



Retirement Readiness Report

Prepared for ABC Retirement Plan

Is your retirement plan driving improved outcomes?

The Principal® PlanWorks holistic approach to retirement readiness incorporates retirement ready plan designs, an engaging participant experience with outcome focused education, and strategic measurements.

This overview is designed to help you and your financial professional, working with a representative of the Principal Financial Group®, evaluate how successful your retirement plan is at preparing your participants for retirement.

All plan-specific data and charts in this report are as of **xx/xx/xxxx**, unless otherwise noted.

RETIREMENT PLAN INFORMATION AS OF XX/XX/XXXX

Plan assets: **\$10,000,000**

Excludes assets from former participants or former employees who leave assets under the retirement plan.

Eligible employees: **363**

Participants with an account balance¹: **235**

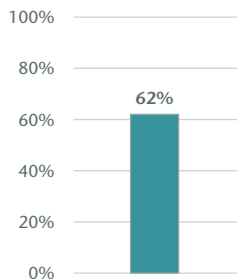
Participants deferring: **225**

Includes any participant with a deferral on record.

OVERALL PLAN AVERAGES

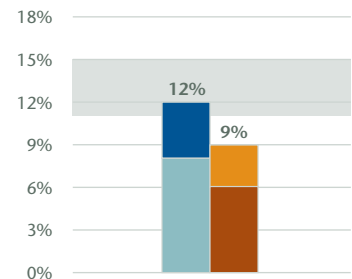
PARTICIPATION PERCENTAGE

Note: 38% of eligible employees are not deferring in the plan.



AVERAGE ANNUAL SAVINGS RATE²

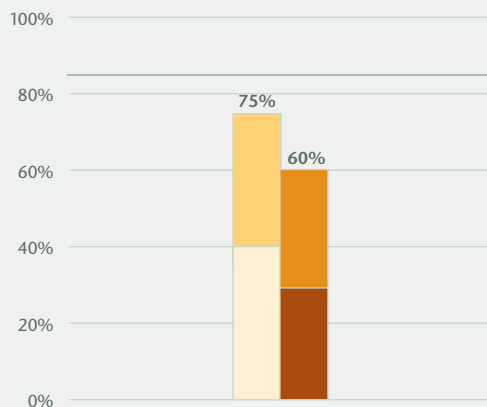
- Average **employer match** for participants deferring was 4%
- Average **elective deferral** for participants deferring was 8%
- Average **employer match** for eligible employees was 3%
- Average **elective deferral** for eligible employees was 6%
- Suggested savings rate at least 10% plus employer contributions³



AVERAGE INCOME REPLACEMENT RATIO PERCENTAGES

Of participants with account balances, the following percentage are on track for retirement with an 85% to 110% replacement ratio.^{1,4}

- ▶ **Percentage on Track for Retirement⁵ = 2%**
- ▶ **Percentage Not On Track for Retirement⁵ = 98%**



85% replacement ratio⁵

- Average income replacement ratio from retirement savings for participants with account balances was 40%
- Average income replacement ratio estimated from Social Security⁶ for participants with account balances was 35%
- Average income replacement ratio from retirement savings for eligible employees* was 30%
- Average income replacement ratio estimated from Social Security⁶ for eligible employees* was 30%

*Eligible employees include any active or non-participant, without a termination date, and who has met the plan's entry requirements as of the date the report is produced. This definition does not exclude participants with a calculated income replacement ratio greater than 110%.

Plan Design and Education Inventory

What plan design and education best practices are encouraging employees to save for retirement in your plan? Working with your financial professional or representative of The Principal®, consider the following list of plan design and education best practices that, in combination, can help employees take steps toward retirement readiness.⁷

