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Danfoss USA Savings Plan



# Welcome to Empower Retirement

Add REC Title  
Add REC Name



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# Agenda

Who is Empower Retirement?

Transfer of your current savings plan

Features of your plan at Empower

Investment options

Demonstration: [empowermyretirement.com](https://empowermyretirement.com)

Contacting Empower Retirement

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# Who is Empower Retirement?



## Your new service provider

- We define success as helping people like you work toward replacing — for life — the income they earned while working
- Danfoss chose Empower for their leading technology, unique user experience and service
- Empower currently serves more than 36,000 retirement plans with over 8 million participants

## Responsibilities

- Receiving your payroll contributions
- Tracking your account balances
- Providing ongoing communication and education
- Providing your quarterly statements
- Providing customer support



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# Retirement plan services

## **empowermyretirement.com**

- State-of-the-art website
- Online account management
- Planning calculators



## **844-465-4455**

- Retirement representatives available Monday – Friday 7 a.m. to 9 p.m. Central time
- 24-hour automated phone system



## **owningmyretirement.com**

- Microsite that includes transition information and materials

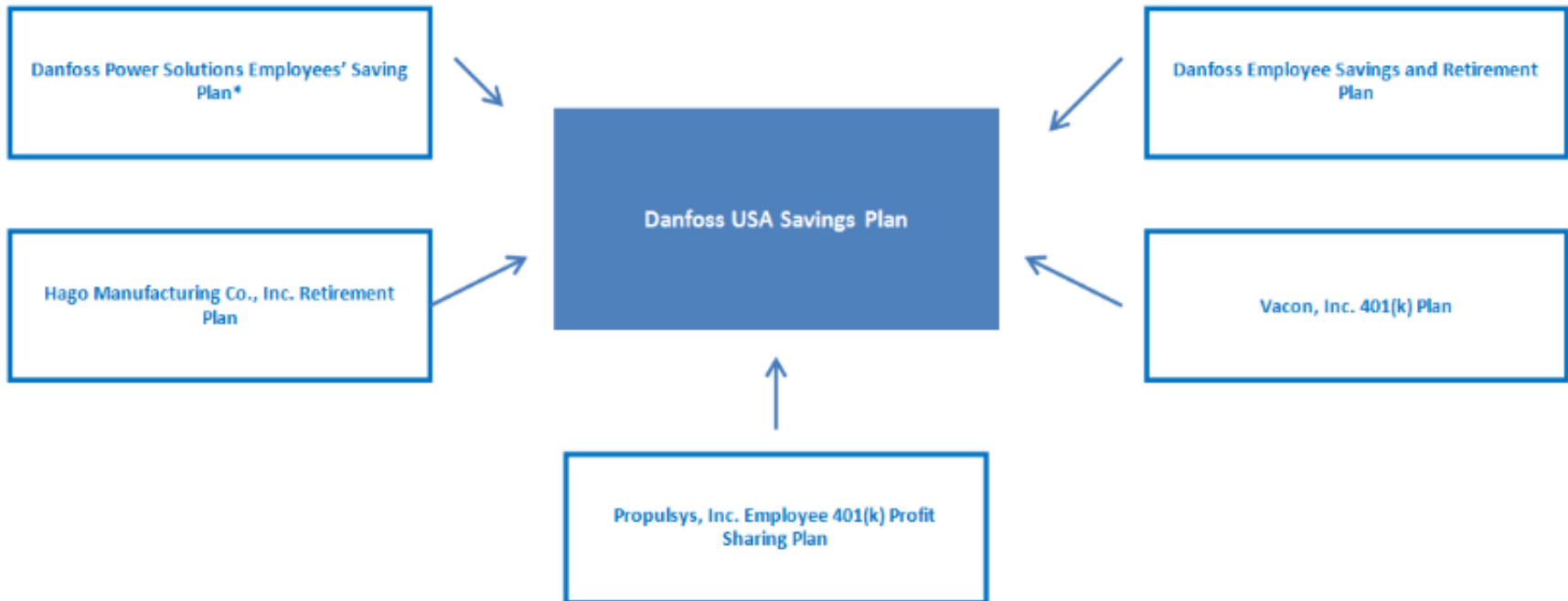


Transfer of your current savings plan

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# Overview

Effective January 2, 2018, several Danfoss company savings plans will be combined into one Danfoss USA Savings Plan



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# Key dates – Investment Re-enrollment



**December 6, 2017 - December 20, 2017**

- Investment re-enrollment window
- Log on to [www.empowermyretirement.com](http://www.empowermyretirement.com) to make investment election
- If no election is made, assets will be defaulted into T. Rowe Price target date fund based on your date of birth

**The following will transfer to Empower**

- Contribution elections
- Loan information
- Beneficiary elections (some beneficiary election info may be complex and not transferrable)

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# How your account will transfer

Unless you make an election by December 20<sup>th</sup>, your account will automatically transfer.

<b>If you were born:</b>	<b>Your target date fund will be:</b>
Earlier than 12/31/1937	T. Rowe Price Retirement Balanced Trust F
1/1/1938 - 12/31/1942	T. Rowe Price Retirement 2005 Trust F
1/1/1943 - 12/31/1947	T. Rowe Price Retirement 2010 Trust F
1/1/1948 - 12/31/1952	T. Rowe Price Retirement 2015 Trust F
1/1/1953 - 12/31/1957	T. Rowe Price Retirement 2020 Trust F
1/1/1958 - 12/31/1962	T. Rowe Price Retirement 2025 Trust F
1/1/1963 - 12/31/1967	T. Rowe Price Retirement 2030 Trust F
1/1/1968 - 12/31/1972	T. Rowe Price Retirement 2035 Trust F
1/1/1973 - 12/31/1977	T. Rowe Price Retirement 2040 Trust F
1/1/1978 - 12/31/1982	T. Rowe Price Retirement 2045 Trust F
1/1/1983 - 12/31/1987	T. Rowe Price Retirement 2050 Trust F
1/1/1988 - 12/31/1992	T. Rowe Price Retirement 2055 Trust F
1/1/1993 - later	T. Rowe Price Retirement 2060 Trust F



