

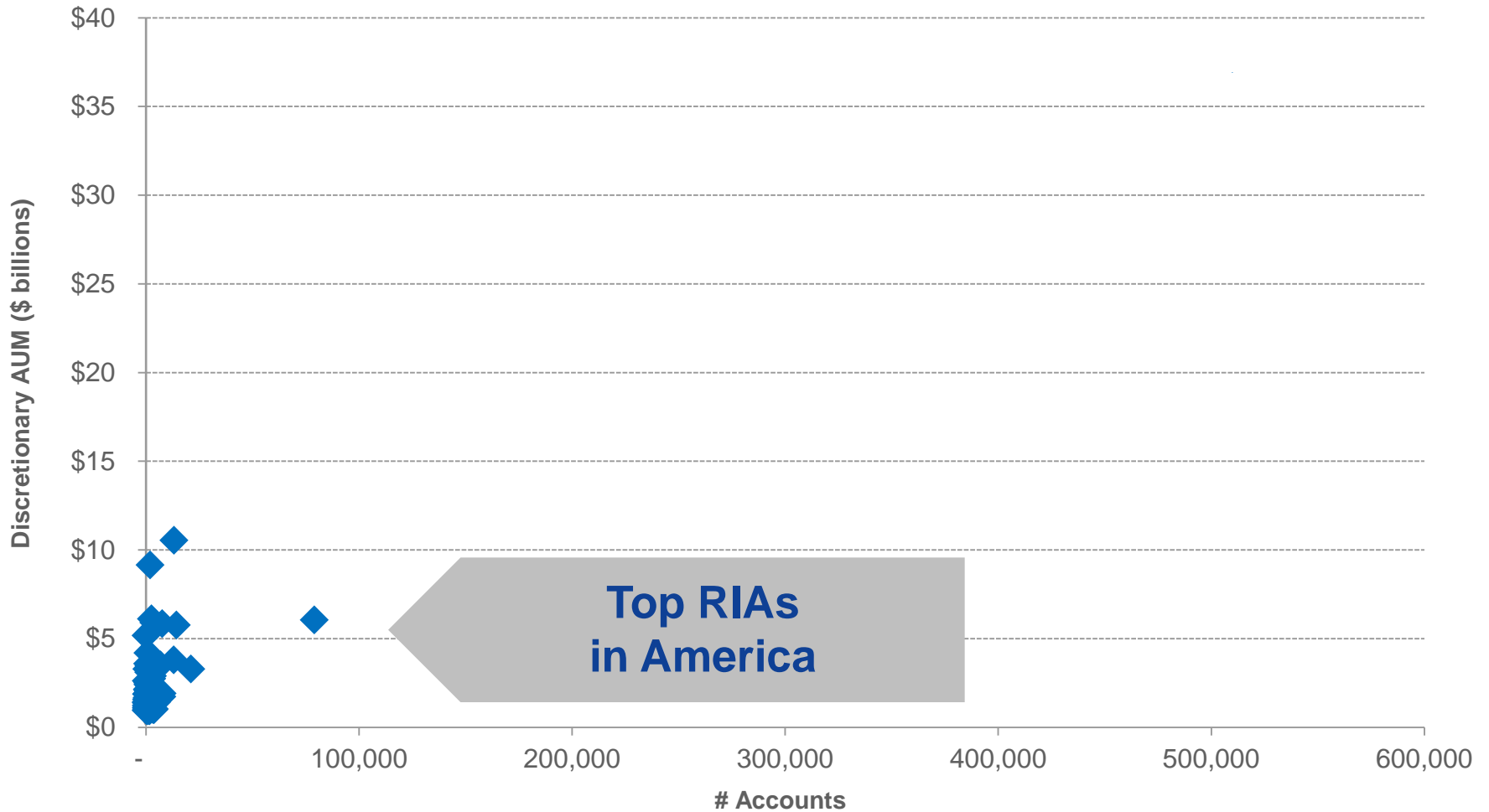
# The Evolution of Workplace Advice

May 3, 2012

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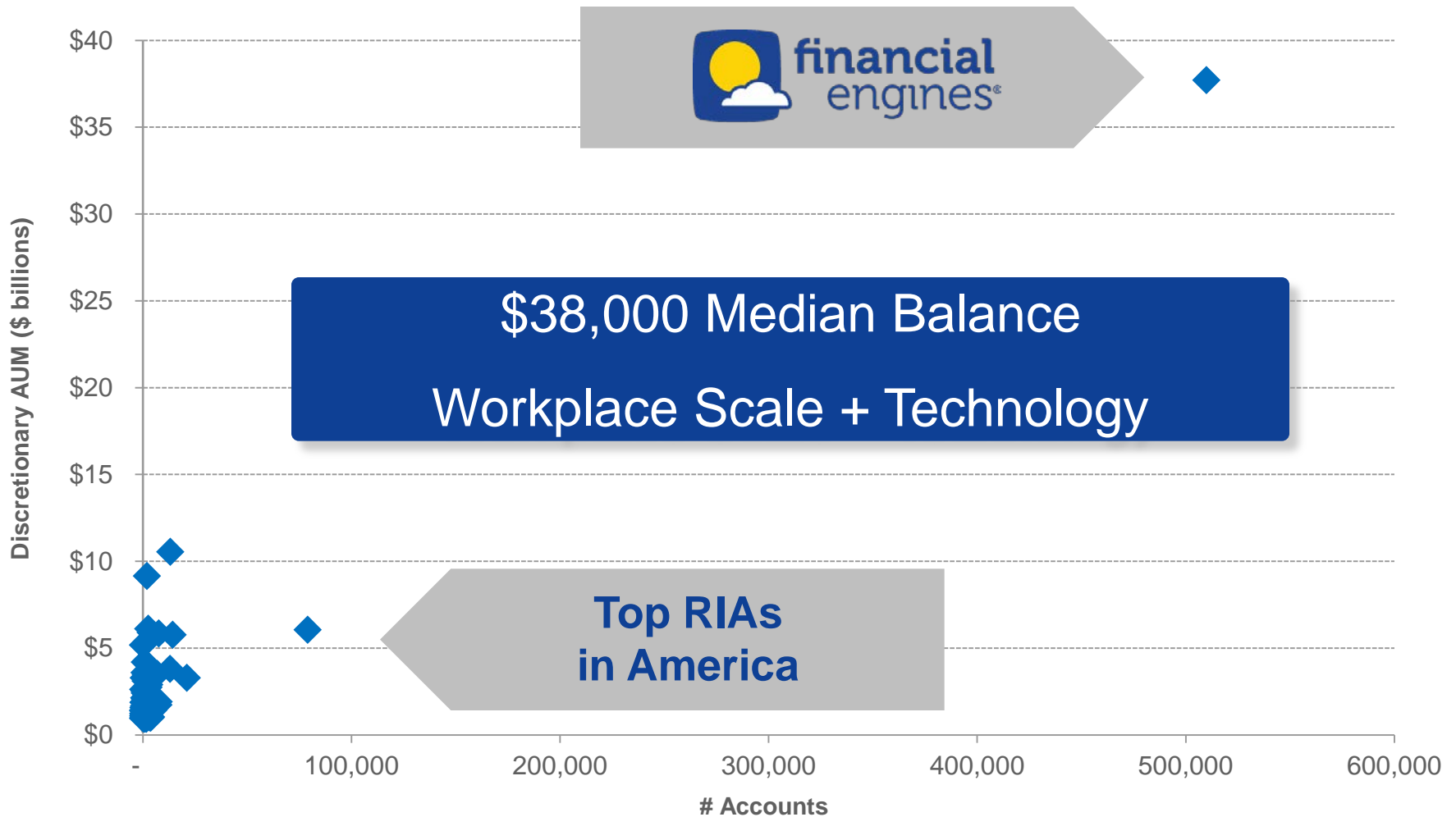


# America's largest RIAs



Source: *InvestmentNews*, April 2012; Based upon discretionary assets under management for the top 100 RIA's; *InvestmentNews* RIA Data Center qualified 2,280 firms headquartered in the United States based on data reported on Form ADV to the Securities and Exchange Commission as of November 1, 2011.

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# Financial Engines

## An industry leader in Advice and Management



**Bill Sharpe**  
Cofounder  
Nobel Prize-winning economist

### Unbiased advice and management <sup>1</sup>

- Founded in 1996
- Large plan expertise with **137 FORTUNE 500**
- Advice offered to **8 million** participants
- Management of **567,000** portfolios - **\$47.5 Billion**



<sup>1</sup>Data as of 12/31/2012 and based on analysis of Financial Engines' data warehouse..