PLAN DESIGN & SERVICE BEST PRACTICES	DOES YOUR PLAN OFFER? AS OF XX/XX/XXXX
Automatic enrollment with 6% default elective deferral — participant opt out	No, automatic enrollment with 3% default elective deferral
Automatic escalation of default deferral percentage of 1% per year up to at least 10% — participant opt out	No, automatic escalation of 1% for 5 years
Employer match	Yes
Naming a diversified investment option(s) as the Qualified Default Investment Alternative (QDIA)	Yes
Eligibility — service requirement of immediate for employee contributions	No
Excludes hardship withdrawals	Yes
Plan sponsor suggested deferral percentage for enrollment at 6% or greater (Smart Start) — participant opt in	No, plan sponsor suggested deferral percentage is 4%
Voluntary automatic deferral increase (Principal Step Ahead Retirement Option SM) — participant opt in	No
ADP/ACP Safe Harbor plan design	No
Other employer contributions	No
Allows for rollover contributions for a more holistic retirement savings view	Yes
Allows for catch-up contributions at age 50	Yes
Salary Deferral Service	Yes

PARTICIPANT EDUCATION BEST PRACTICES	
Online planning tools	Education meetings
Income projections on participant statements	Seminars for all lifestages
Digital engagement: mobile, social media and online	Targeted campaigns to participants

OTHER PLANS WITH SERVICES FROM THE PRINCIPAL®	DO YOU OFFER? AS OF XX/XX/XXXX
Additional Defined Contribution	No
Defined Benefit	Yes, 6-12475
Nonqualified	No
Employee Stock Ownership Plan	No

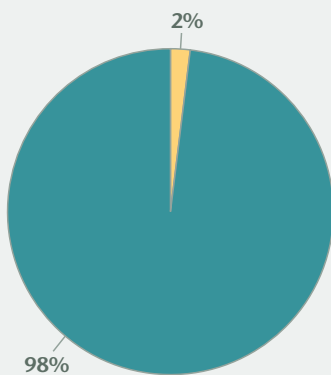
Action to consider now:

- Research indicates automatic plan design features help overcome participant inertia, improving participation and savings rates. See what solutions may be right for you. Contact your financial professional or representative of The Principal for more details.
- Encourage participants to estimate if their retirement savings are on track by reviewing their personalized account information online.

A Closer Look at Participant Savings Rates and Replacement Ratios

The retirement industry generally uses a target income replacement ratio of 85%⁵ of projected salary prior to transitioning to retirement as the way to measure if a participant is on track. Our analysis indicates a savings rate of at least 10% plus employer contributions may be needed over a 40-year period to obtain this target income replacement ratio.³ See the Assumptions and Disclosures section for additional information.

2% of participants with account balances are on track for retirement.^{1,4}



- Percentage On Track for Retirement
- Percentage Not On Track for Retirement

SAVINGS RATE ²	COUNT OF PARTICIPANTS WITH ACCOUNT BALANCES ^{1,4}	ON TRACK FOR 85% REPLACEMENT RATIO
0-5%	146	0
6-10%	64	1
11-15%	17	2
16% or higher	9	2
TOTAL	236	5

INCOME REPLACEMENT RATIO ^{1,4}	COUNT OF PARTICIPANTS WITH ACCOUNT BALANCES ^{1,4}
0-50%	151
51-75%	81
76-84%	8
85-110%	5
TOTAL	245

Other Retirement Income Sources Available to Employees

Other employer sponsored retirement plans such as defined benefit, nonqualified, and employer stock ownership plans, as well as personal savings vehicles, all serve as retirement income sources for individuals.