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# Key dates – Blackout

Your existing contributions are placed in the Putnam Prime Money Market for the duration of the blackout period



December 20, 2017, Hago Manufacturing Co., Inc. Retirement Plan

December 26, 2017, Danfoss Employee Savings and Retirement Plan

December 26, 2017, Propulsys, Inc. Employee 401(k) Profit Sharing Plan

December 27, 2017, Vacon, Inc. 401(k) Plan

December 27, 2017, Danfoss Power Solutions Employees' Savings Plan

## Beginning of blackout period

- Beginning at 3 p.m. Central time, on the date listed next to the name of the plan you currently have an account balance in, you will have limited (or no) access to your account until the week of January 14, 2018. During this time, you will be unable to check your overall balance, transfer or diversify your investments, obtain a loan or initiate a withdrawal from the plan.
- This is the last day for you to contact the prior service provider for your plan to request any account transactions, including changing your contribution rate, loans, withdrawals, etc.

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# Key dates – End of transition

## Week of January 14, 2018

- Transition period ends
- Enjoy full access to your retirement account online and by phone through Empower Retirement
- A plan “live notice” will be mailed to your home informing you when your account access has been restored
- Any balance in your current 401(k) will temporarily be invested in a Money Market Fund until participant records are received from previous record-keepers



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# Next steps: Review your options

## Review your contribution and investment elections

- Your current contribution election will automatically transition to Empower Retirement
- Your account balance will automatically transfer to a T. Rowe Price Trust target date fund if you don't make a new investment election by December 20 by going to [empowermyretirement.com](http://empowermyretirement.com)

## If you haven't registered your account, register with Empower Retirement

- Week of January 14, 2018
- Via [www.empowermyretirement.com](http://www.empowermyretirement.com)

## Have another account with Empower Retirement or need help accessing your account for the first time?

- Call Empower at 844-465-4455

## When you access your account the first time the week of January 14, 2018, be sure to:

- Review your contribution elections
- Elect to receive electronic communications
- Review and update your beneficiary information, if necessary
- Consider rolling over any retirement accounts from a previous employer



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# Things to know

## **This change is designed to:**

- Give you more ways to access and manage your account
- Improve your overall retirement planning experience

## **As part of the move, great features will be available:**

- Pretax, Roth, and after-tax contributions to give you more saving options
- A company contribution and match formula to supplement your personal savings
- A comprehensive investment lineup and service to enable a long-term strategy that can help you meet your goals





# Features of your plan at Empower

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# Features of your Danfoss Savings Plan

**Eligibility**      **Company contributions**

**Your contributions**

**Withdrawals**

**Rollovers**

**Contribution types**

**Vesting**

**Loans**

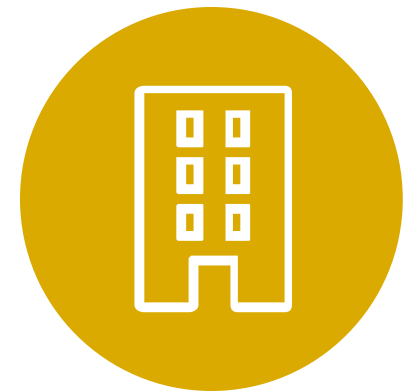
**Matching contribution**

**Investment options**

**Beneficiary elections**

**Safe Harbor nonelective contribution**

**Catch-up contributions**



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# Employee contributions



## Pretax contributions, Roth 401(k), and after-tax contributions

- 100% of eligible compensation
- Your current savings rate on file with the previous record-keeper will transfer during the transition period

## Eligible compensation defined

- Base salary and/or wages paid (including any short-term disability payments)
- Annual bonus payments; remember this is a new feature and drives benefits up! great news
- Commissions paid under sales incentive plans
- Overtime pay
- Lump-sum payments made in place of an increase in the base wage rate
- Payments for time not worked pursuant to Employer policies

**Note: You can now elect a specific percentage of your bonus payment!**

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# Contribution limits

## 2018 IRS contributions limits pretax contributions and Roth 401(k) contributions

- \$18,500
- \$24,500 (age 50+)

## 2018 415 limit (includes after-tax contributions)

- \$55,000
- \$61,000 (age 50+)





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# Catch-up contributions

If you are age 50 or over, you may contribute an additional \$6,000 in catch-up contributions – a total of \$24,500

Your catch-up contribution elections will not transfer to Empower

Once you reach the Pretax and/or Roth limit, your contributions will spill over to catch-up contributions until you reach the max



# Pretax contributions: Lower your taxable income

Gross pay	\$ 2,500
- taxes*	(375)
<b>NET PAY</b>	<b>\$ 2,125</b>

**Danfoss** Today    Date

Pay to     You     **\$2,125**

Two thousand one hundred twenty-five **Dollars**

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Memo     No contributions    

Gross pay	\$ 2,500
- 6% pretax contribution	(150)
Taxable income	\$2,350
- taxes*	(352)
<b>NET PAY</b>	<b>\$ 1,998</b>

**Danfoss** Today    Date

Pay to     You     **\$1,998**

One thousand nine hundred and ninety-eight **Dollars**

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Memo     6% pretax contribution    

(This is not a valid check)

FOR ILLUSTRATIVE PURPOSES ONLY. \*Assumes \$30,000 annual salary and 15% federal, state, and local tax rate. Please note that taxes on savings are deferred until withdrawal and that pretax deferrals do not lower your income for FICA and FUTA tax withholding purposes.



