

# Workplace Insights™

## 401(k) Wellness Scorecard

For the period ending December 31, 2014

Employees rely on a range of resources — including their 401(k) plan, education and tools, personalized one-on-one meetings, guidance and phone support — to manage their financial lives. At Bank of America Merrill Lynch, we see evidence that employees are increasingly taking advantage of these resources, leading to more informed employees, who have a better understanding of their overall finances and can make more effective decisions. Data from across the 401(k) plans we service demonstrate that employees respond enthusiastically and take positive action when presented with simplicity in plan design, and easy access to guidance and education offerings. In 2014, more than 1.5 million participants contributed to their 401(k) accounts, an increase of 18% compared to 2013. These results indicate that, with support from employers, the 401(k) plan is an essential component in employees' financial lives.

This quarterly scorecard monitors plan participants' behavior and sponsors' adoption of new plan design features and services in our proprietary 401(k) business, which comprises \$128.9 billion in total client plan assets and 2.5 million total plan participants with positive balances as of December 31, 2014.\*

*"Employers continue to adapt their defined contribution plans to employees' changing needs. We are pleased to work with them to deliver innovative 401(k) plan features that support employees' pursuit of financial wellness and encourage them to take positive actions."*

— Daniel Holtzman  
Managing Director, Institutional Retirement and Benefits,  
Bank of America Merrill Lynch

### Key findings

Our fourth-quarter and full-year results demonstrate the power of simplicity and easy-to-access education and guidance.

- 1. Simplified plan design drives employee engagement.**  
Streamlining the enrollment process increases participation and, our experience shows, may influence contribution rates.
- 2. Automatic features encourage positive employee behavior.**  
High adoption rates from employers demonstrate the success of these features in boosting enrollment and contribution rates.
- 3. Annual health care decisions continue to drive positive action.**  
Increases in positive actions in the second half of the year suggest that when benefits decisions are presented together employees are more likely to take action.
- 4. Employees appreciate resources that help them manage their financial lives.** Employees are taking advantage of health savings accounts and a variety of educational resources to help manage their overall financial lives.

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Investment products:

|                      |                         |                |
|----------------------|-------------------------|----------------|
| Are Not FDIC Insured | Are Not Bank Guaranteed | May Lose Value |
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See last page for important information. For Plan Sponsor use only — Not for use with Participants.

## Simplified plan design drives employee engagement

As the defined contribution plan has evolved, the employer's role has evolved with it. In our 401(k) platform, we see employers embracing the responsibility to help employees make wise financial decisions. Specifically, employers are discovering that they can help employees take action by minimizing the number of upfront choices employees must make, thereby making it easier for them to contribute to their retirement accounts.

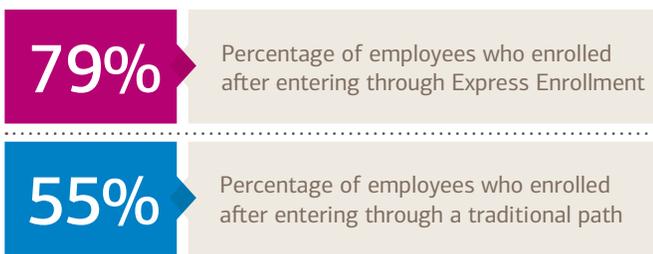
To that end, employers are increasingly interested in our simplified enrollment solution, Express Enrollment, which streamlines the enrollment process by minimizing upfront choices.

### Increase in employers' adoption of Express Enrollment



As of year-end 2014, compared to 2013.

Employers recognize that simplified enrollment is an effective way to engage employees — especially as compared to traditional enrollment, which typically requires employees to make numerous choices.



As of year-end 2014.



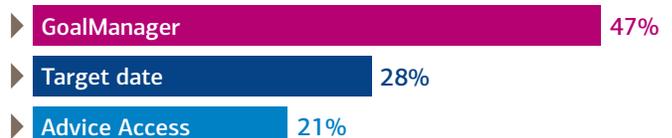
In Express Enrollment, employers choose three contribution rates to display. **Our analysis indicates that employers' decisions about which rates to display, and about the order in which they display them, affect employees' actions.** In fact, we found employees are often more likely to choose the first rate option displayed.

In addition, employees who used Express Enrollment chose contribution rates of 5% or 6% more frequently than any other rate — levels that often maximize employer matching contributions.

### Simplified investment options

The vast majority of employers that adopt Express Enrollment use managed accounts like PersonalManager®, or diversified investments like GoalManager®<sup>1</sup> or target date funds<sup>2</sup>, as their Express investment choice. PersonalManager offers periodic reallocation and rebalancing, which can help to simplify investment management for employees<sup>3</sup>. Employers' decision to pair Express Enrollment with managed accounts shows that they recognize the positive impact that simplicity can have on employees' financial wellness. (See "Advice Access drives wellness" on page 3 for more on employee wellness.)