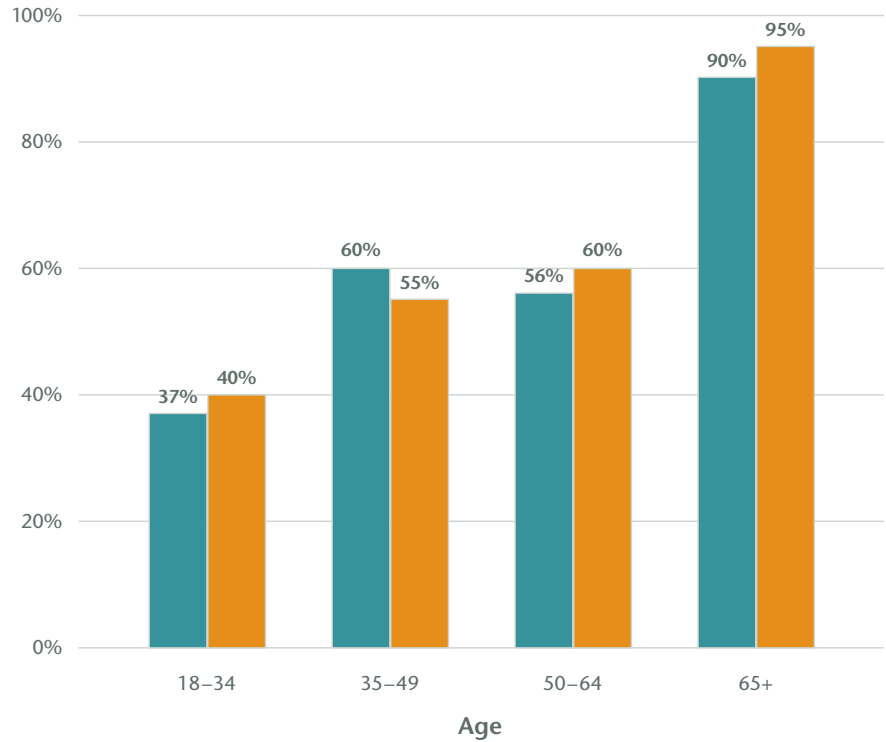
For a complete analysis of how these additional savings vehicles may impact plan savings results and income replacement analysis, a comprehensive consulting project could be prepared.⁸ Contact your financial professional or representative of The Principal for more information.

The following charts allow you to analyze specific segments of your participant population as well as provide benchmark information for your plan relative to others in your industry.

PLAN PARTICIPATION BY AGE

This chart shows the percentage of participants deferring in your plan compared to your industry by age.⁹

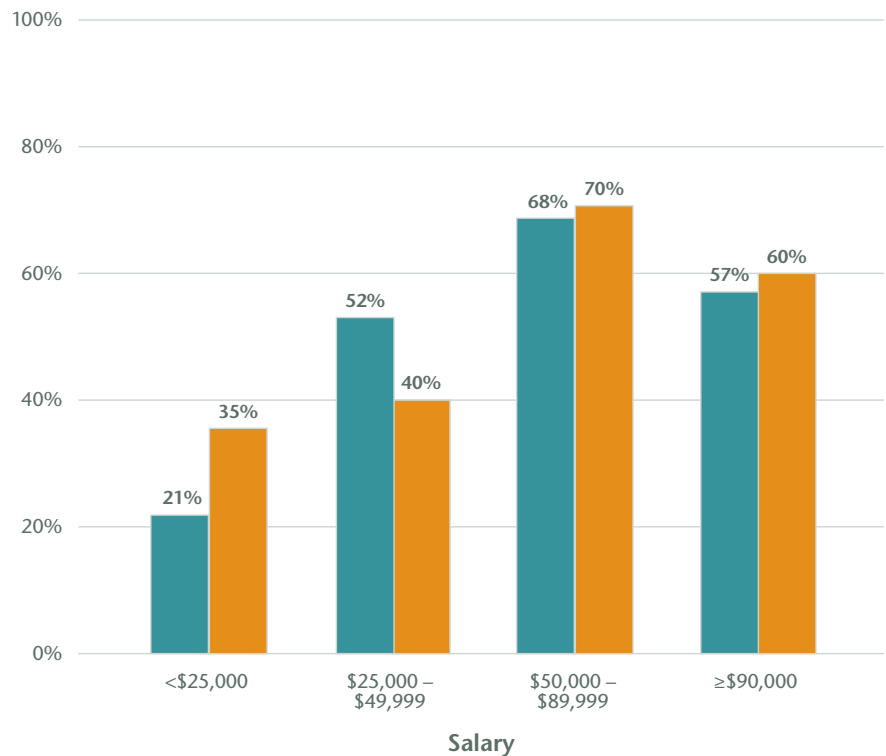
- Your Plan — Percentage of participants deferring
- Industry Average — Percentage of participants deferring



PLAN PARTICIPATION BY SALARY

This chart shows the percentage of participants deferring in your plan compared to your industry by salary.⁹