# Pretax contributions vs. Roth 401(k) contributions

Gross pay	\$ 2,500
- 6% pretax contribution	(150)
Taxable income	\$2,350
- taxes*	(352)
<b>NET PAY</b>	<b>\$ 1,998</b>

<b>Danfoss</b>	<u>Today</u>	Date
Pay to	You	\$1,998
One thousand nine hundred and ninety-eight		Dollars
Memo	6% pretax contribution	

Gross pay	\$2,500
- taxes*	(375)
- 6% Roth 401(k) contribution	(150)
<b>NET PAY</b>	<b>\$1,975</b>

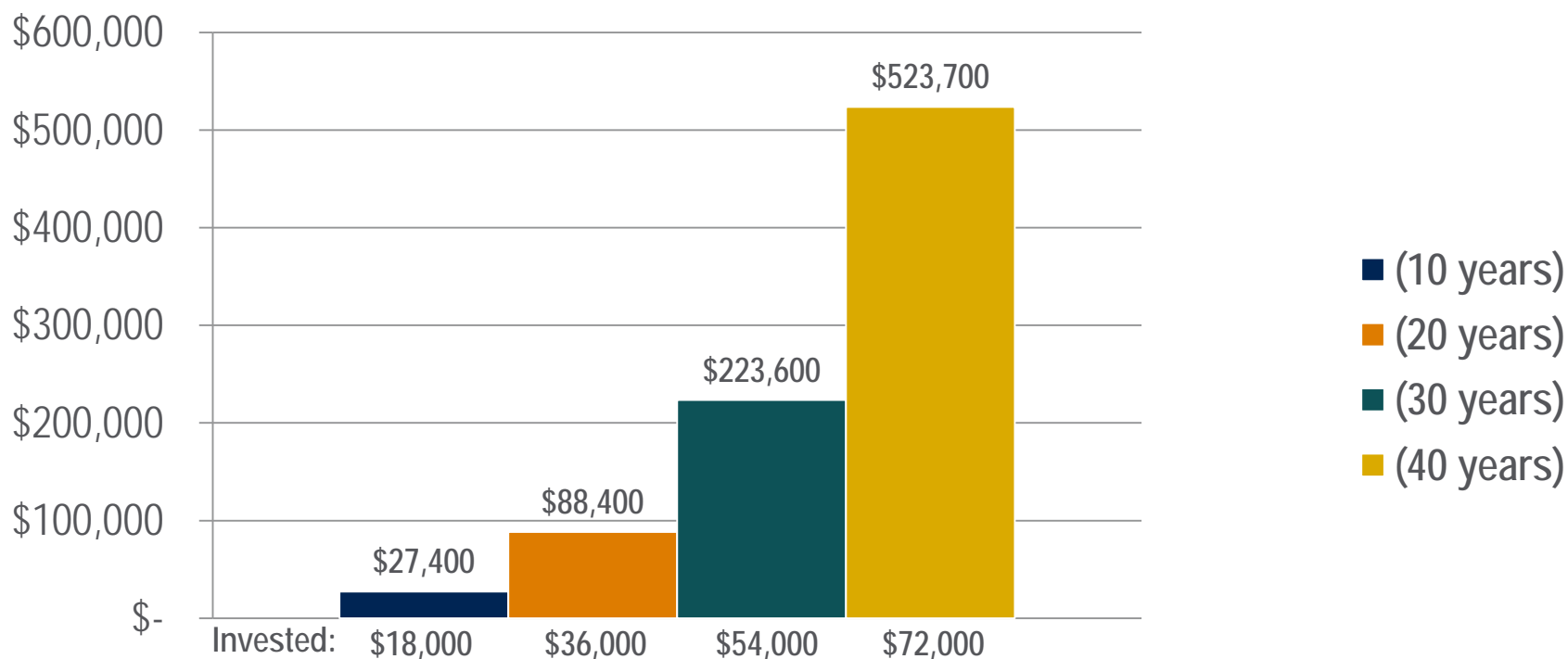
<b>Danfoss</b>	<u>Today</u>	Date
Pay to	You	\$1,975
One thousand nine hundred and seventy-five		Dollars
Memo	6% Roth 401(k) contribution	

FOR ILLUSTRATIVE PURPOSES ONLY. \*Assumes \$30,000 annual salary and 15% federal, state, and local tax rate. Please note that taxes on savings are deferred until withdrawal and that pretax deferrals do not lower your income for FICA and FUTA tax withholding purposes.



# The advantage of compounding

## It's never too early to start investing



FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration is not intended as a projection or prediction of future investment results, nor is it intended as financial planning or investment advice. Assumes \$150 invested at the end of each month and earning an annual rate of return of 8% compounded monthly beginning with the starting age and ending at age 65.

Rates of return may vary. The illustration does not reflect any associated charges, expenses or fees. The tax-deferred accumulation shown would be reduced if these fees were deducted. Ending values are rounded to the nearest \$100.



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# Danfoss contributions

Danfoss will provide a company-matching contribution of \$0.50 for every \$1 you contribute up to 6% of your eligible pay.

Contribute at least 6% of your paycheck to receive the full company match!

An additional 3% Safe Harbor nonelective contribution will be added to your account.

- You do not have to contribute to the plan during the year to receive this employer contribution

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# Vesting

You are always immediately 100% vested in your own contributions and earnings in the plan

You are immediately 100% vested in the 3% Safe Harbor nonelective contribution (no contribution required by you)

Company match will be 100% vested after three years of service (past service subject to plan provisions)

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# Loans

You may request up to two loans in the Danfoss Savings Plan

— No more than two loans may be outstanding at a time

A loan that is in default status is considered an outstanding loan

Maximum loan amount: lesser of \$50,000 or 50% of vested account balance

Minimum loan amount: \$500

Each must be paid back in a maximum of five years

Loans transferred from current plans will keep the current payoff schedule

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# Beneficiaries

Every effort will be made to transfer existing beneficiary information to Empower

You will be notified if your beneficiary information needs updated

You may view and/or make changes to your beneficiary designation after the move to Empower

- Log on to [www.empowermyretirement.com](http://www.empowermyretirement.com)
- Click your plan name
- Choose *Beneficiaries* under Account Information





# Investment options

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# Understanding investing: Investment types