### Employers' top three default choices paired with Express Enrollment



## Adoption of automatic features continues to gain momentum

Employers continue to adopt automatic features that help create positive behaviors among employees. The number of plans that have added automatic enrollment increased 8% from 2013 to 2014. In total, 47.5% of plans now offer this feature. What's more, participation rates tend to be higher in plans with automatic enrollment.

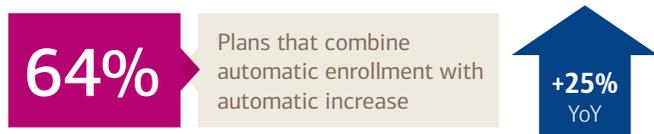
### Automatic enrollment helps boost participation

**32%** Plans with automatic enrollment have 32% higher average participation rates than plans that do not have automatic enrollment.

As of year-end 2014.

Whether combined with automatic enrollment or adopted as a stand-alone feature, automatic increase allows employees to build momentum.

### Growth in plans that combine automatic enrollment and automatic increase



As of year-end 2014, compared to 2013.

### Growth in plans that use automatic increase as a standalone feature

Plans using automatic increase as a standalone feature

**+49% YoY**

As of year-end 2014, compared to 2013.

Employees have responded enthusiastically: In 2014, 46% more employees scheduled automatic increases than the previous year.

### Participants using automatic increase

**186,000**

**+46% YoY**

As of year-end 2014, compared to 2013.

In addition, more employers are structuring their plans so employees can contribute at higher levels.

### Default contribution rates are rising

Plans that added auto enrollment with a default rate of 3% or higher



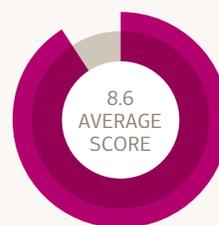
As with the employers that adopt Express Enrollment, those that use automatic enrollment tend to select managed accounts like PersonalManager, or diversified investments like GoalManager or target date funds, as their default investment options.

## Advice Access helps drive financial wellness

The number of plans offering Advice Access, an investment advisory service that offers personalized, unbiased savings and investment recommendations, increased 6% from 2013 to 2014.

Employees appear to welcome this assistance: 91% of employees enrolled in Advice Access are using the managed account feature, PersonalManager, to save them time and provide needed assistance with monitoring and adjusting their retirement strategy. Together with the other plan design trends we document in this report, these features make it easier for employees to get the advice they may need to manage their investments and contribute to their retirement plans.

### Employees who use Advice Access tend to have better Financial Wellness Scores<sup>4</sup>



**91%**

of Advice Access participants are considered "well"



**67%**

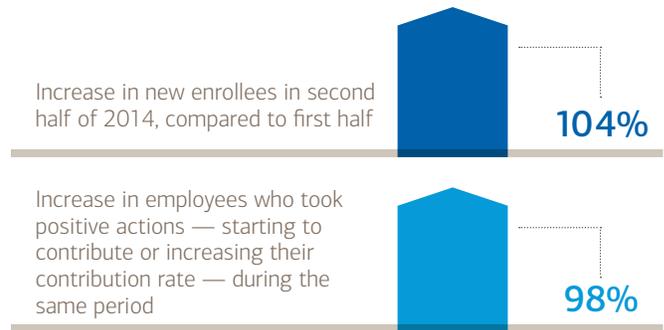
of participants not in Advice Access are considered "well"

## Coordination with health enrollment can drive positive action

Many employers take advantage of health care annual enrollment to talk to employees about enrolling in or increasing contributions to their 401(k) plan. This link in timing can help employees take positive steps, as they may take advantage of this natural opportunity to discuss their plans for the year ahead with family members.

Our data shows large increases in enrollment and contributions in the second half of the year compared to the first — a consistent trend that we have observed over the past few years.

### Increases in positive actions in the second half of 2014 as compared to the first half



## Participants take advantage of opportunities to manage their financial lives

The employers we work with are increasingly interested in providing their employees with resources and education for managing their overall financial lives. That interest is shared by employees, who increasingly look to their employer for these tools and assistance.

In addition, a growing number of employers also offer health savings accounts (HSAs) alongside high-deductible health plans as another way to prepare. The plans are popular with employees, who appreciate HSAs' tax advantages for funding medical expenses now and in retirement.



The number of Bank of America, N.A. HSA accounts grew 36.7% from 2013 through year-end 2014.