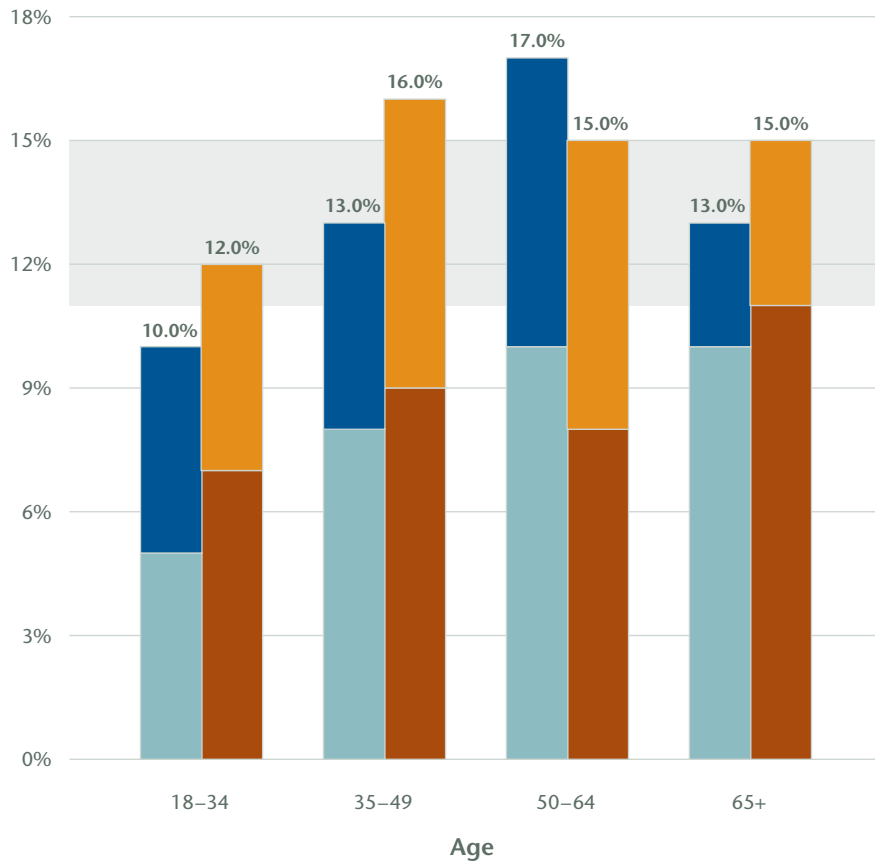
- Your Plan — Percentage of participants deferring
- Industry Average — Percentage of participants deferring



PLAN PARTICIPANT SAVINGS RATE BY AGE

This chart shows the average annual savings rate for participants deferring in your plan compared to your industry by age.⁹

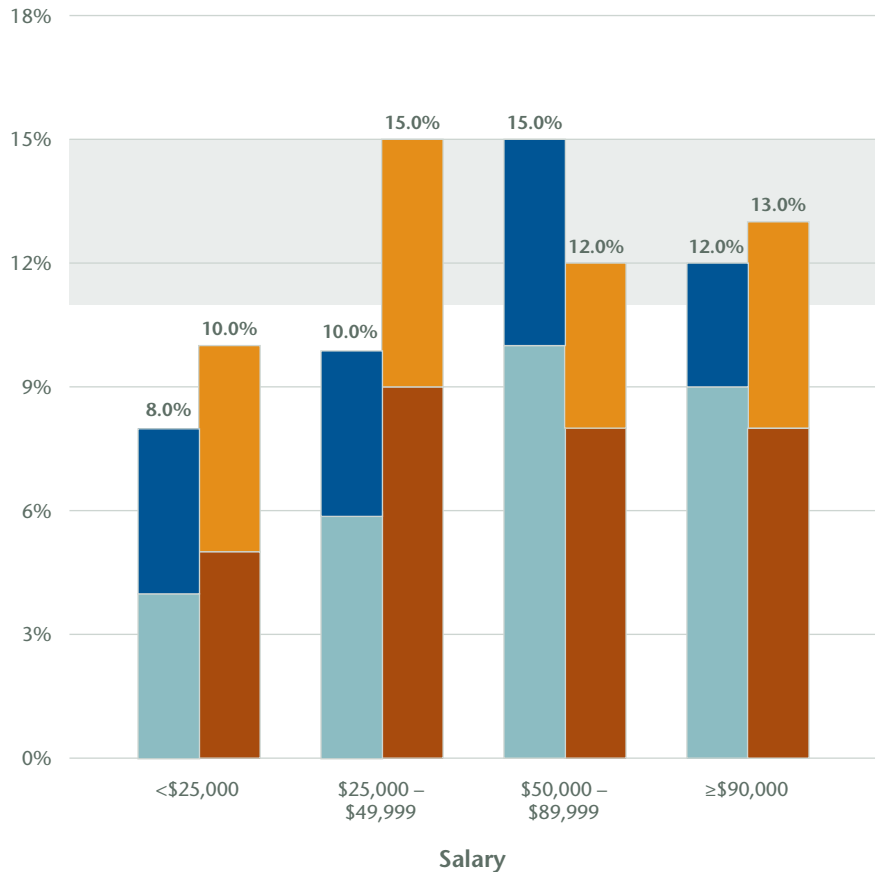
- Your Plan — Average employer match for participants deferring was 5%, 5%, 7% and 3% for the respective age categories
- Your Plan — Average elective deferral for participants deferring was 5%, 8%, 10% and 10% for the respective age categories
- Industry — Average employer match for participants deferring was 5%, 7%, 7% and 4% for the respective age categories
- Industry — Average elective deferral for participants deferring was 7%, 9%, 8% and 11% for the respective age categories
- Suggested savings rate at least 10% plus employer contributions