## Stock funds

- Long-term growth
- Risk
  - Market

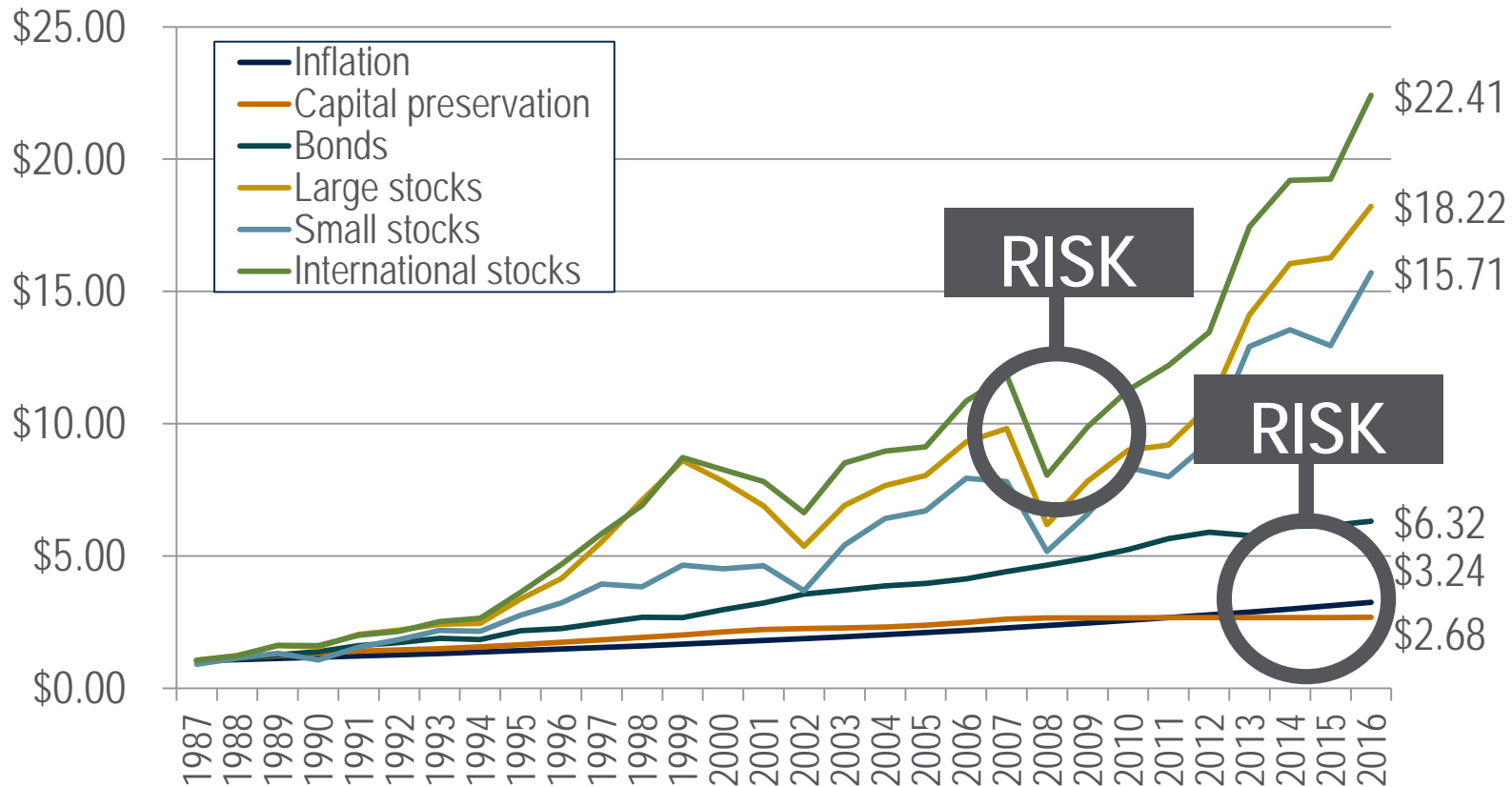
## Bond funds

- Interest income
- Risk
  - Interest rate

## Capital preservation funds

- Liquidity
- Risk
  - Interest rate, credit, inflation

# Investing principles: Growth of \$1 over 30 years



Source: Morningstar® Direct<sup>SM</sup> FOR ILLUSTRATIVE PURPOSES ONLY. International stocks are represented by MSCI EAFE Index. Small stocks are represented by the Russell 2000. Large stocks are represented by the S&P 500 Index total return. Bonds are represented by the Barclays Capital U.S. Aggregate Bond Index. Capital preservation represented by the Citi Treasury Bill 3 Mon USD Index. A 4% annual inflation rate is assumed. For additional details on indices see disclosures at end of presentation. Past performance is no guarantee of future results. The indices' returns are for illustrative purposes only and are not intended to be an indication of fund performance. Data from 1/1/87 to 12/31/16. This hypothetical illustration is not intended as a projection or prediction of future investment results, nor is it intended as financial planning or investment advice. It assumes reinvestment of earnings with no withdrawals. Rates of return may vary. The illustration does not reflect any associated charges, expenses or fees. The tax-deferred accumulation shown would be reduced if these fees had been deducted.



# Investing principles: Diversification

Capital preservation

Bonds

Stock

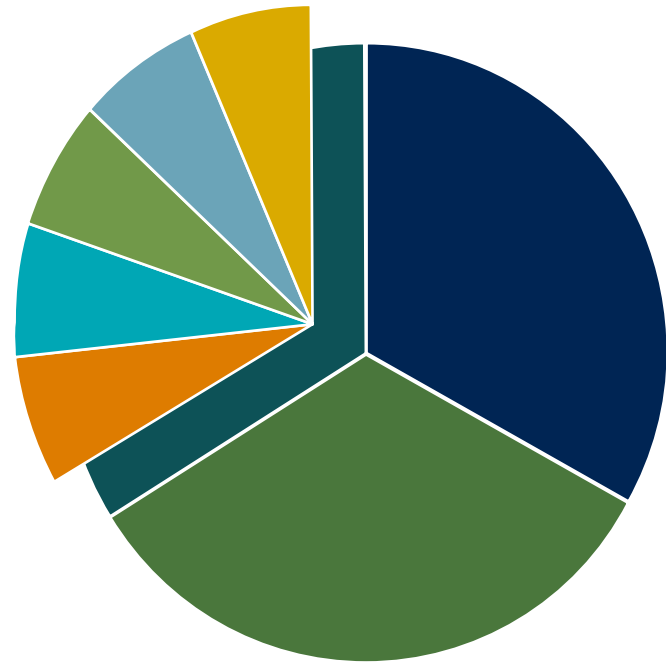
Small-cap value

Small-cap growth

Large-cap value

Large-cap growth

International



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# Investment options: Core funds