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# Workplace Advice Success Factors



**Business Model**

# Online Advice

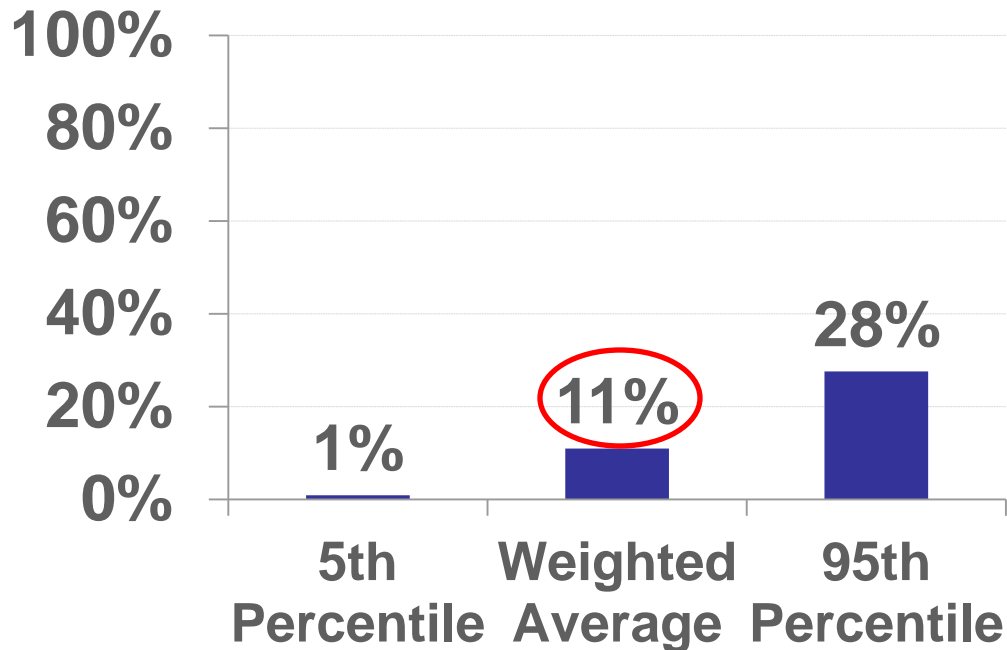


- 1996: DoL 96-1

Online Advice

# Advice Business – For a Segment

## Online Advice Usage<sup>1</sup>



Online Advice users tend to be<sup>1</sup>:

- a little **younger**
- a lot **higher salary**
- a lot **higher balance**

than average participants

<sup>1</sup>Data as of 12/31/2011, percentiles reported across sponsors.