PLAN PARTICIPANT SAVINGS RATE BY SALARY

This chart shows the average annual savings rate for participants deferring in your plan compared to your industry by salary.⁹

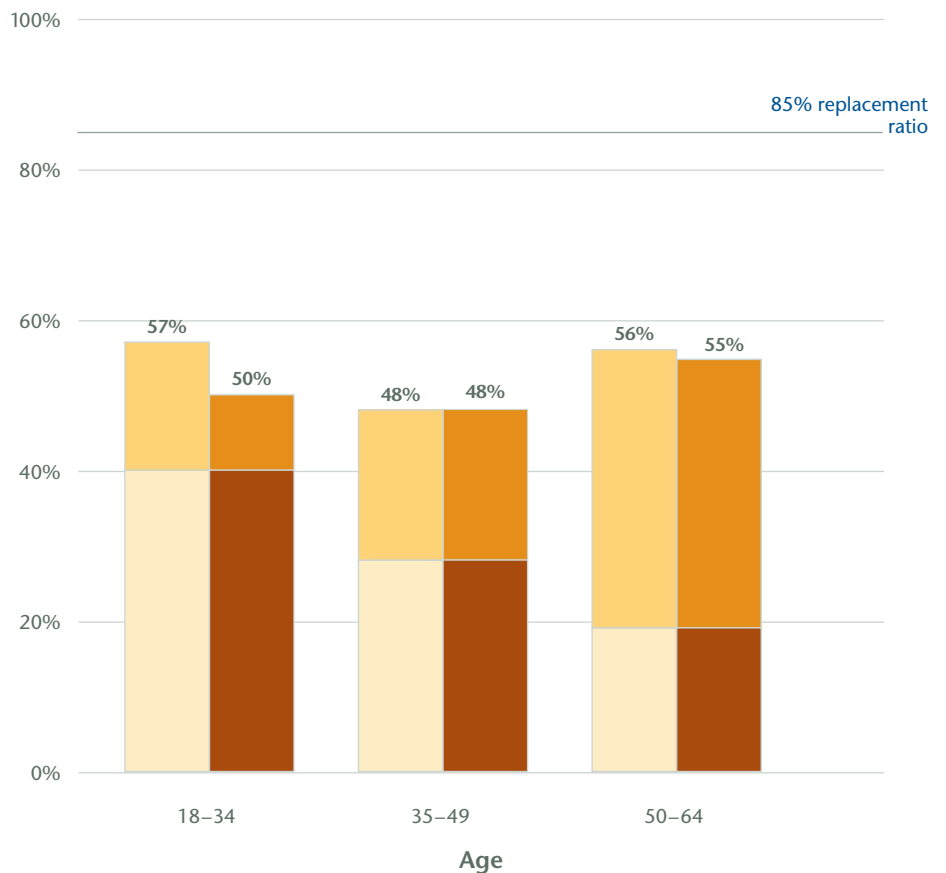
- Your Plan — Average employer match for participants deferring was 4%, 4%, 5% and 3% for the respective salary ranges
- Your Plan — Average elective deferral for participants deferring was 4%, 6%, 10% and 9% for the respective salary ranges
- Industry — Average employer match for participants deferring was 5%, 6%, 4% and 5% for the respective salary ranges
- Industry — Average elective deferral for participants deferring was 5%, 9%, 8% and 8% for the respective salary ranges
- Suggested savings rate at least 10% plus employer contributions