## What are core funds?

- Building blocks for investors who want a custom portfolio
- Single fund choices in multiple asset classes
  - Capital preservation
  - Bonds
  - Stocks
- Risk ranges from low to high
- Return potential ranges from low to high

The Danfoss US Investment Committee with the help of Capital Strategies, an independent investment consultant, constructs and monitors the investment lineup

Empower does not receive fees from investments

# Core Funds

## Stable Value

T. Rowe Price Stable Value Common Trust

## Intermediate-Term Bond

PIMCO Total Return

Vanguard Total Bond Market Index

## Multisector Bond

Loomis Sayles Strategic Income

## Large Value

Vanguard Equity-Income

## Large Blend

Vanguard Institutional Index

## Large Growth

T. Rowe Price Instl Large Cap Growth

## Mid Cap Blend

SSgA Russell Small/Mid Index

## Small Value

DFA US Targeted Value

## Small Growth

Eagle Small Cap Growth

## Foreign Large Value

Templeton Foreign

## Foreign Large Blend

Vanguard Total Intl Stock Index

## Foreign Large Growth

Invesco International Growth

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# Core Funds

## Foreign Small/Mid Growth

T. Rowe Price International Discovery

## Diversified Emerging Mkts

Oppenheimer Developing Markets

## Commodities Broad Basket

PIMCO Commodity Real Ret Strat

## Global Real Estate

Invesco Global Real Estate

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# Target date funds: How they work

## What are target date funds?

- Made up of multiple asset classes
- Professionally managed
- Offer a diversified investment in a single fund

These funds are meant to align with an expected retirement date

## The investment allocation will change over time

- Funds will become increasingly more conservative as the target retirement date approaches
- Participants may choose to invest in any of the target date funds or any other investments in the lineup
- As with all investments, the principal value of the fund(s) is not guaranteed at any time, including at the target date

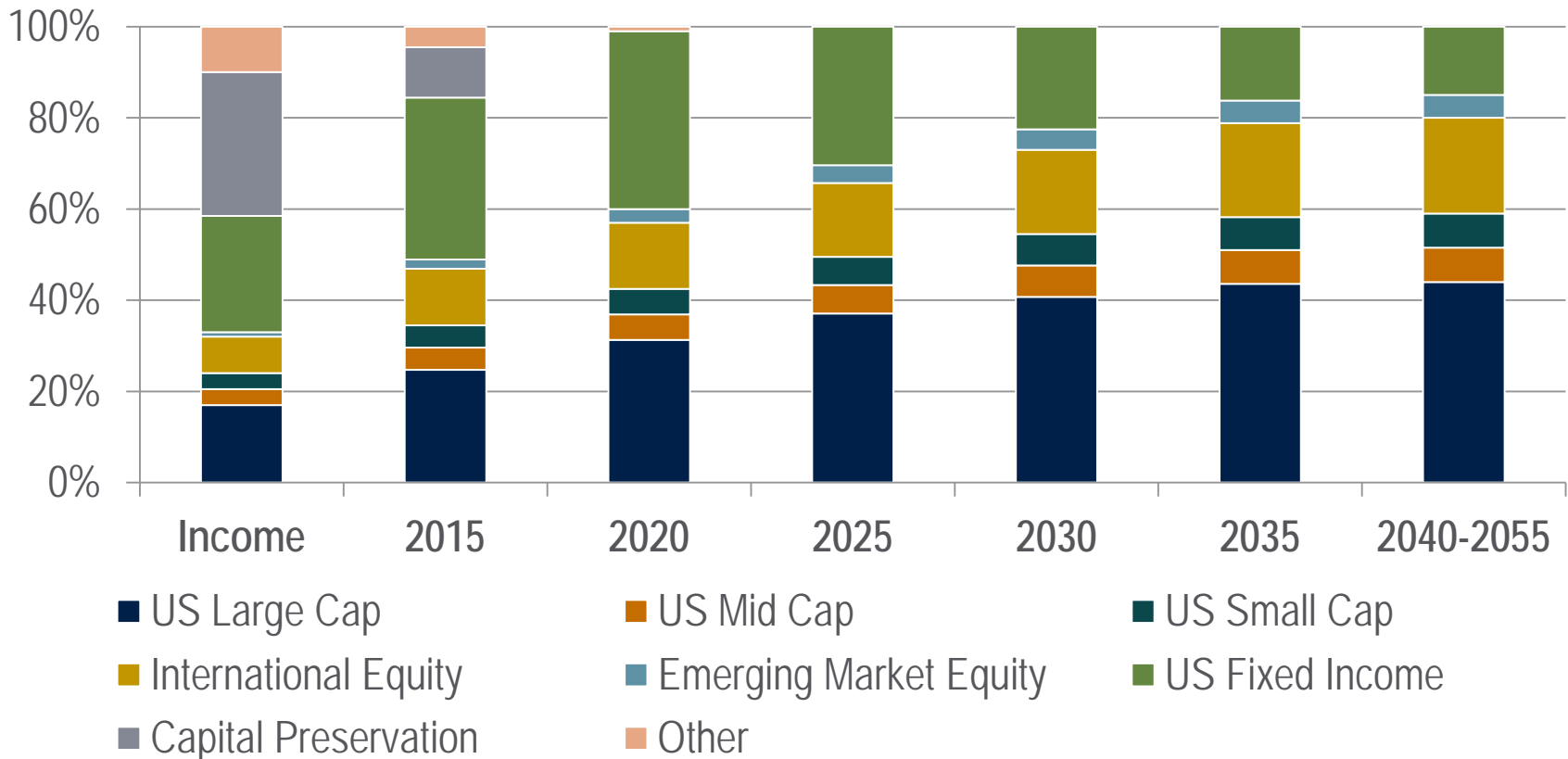
The Danfoss US Investment Committee with the help of Capital Strategies, an independent investment consultant, constructs and monitors the investment lineup

Empower does not receive fees from investments





# Target date funds: Sample asset allocation



FOR ILLUSTRATIVE PURPOSES ONLY. Chart is not meant to represent a specific investment. The allocations are based on an investment strategy based on risk and return. This is not intended as financial planning or investment advice. The position of the various funds on the chart does not reflect an absolute relation of the funds, but only their expected relative ranking over the long term. Shown for illustrative purposes only. Past performance is not a guarantee of future results.



