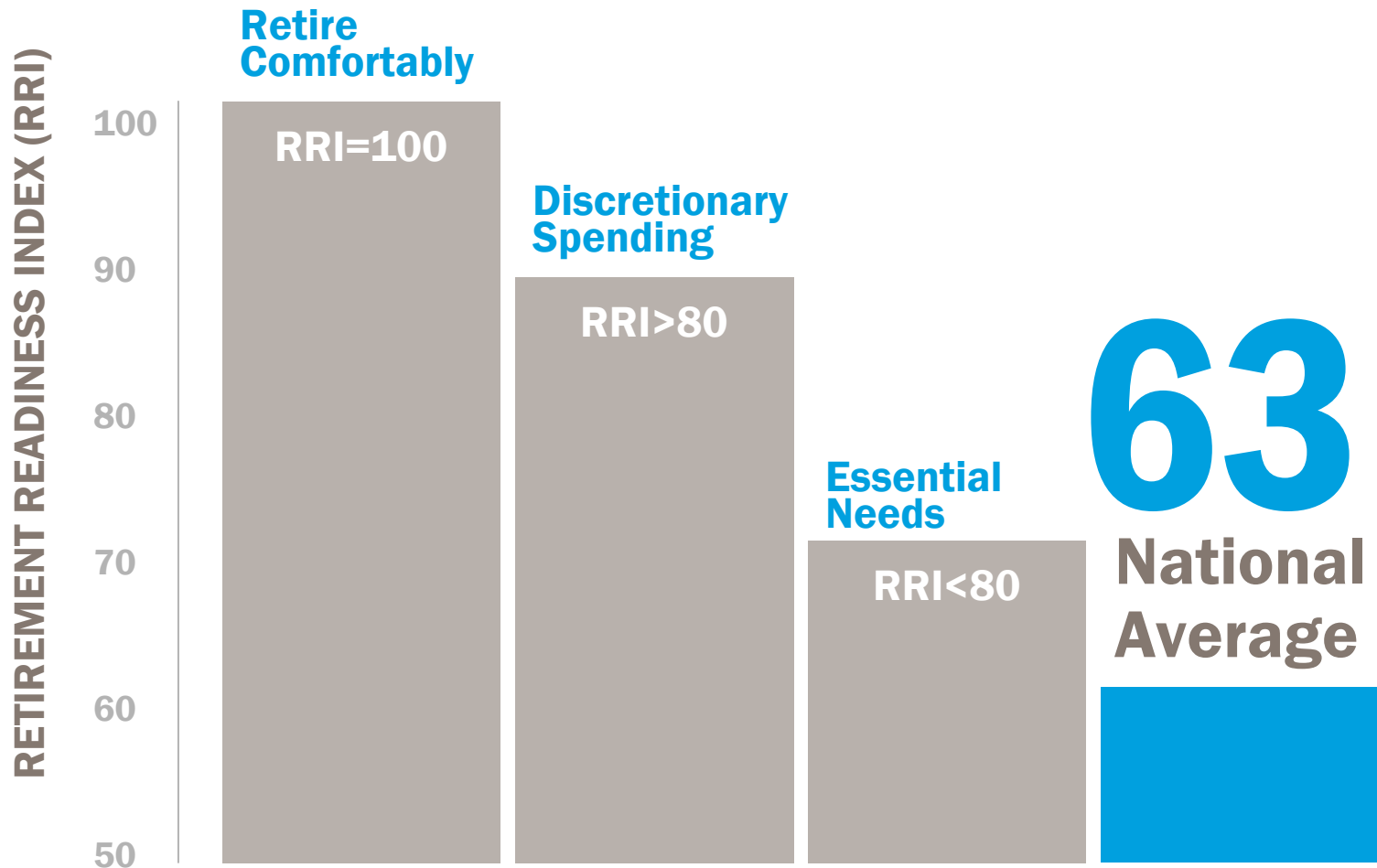
Participants actually need close to \$3 million to retire.



20 years until retirement

Mean household income = \$96,000

Not Ready for Retirement



REALITY CHECK

Inadequate Involvement

Managing a 401(k) account takes time, interest, and knowledge.

About half of respondents say they lack time, interest, and knowledge.