**PLAN PARTICIPANT
INCOME REPLACEMENT
RATIOS BY AGE**

This chart shows the average income replacement ratio percentage for participants with account balances in your plan compared to your industry by age.^{1,4,9}

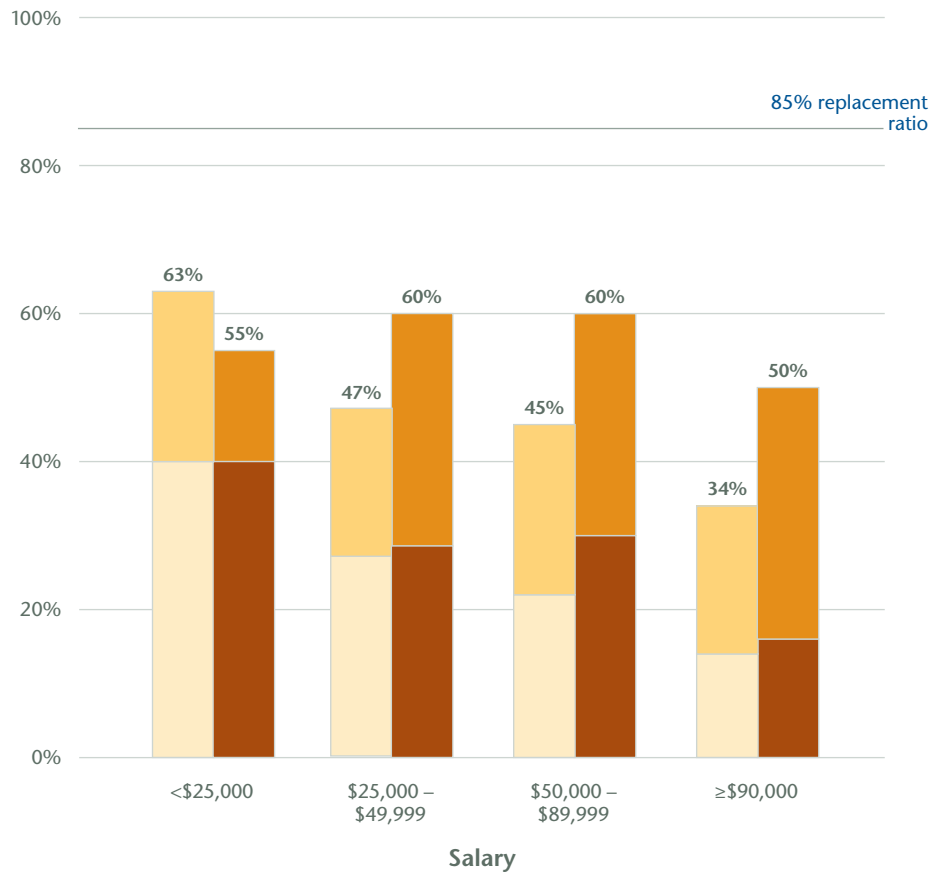
- Your Plan — Average income replacement ratio from retirement savings for participants with account balances was 17%, 20% and 37% for the respective age categories
- Your Plan — Average income replacement ratio estimated from Social Security⁶ for participants with account balances was 40%, 28% and 19% for the respective age categories
- Industry — Average income replacement ratio from retirement savings for participants with an account balance was 10%, 20% and 36% for the respective age categories
- Industry — Average income replacement ratio estimated from Social Security⁶ for participants with an account balance was 40%, 28% and 19% for the respective age categories



**PLAN PARTICIPANT
INCOME REPLACEMENT
RATIOS BY SALARY**

This chart shows the average income replacement ratio percentage for participants with account balances in your plan compared to your industry by salary.^{1,4,9}