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# Target date funds

Collected trust investment vehicles are designed to take advantage of pooled plan assets by providing lower fund expenses than similar mutual fund alternatives

T. Rowe Price Retirement Balanced Trust

T. Rowe Price Retirement 2005 Trust

T. Rowe Price Retirement 2010 Trust

T. Rowe Price Retirement 2015 Trust

T. Rowe Price Retirement 2020 Trust

T. Rowe Price Retirement 2025 Trust

T. Rowe Price Retirement 2030 Trust

T. Rowe Price Retirement 2035 Trust

T. Rowe Price Retirement 2040 Trust

T. Rowe Price Retirement 2045 Trust

T. Rowe Price Retirement 2050 Trust

T. Rowe Price Retirement 2055 Trust

T. Rowe Price Retirement 2060 Trust



# Empower Retirement Advisory Services

Assistance	Type of investor	Summary
Online Investment Guidance	Do-It-Myself <sup>SM</sup> Investor	Provides asset allocation information to help you select your investments.
Online Investment advice	Help-Me-Do-It <sup>SM</sup> Investor	Provides specific portfolio recommendations for a fixed fee.
Managed Account	Do-It-For-Me <sup>SM</sup> Investor	Provides ongoing professional asset management and ongoing communication and direct support for an asset based fee.

There is no guarantee that participation in any of the advisory services will result in a profit or that the account will outperform a self-managed portfolio invested without assistance.



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# What if I currently have managed accounts?

If you're currently enrolled in managed accounts you'll have the option to enroll in the Managed Account service offered by Advised Assets Group, LLC (AAG), a registered investment adviser, after the transition to Empower Retirement.

You can select new investment elections between December 6 and December 20 or allow your account balance to automatically transfer to one of the T. Rowe Price Retirement Trust target date funds by taking no action.

You may enroll in the Managed Account service the week of January 14, 2018, once you have full access to your account.

There is no guarantee provided by any party that participation in any of the advisory services will result in a profit or that the account will outperform a self-managed portfolio invested without assistance.




# Demonstration: empowermyretirement.com

The screenshot displays the Empower Retirement website interface. At the top left is the Empower Retirement logo, followed by the text "YOUR RETIREMENT PLAN". At the top right is a link for "Plan Sponsor Center". The main content area features a large banner with a woman in a blue jacket looking at a device. The banner text reads: "Your new account login page is here." and "Learn how the enhanced security works »". To the right of the banner is a "Participant Login" section with input fields for "Username" and "Password", a "Login help?" link, and two buttons: "SIGN IN" (blue) and "REGISTER" (green). Below the banner are three informational cards:

- Card 1:** "Saving more can be key to retirement success." with subtext "Small changes can have dramatic effects." and an image of a woman with a laptop.
- Card 2:** "Changing jobs? Retiring? You have options." with subtext "Speak to an Empower Retirement Consultant today." and an image of a man with a laptop.
- Card 3:** "Having browser issues accessing the website?" with subtext "Make sure you have the latest browser version." and an image of a woman with a laptop.

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# Me & My Money





WELLNESS AND FINANCIAL CENTER

[Calculators](#) [Glossary](#)

## Me & My Money


We're here to help you gain a more complete view of your financial picture, with the goal of helping you replace — for life — the income you made while working.






**Spending**

Being a smart spender makes it easier to be a smart saver.




**Saving**

Saving more today is the key to a better future. It's that simple.



**Investing**

Understanding basic investing concepts can help you make informed choices.



**Protecting**

Taking a proactive approach to planning for the long-term can help preserve your legacy.

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# Me & My Money

Forecast the amount of your nest egg in retirement\*

See how long your savings may last at different withdrawal rates

## Calculators

[View all](#)

### Featured

Calculate approximately what percentage of your current income you'll need in retirement to cover your desired retirement lifestyle.

[Your retirement lifestyle](#)

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# Mobile access empowermyretirement.com

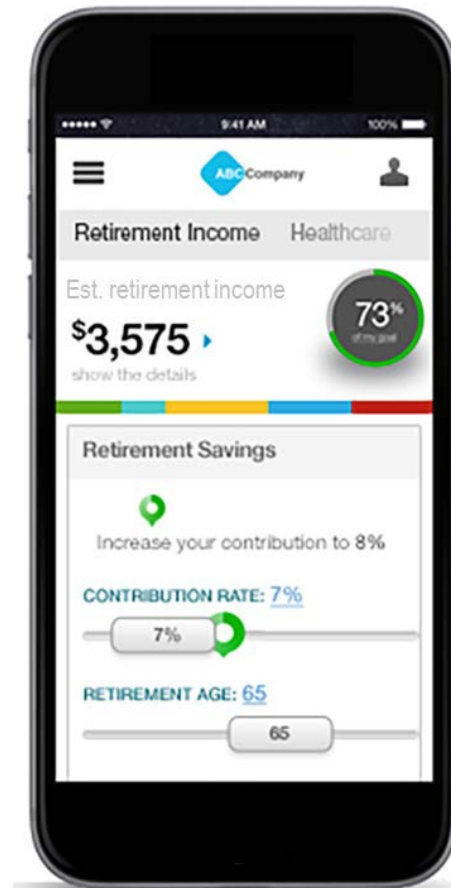
Mobile friendly website

Access and enroll in your account

Change contribution amounts

Review investment options

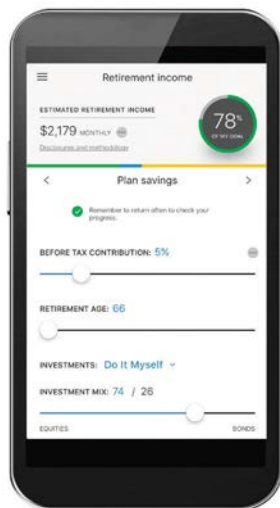
Tip: Save the website to your home  
screen for easy access