**73% spend less than
8 hours per year.**

**45% spend less than
4 hours per year.**



56%
DON'T REVIEW
plan-related education
materials.

OF THOSE WHO DO SEEK HELP,

**41% get it from
family and friends.**

83%

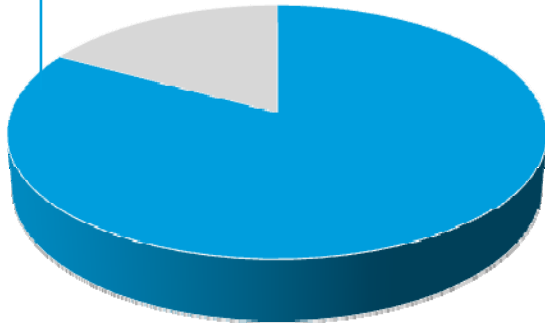
ARE INTERESTED
in professional
investment management.

The Disconnect Over Advice



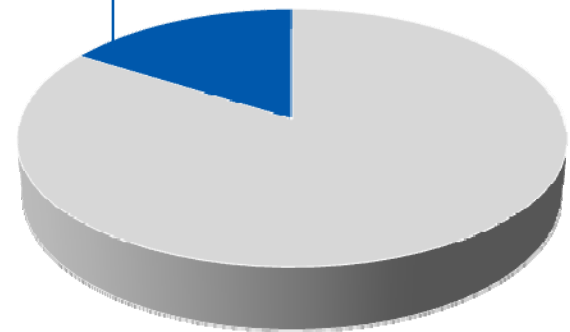
83%

of participants
want
professional
investment
management.



16%

of sponsors
plan to
promote
professional
advice.



BRIDGING THE GAP

Sponsors should consider combining

**LOW COST
INVESTMENTS (OER)**



**PROFESSIONAL
MANAGEMENT**

informed by participant behavior

delivered with industry best practices

as a way to improve participant outcomes



Sources

Slides 3, 5, 8-19, 33: "The Changing Benefits of 401(k)s" was initiated by Schwab in collaboration with CFO Research Services, the sponsored research group within CFO Publishing Corp., which produces *CFO* magazine. CFO Publishing is part of The Economist Group. All survey data collection and analysis was conducted online within the United States by CFO Research Services. A total of 215 interviews were conducted from July through August, 2011, on plan sponsors. No estimates of theoretical sampling error can be calculated: A full methodology is available. The national participant survey constitutes The Changing Benefits of 401(k)s.

About CFO Research Services

CFO Research Services is the sponsored research group within CFO Publishing Corp., which produces *CFO* magazine. CFO Publishing is part of The Economist Group. For more information visit cfo.com/research. CFO Research Services is not affiliated with Schwab Retirement Plan Services, Inc.

Slides 4, 20, 21, 23-25, 27-33: "401(k) Participant Survey" was initiated by Schwab in collaboration with Koski Research Inc. All survey data collection and analysis was conducted online within the United States by Koski Research. A total of 1,005 interviews were conducted between August 30 and September 1, 2011, on employees employed full-time or part-time and who participate in their employer's 401(k) plan. No estimates of theoretical sampling error can be calculated: A full methodology is available. The national participant survey constitutes the 401(k) Participant Survey.

About Koski Research

Koski Research is a marketing research firm that helps leading financial services firms use market research to improve decision-making, generate front page news, and stimulate communication efforts. Koski Research has conducted thousands of surveys and interviews among executives, individual, and institutional investors, and intermediaries that have enabled financial services firms to have a deeper understanding of their clients and better meet their needs. For more information visit koskiresearch.com.

Koski Research Inc. is not affiliated with Schwab Retirement Plan Services, Inc.

Sources

Slide 6:

* The New Rules of Engagement for 401(k) Plans, Charles Schwab in conjunction with Koski Research, 2010.

** The Financial Engines National 401(k) 2010 Evaluation, Who Benefits From Today's 401(k)?, Financial Engines, 2010.

Slide 22: Private Pensions: Changes Needed to Provide 401(k) Plan Participants and the Department of Labor Better Information on Fees. United States Government Accountability Office, November 2006.

Slide 26: Restoring Americans' Retirement Security: A Shared Responsibility, McKinsey & Company, 2009.

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