PRINCIPAL® PlanWorks

RE·TIRE·MENT READ·I·NESS:

The degree to which a participant is on target for meeting and maintaining income goals throughout retirement

+ RETIREMENT READINESS CONTINUES TO BE A CHALLENGE

As few as 18% of workers are confident they will have **enough money to live comfortably** throughout their **retirement.**[1]

48%

48% of American workers have **less than $10,000 in retirement savings.**[2]

70% say they are **behind in planning and retirement.**[2]

To truly impact retirement readiness, we need to focus on IMPROVING RETIREMENT OUTCOMES.

HOW?

60%

By turning behavioral challenges into behavioral solutions with automatic plan features.

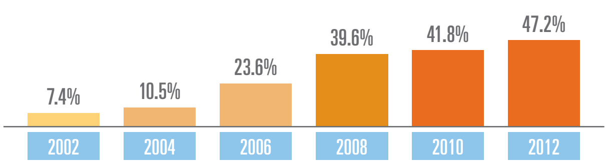
+ When given the chance to "opt-in" very few do. Similarly, when given the chance to "opt-out" very few do. As a result, **automatic features prove to be a powerful strategy for driving improved retirement outcomes** over time.
+ 60% of plan sponsors consider automatic features such as automatic enrollment and automatic escalation to be the most effective method to influence positive participant behavior.[3]

At the Principal Financial Group,® our Principal® PlanWorks best practices for retirement ready plan design includes:

AUTOMATIC ENROLLMENT with at least 6 percent elective deferral default. There is an issue of **inertia**, or failure to take action, among participants, and this can start with enrollment.

+ 9 out of 10 employees not saving for retirement say they would do so if they were automatically enrolled by their employer.[2]
+ Automatic enrollment is steadily becoming the preferred enrollment method.[4]

PERCENTAGE OF ALL PLANS WITH AUTOMATIC ENROLLMENT



AUTOMATIC ESCALATION of at least 1 percent per year, best practice is up to at least 10 percent. Automatic escalation with the option to "opt-out" is a more effective way to **improve deferral rates** over time.

+ 71% of employees say they want their employer to automatically increase their savings rate by 1% each year.[5]
+ 78% of plan sponsors implementing automatic escalation say this plan feature has been successful in improving the retirement readiness of their participants.[6]

71% 1%

1 Employee Benefits Research Institute (EBRI) Retirement Confidence Survey, 2014
2 EBRI Retirement Confidence Survey, 2013
3 Cerulli Special Quantitative Update, January 2013
4 PSCA's 56th Annual Survey of Profit Sharing and 401(k) Plans, October 2013
5 State Street and Boston Research Group DC Investor Survey, Jan. 2013
6 Brightwork Partners' Supporting Retirement Savings survey, Sept. 2013

AUTOMATIC SWEEP of all eligible employees deferring less than the automatic enrollment default into the plan at least one time.[7] This can immediately improve participation in the retirement plan and may improve passage of annual non-discrimination testing.

+ 73% of plan sponsors say sweeping participants at the plan's default deferral rate is improving retirement readiness outcomes.[6]
+ 87% of plan sponsors say sweeping participants into the plan's default investment alternative is improving their participants' retirement readiness.[6]

STRETCHING THE MATCH to encourage employees to defer at higher levels to get the full employer match. This plan design feature can be an incentive for your employees to save more without costing you more in matching contributions.

+ 8 in 10 plan sponsors offer a match.[6]
+ 76% of plan sponsors feel that a match is the most effective plan feature to improve participant outcomes.[6]
+ 74% of participants say they would increase their contribution if their employer stretched the match.[8]

QDIA

NAMING A DIVERSIFIED INVESTMENT OPTION(S) as the qualified default investment alternative (QDIA)

+ Over 70% of new clients in 2013 used a QDIA strategy.[9]
+ 92% of plan sponsors say it is important to provide the right investment lineup to help participants achieve their retirement goals.[10]
+ Using a QDIA provides Safe Harbor protection from fiduciary liability.[11]

WHY STRIVE FOR IMPROVED RETIREMENT OUTCOMES?

Helping employees retire on time can impact your bottom line. Likewise, retirement delays can impact your bottom line.

RETIRE ON TIME

Decreased healthcare expenses[6]

VS

RETIREMENT DELAYS

1/3 of employers have already experienced increased healthcare costs as a result of inadequate employee retirement savings.[6]

Healthcare costs employers $5,000 more per year for each employee over the age of 65.[2]

RETIRE ON TIME

Lower benefit costs

VS

RETIREMENT DELAYS

60% of employers expect healthcare benefit costs to increase as a result of employees delaying retirement.[6]

[7] Applies to current participants below the automatic enrollment deferral default rate and new employees/rehires

[8] PLANSPONSOR Participant Survey, March 2014

[9] As of 12/31/2013, Principal Financial Group®

[10] Deloitte 12th Annual 401(k) Benchmarking Survey, May 2013

[11] Participants must be given 30 days, in advance of the transition, to elect to not have their retirement funds directed to the QDIA and instead make their own investment elections. Also, QDIA notices must be distributed to all participants at least 30 days prior to the time that funds are invested in the plan's QDIA and then annually thereafter.

LEARN MORE at principal.com/retirementreadiness

Principal® Financial Group

WE'LL GIVE YOU AN EDGE®

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