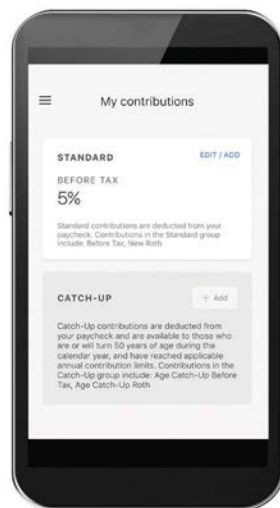


# Empower Retirement app

It puts your retirement plan at your fingertips



See your estimated monthly retirement income  
Customize your retirement income goal



Check your contributions  
Increase your contribution rate



View account balances and retirement income  
Access balance by plan and by investment  
See your own  
"Countdown to Retirement"

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# The retirement solutions group

## Asset consolidation assistance

- White-glove assistance for rolling over to an Empower plan
- Generally a paperless process
- Direct point of contact
- Next step for you
- Potential for improved retirement readiness

## Contact information

- 888-737-4480

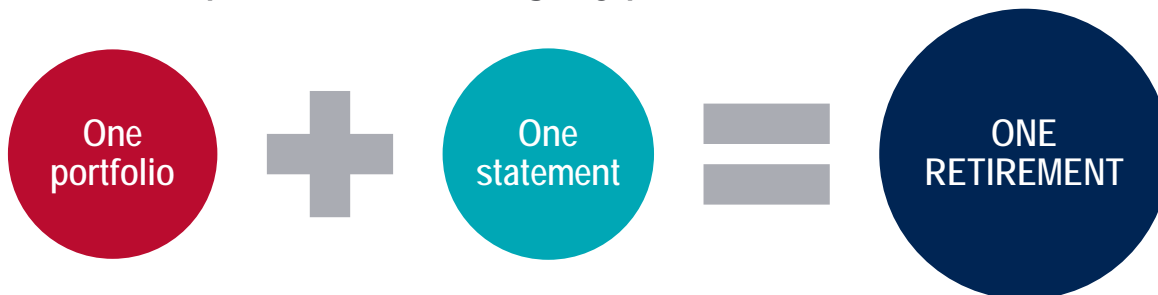
## Making a move? We can help

- Changing jobs or retiring
- Consider keeping your hard-earned money in tax-deferred status
- By keeping your money tax-deferred, you also have the potential to benefit from growth over the years before you turn 65

## Contact information

- 877-534-4569

You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitation of investment options.



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Please consider the investment objectives, risks, fees and expenses carefully before investing. The prospectus contains this and other information about the investment options. Depending on the investment options offered in your plan, your registered representative can provide you with prospectuses for any mutual funds; any applicable annuity contracts and the annuity's underlying funds; and/or disclosure documents for investment options exempt from SEC registration. Please read them carefully before investing.

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

GWFS Equities, Inc., Member FINRA/SIPC, is a wholly owned subsidiary of Great-West Life & Annuity Insurance Company (GWL&A).

GWFS Equities, Inc., or one or more of its affiliates, may receive a fee from the investment option provider for providing certain recordkeeping, distribution and administrative services.

Asset allocation and diversification do not ensure a profit and do not protect against loss in declining markets.

The charts, graphs and screen prints in this presentation are for ILLUSTRATIVE PURPOSES ONLY.

Empower Retirement refers to the products and services offered in the retirement markets by GWL&A, Corporate Headquarters: Greenwood Village, CO; Great-West Life & Annuity Insurance Company of New York (GWL&A of NY), Home Office: NY, NY; and their subsidiaries and affiliates. Core investment options offered through a group fixed and variable deferred annuity issued by GWL&A or, in New York, by GWL&A of NY, mutual funds, separately managed accounts, and/or collective trust funds.

Representatives of Empower Retirement do not offer or provide investment, fiduciary, financial, legal or tax advice, or act in a fiduciary capacity, for any client unless explicitly described in writing. Please consult with your investment advisor, attorney and/or tax advisor as needed.

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**Unless otherwise noted: Not a Deposit | Not FDIC Insured | Not Bank Guaranteed | Funds May Lose Value | Not Insured by Any Federal Government Agency**



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You could lose money by investing in a money market fund. Although the fund seeks to preserve the value of your investment at \$1 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Investing involves risk, including possible loss of principal.

A collective investment trust is not a mutual fund and is exempt from SEC registration. Designed for and exclusively sold to qualified retirement plans and their participants, the funds are not available to individual retail investors.

Capital preservation funds are not federally guaranteed and may lose value. These investments have interest rate, inflation, and credit risks that are associated with the underlying assets owned by the portfolio or fund.

A guaranteed separate account stable value fund is offered through an insurance company group annuity contract or funding agreement. The strength of the guarantee is dependent on the financial strength of the insurance company issuing the contracts.

A collective trust stable value fund is offered by a bank or trust company. These investments have interest rate, inflation and credit risks associated with the underlying assets owned by the portfolio or fund. The strength of the wrap contracts, which provide book-value guarantees associated with a fund, depends on the financial strength of the financial institutions issuing the contracts.

Certain fixed interest products are offered through insurance company group annuity contracts or funding agreements. The guarantees are backed by the general assets of the insurance company issuing the contract. The strength of the guarantee is dependent on the financial strength of the insurance company issuing the contracts.

For more information about the specific product offered in your plan and the issuer, see your registered representative.

A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news, and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

Compared to more highly rated securities, high-yield bond investment options are subject to greater risk, including the risk of default.

Certain underlying funds invest in treasury inflation-protected securities ("TIPS"). Unlike conventional bonds, the principal or interest of TIPS is adjusted periodically to a specified rate of inflation (e.g., Consumer Price Index for all Urban Consumers [CPI-U]). There can be no assurance that the inflation index used will accurately measure the actual rate of inflation.