# Online Advice – For a Segment



- 1996: DoL 96-1

Online Advice



# Managed Accounts

Regulations

Sponsors

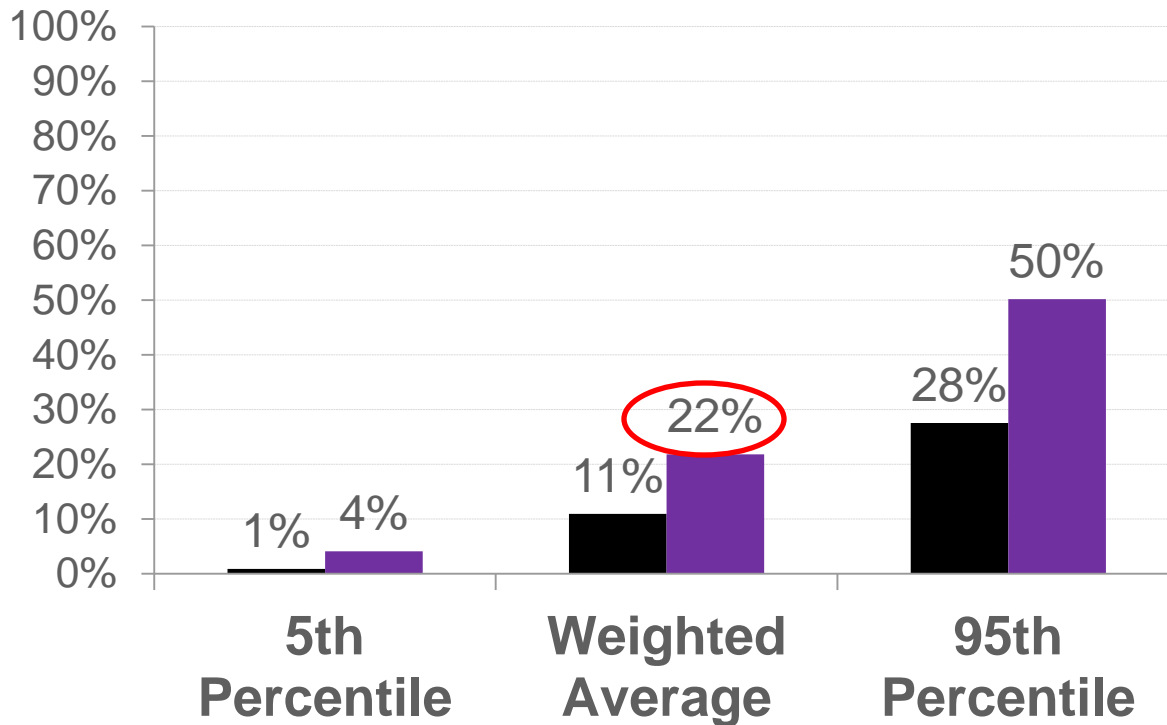
Participants

- Lacks Time
- Lacks Expertise

**Managed Accounts**

# Advice + Managed Accounts

## Online + Managed Accounts<sup>1</sup>



Managed Account members<sup>1</sup>:

- are **older**
- have similar **average salary**
- have higher **median salary**

than plan participants

<sup>1</sup>Data as of 2011, percentiles reported across sponsors

# Pension Protection Act and QDIAs

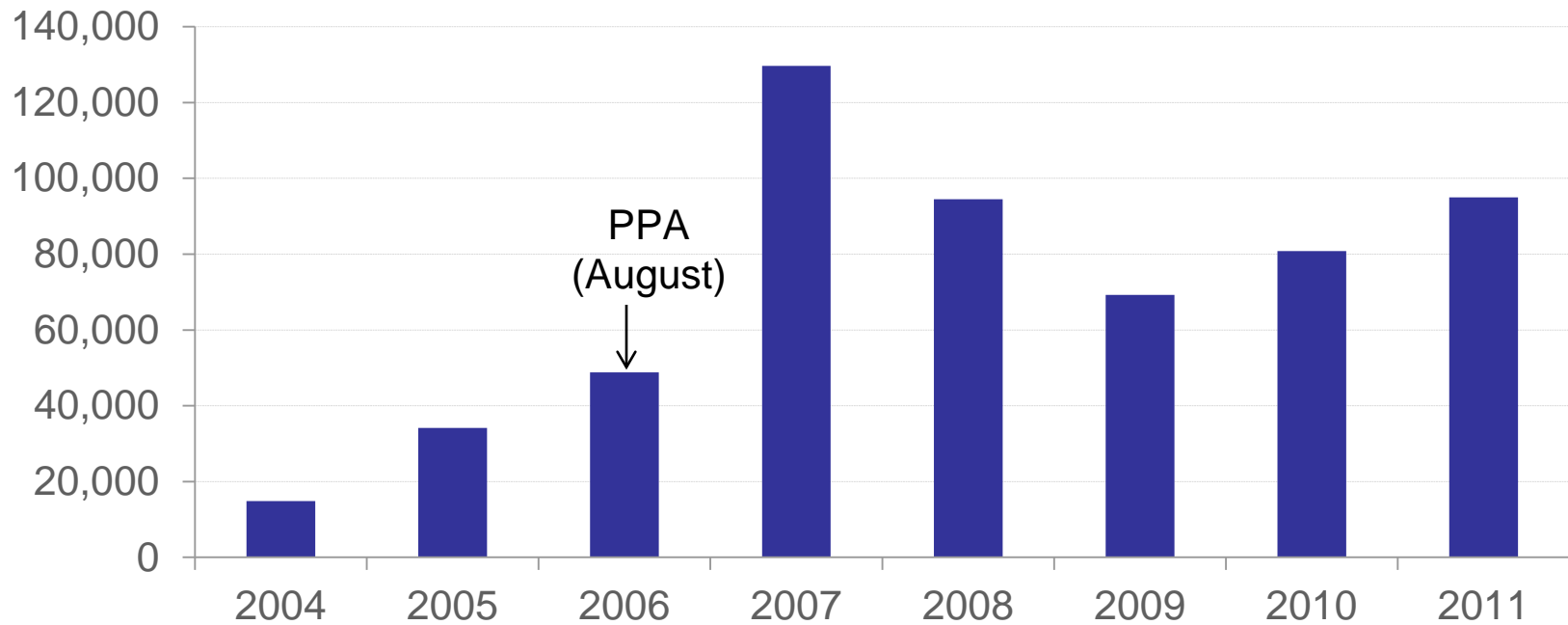


- 2006: PPA (QDIAs)