- Your Plan — Average income replacement ratio from retirement savings for participants with account balances was 23%, 20%, 23% and 20% for the respective salary ranges
- Your Plan — Average income replacement ratio estimated from Social Security⁶ for participants with account balances was 40%, 27%, 22% and 14% for the respective salary ranges
- Industry — Average income replacement ratio from retirement savings for participants with an account balance was 15%, 32%, 30% and 34% for the respective salary ranges
- Industry — Average income replacement ratio estimated from Social Security⁶ for participants with an account balance was 40%, 28%, 30% and 16% for the respective salary ranges



Assumptions and Disclosures

Assumptions used for the suggested savings rate estimate:

- Retirement at age 65
- Annual investment return of 7%¹⁰
- Annual inflation rate of 2.5%
- Annual wage growth of 3.5%
- Inflation-adjusted annual withdrawal rate in retirement of 4.5%
- Income replacement of about 85% of pre-retirement income
- Social Security providing 40% of replacement pre-retirement income
- 40 years in workforce

Assumptions used for the income replacement ratio projections:

- Retirement at age 65
- Annual investment return of 7%¹⁰
- Annual inflation rate of 2.5%
- Annual wage growth of 3.5%
- Inflation-adjusted annual withdrawal rate in retirement of 4.5%
- Social Security benefits at normal retirement age

¹ This section of the report does not include: participants who do not have a salary, participants who have reached Normal Retirement Age (NRA), former participants or employees who leave retirement funds under the plan (i.e., PRA), participants who are not eligible for the full prior plan year, and participants with a calculated income replacement ratio greater than 110%.

² Sum of average annual elective deferral contribution and average annual employer match as of the most recent data rounded to the nearest .01 percent.

³ Based on analysis conducted by The Principal, August 2013. The estimate assumes a 40-year span of accumulating savings and the following facts: retirement at age 65; a combined individual and plan sponsor contribution of 12 percent; Social Security providing 40 percent replacement of income; 7 percent annual rate of return; 2.5 percent annual inflation; and 3.5 percent annual wage growth over 40 years in the workforce. This estimate is based on a goal of replacing about 85 percent of salary. The assumed rate of return for the analysis is hypothetical and does not guarantee any future returns nor represent the return of any particular investment. Contributions do not take into account the impact of taxes on pre-tax distributions. Individual results will vary. Participants should regularly review their savings progress and post-retirement needs.

⁴ This income replacement illustration includes estimated defined contribution and Social Security benefits. It does not include other retirement plans or outside retirement funds participants may have.

⁵ Assuming pre-retirement annual gross income of \$40,000. AON Consulting 2008 Replacement Ratio Study, <http://aon.com/about-aon/intellectual-capital/attachments/human-capital-consulting/RRStudy070308.pdf>.

⁶ The estimated amount of income replaced by Social Security is based on the ssa.gov Quick Calculator. For additional information about this calculator, go to socialsecurity.gov/OACT/quickcalc.

⁷ Principal Financial Group Enablers Affecting Retirement Readiness Success' Study, 2011. Based on analyzing 2,800 plans with at least 50 eligible employees and who have been active since 2008.

⁸ Additional fees may apply.

⁹ Based on 401(k)/403(b) plans The Principal provides record keeping services for within the wholesale trade, durable goods industry. Industry information is as of 04/3/XXXX.

¹⁰ For illustration purposes only. This reflects a hypothetical rate of return and does not reflect the performance of any one product of The Principal.

Percentages illustrated in this report are rounded to the nearest whole number unless otherwise noted.



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No investment strategy, such as asset allocation or diversification, can guarantee a profit or protect against loss in periods of declining values. The ultimate decision as to whether an asset allocation choice is an appropriate investment option for a plan and whether it can serve as a QDIA belongs to the appropriate retirement plan fiduciaries.

The selection of any investment options on behalf of a plan is the fiduciary responsibility of the appropriate plan fiduciary, which is not Principal Life.

Plan fiduciaries remain subject to a varying amount of ongoing responsibility depending on the structure of the plan the fiduciary serves and the nature of the plan fiduciary's position. Please consult with your counsel or other adviser as to the responsibility of a plan fiduciary with regard to the selection or retention of any plan investment option by a plan fiduciary.

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