U.S. Treasury securities are guaranteed as to the timely payment of principal and interest if held to maturity. Investment options are neither issued nor guaranteed by the U.S. government.

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Equity securities of small and mid-sized companies may be more volatile than securities of larger, more established companies.

Foreign investments involve special risks, including currency fluctuations, taxation differences and political developments.

Equity securities of companies located in emerging markets involve greater risks than investing in more established markets, including currency fluctuations, political developments and share illiquidity.

Asset allocation and balanced investment options and models are subject to the risks of the underlying funds, which can be a mix of stocks/stock funds and bonds/bond funds.

Specialty funds invest in a limited number of companies and are generally non-diversified. As a result, changes in market value of a single issuer could cause greater volatility than with a more diversified fund.

Real estate securities and trusts involve greater risks than other non-diversified investments, including but not limited to: declining property values, varying economic conditions, changes in zoning laws, or losses from casualty. Real estate securities that invest in foreign real estate involve additional risk, including currency fluctuations and political developments.

The value of commodity-linked investments may be affected by financial factors, political developments and natural disasters. As such, investment options that invest primarily in commodities may experience greater volatility than investments in traditional securities.

A company stock investment option invests in the stock of one company. It has more risk than a diversified portfolio consisting of the stocks of many companies and may be used to round out a well-diversified portfolio. Company stock is not offered by GWFS Equities, Inc.

A benchmark index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of a passively managed fund (index fund) will generally be less than its benchmark index. You cannot invest directly in a benchmark index.

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The following indices and benchmarks are used for illustrative purposes only and are not intended to be indicative of fund performance.

- *The Ibbotson U.S. Treasury Bill Index is used to measure public obligations of the U.S. Treasury, excluding flower bonds and foreign-targeted issues, and all publicly issued debt of U.S. Government agencies and quasi-federal corporations, and corporate debt guaranteed by the U.S. Government with maturities less than 1 year.*
- *The Barclays Capital U.S. Aggregate Bond Index is used to represent fixed rate debt issues rated investment grade or higher having at least 1 year left to maturity and an outstanding par value of at least \$100 million.*
- *The Standard & Poor's 500<sup>®</sup> Index is used as a proxy for the stock market in general. S&P 500<sup>®</sup> Index is a registered trademark of Standard & Poor's Financial Services LLC, and is an unmanaged index considered indicative of the domestic Large-Cap equity market.*
- *The Russell 2000 Index and benchmark is unmanaged and used to track the smallest 2000 companies in the Russell 3000 Index, which represents approximately 7% of the Russell 3000 total market capitalization.*
- *The Russell 2000 Value Index and benchmark measures the performance of companies within the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values.*
- *The Russell 2000 Growth Index and benchmark measures the performance of companies within the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values.*
- *The Russell 1000 Growth Index<sup>®</sup> measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.*
- *The Russell 1000 Value Index<sup>®</sup> measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.*
- *The Morgan Stanley Capital International Europe, Australasia and Far East Index (MSCI EAFE) is a capitalization-weighted measure of stock markets in Europe, Australasia and the Far East*
- *Citigroup 3-Month T-Bill Index – The Citigroup 3-Month T-Bill Index is an unmanaged index that is generally representative of 3-month Treasury bills and consists of an average of the last 3-month U.S. Treasury Bill issues*

IMPORTANT: The projections, or other information generated by the Empower participant experience regarding the likelihood of various investment outcomes, are hypothetical in nature. They do not reflect actual investment results and are not guarantees of future results. The results may vary with each use and over time.

IMPORTANT: Healthcare costs and projections are provided by HealthView Services. Empower Retirement does not provide healthcare advice. Empower Retirement does not believe that HIPAA applies to the data obtained from plan participants using this new tool. It is important to note that the results from this tool are estimates based on what you input today. Results are not a guarantee of actual outcomes and will change as your inputs change. HealthView Services is not affiliated with GWFS Equities, Inc.



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**IMPORTANT:** The projections, or other information generated by the Lifetime Income Score<sup>SM</sup> regarding the likelihood of various investment outcomes, are hypothetical in nature. They do not reflect actual investment results and are not guarantees of future results. The results may vary with each use and over time.

The Lifetime Income Score represents an estimate of the percentage of current income that an individual might need to replace from savings in order to fund retirement expenses. This income estimate is based on the individual's amount of current savings as well as future contributions to savings (as provided by participants in the survey) and includes investments in 401(k) plans, IRAs, taxable accounts, variable annuities, cash value of life insurance and income from defined benefit pension plans. It also includes future wage growth from a participant's present age to the retirement age of 65 (1% greater than the Consumer Price Index for Urban Wage Earners and Clerical Workers [CPI-W]) as well as an estimate for future Social Security benefits.

The calculations also take into account mortality rates for a variety of commonly diagnosed health conditions, including high blood pressure, high cholesterol, Type 2 Diabetes, cancer of any type and cardiovascular disease of any type apart from high blood pressure. In addition, the model also takes into account the consistent use of tobacco on a household basis.

The Lifetime Income Score estimate is derived from the present-value discounting of the future cash flows associated with an individual's retirement savings and expenses. It incorporates the uncertainty around investment returns (consistent with historical return volatility) as well as the mortality uncertainty that creates a retirement horizon of indeterminate length. Specifically, the Lifetime Income Score procedure begins with the selection of a present-value discount rate based on the individual's current retirement asset allocation (stocks, bonds and cash). A rate is determined from historical returns such that 90% of the empirical observations of the returns associated with the asset allocation are greater than the selected discount rate. This rate is then used for all discounting of the survival probability-weighted cash flows to derive a present value of a retirement plan.

Alternative spending levels in retirement are examined in conjunction with the discounting process until the present value of cash flows is exactly zero. The spending level that generates a zero retirement plan present value (i.e., an income level that is consistent with a 90% confidence in funding retirement) is the income estimate selected as the basis for the Lifetime Income Score. Such an income level is considered to have a "sustainable" spending level and to be an appropriate benchmark for retirement planning.

The survey is not a prediction, and results may be higher or lower based on actual market returns.

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