Managed Accounts

# PPA 2006 Impact on Managed Account

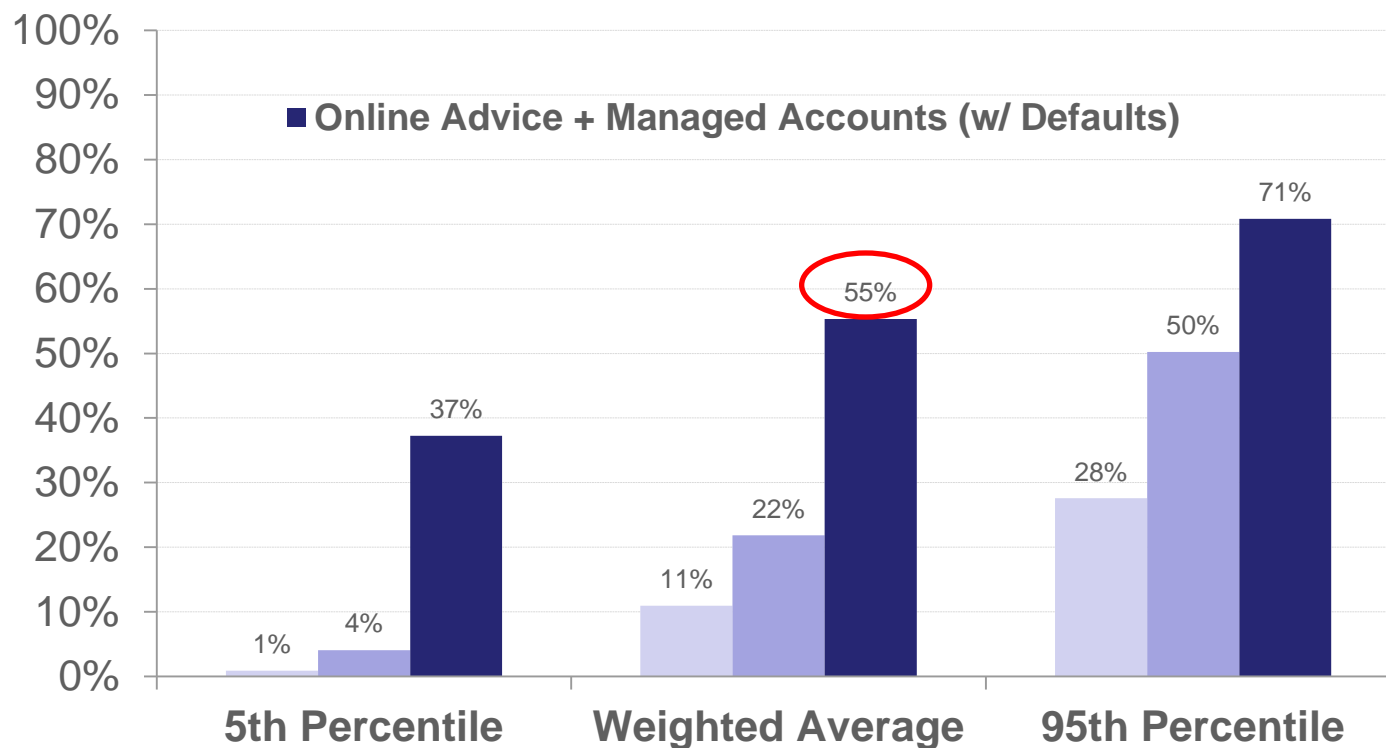
## Incremental Managed Account Members<sup>1</sup>



<sup>1</sup>Source: Financial Engines' SEC filings.

# Defaults

## The Impact of Defaults



<sup>1</sup>Data as of 12/31/2011, percentiles reported across sponsors

# Concluding Thoughts

- **DC plans provide significant economies of scale**
- **Four factors for success**
  - Regulatory clarity
  - Sponsor support
  - Participant interest
  - Workable business model
- **Inertia → Potential for low cost and high impact help**
- **Lessons for retirement income?**
  - Example: Low balance 401(k) facilitates Social Security deferral / optimization
  - Complex, household specific strategy and implementation
  - Economies of scale in workplace create opportunity to address this need