At the same time, employers are increasingly interested in educating employees about their retirement plans. We have seen 14% year-over-year growth in Bank of America Merrill Lynch education consultants' employee meetings, with a 13% year-over-year increase in the success rate of those meetings. (We define "success" as an employee taking

a positive action, such as enrolling in the plan, increasing contributions or signing up for Advice Access.)

In addition, requests for one-on-one meetings with employees have more than doubled compared to 2013 — which we believe is an indication that employers and employees understand the value of personalized attention and that it can help drive employees to take positive actions.

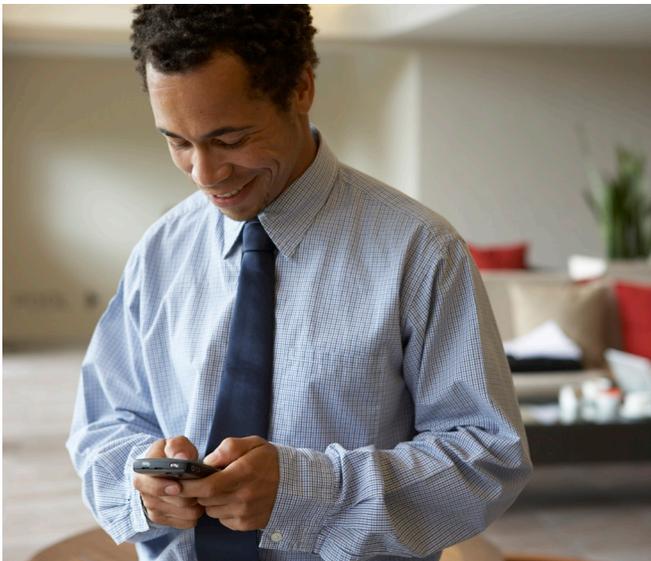
Our Retirement Education Services phone center offers employees consultation and support to help participants make more informed financial decisions. Calls to this specialized center increased in 2014, as callers sought information about how their plans work and all the options that are available to them. This indicates that employees are looking for help connecting their financial picture and understanding how their finances fit together.

### Growing demand for financial education



## Mobile education reaches employees where they are

Employee engagement is the critical first step in encouraging positive behaviors. Use of our Benefits OnLine® (BOL) mobile smartphone-optimized site continues to grow, indicating that employees continue to be interested in self-service information about preparing for retirement — particularly when they can access that information conveniently, on the devices that work for them.



46%

Increase in unique visits to Benefits OnLine mobile, 2013-2014.

In addition, unique visitors to the BOL Education Center increased 15% year-over-year, while page views increased 18% in the same period.

Employee usage of Benefits OnLine mobile site



## Moving ahead

As the data in this scorecard demonstrates, employees can benefit from access to a range of resources that help them manage their financial lives effectively. Employers can engage employees and help them make informed decisions that help them pursue their goals and build better financial lives by taking the following steps:

- **Embrace simplification.** Employees respond enthusiastically to plan features that help them enroll and contribute easily and conveniently.
- **Consider adopting automatic features — including automatic increase.** Pairing automatic enrollment with automatic increase, or offering automatic increase as a stand-alone feature, can help employees gain momentum to build their financial wellness.
- **Link 401(k) enrollment with health care open enrollment.** Take advantage of the synergy of combining annual health care decisions with financial decisions related to participation in the 401(k) plan.
- **Consider adding HSAs to your benefits offering.** HSAs give employees in high-deductible health plans a tax-advantaged way to pay for eligible out-of-pocket health care costs<sup>5</sup>.
- **Provide resources and education in multiple channels to help employees manage their overall financial lives.** Offer a range of education options — including online and in person — so employees can choose the ones that fit their needs and communication preferences.

## For more information

Contact your Bank of America Merrill Lynch representative or call **1.877.902.8730** for details on the action steps you can take to potentially affect positive employee participation and help improve the vibrancy of your 401(k) plan. You also can visit us online at **benefitplans.baml.com** or email us at **benefitplans@baml.com**.

To read our latest insights, visit **baml.com/workplaceinsights**.

*Advice Access is an investment advisory service that offers personalized, unbiased savings and investment recommendations — provided by an independent financial expert, Ibbotson Associates. Individualized, comprehensive and highly flexible, Advice Access can help put plan participants on track when pursuing their retirement goals. Participants can use this service in one of three ways:*

- *PersonalManager® — A managed account solution with periodic reallocation and rebalancing, for the “Do-it-for-me investor”*
- *Portfolio Rebalancing — Asset allocation with periodic rebalancing, for the “Do-it-with-me investor”*
- *One-Time Asset Allocation — Asset allocation based on a point-in-time analysis; will not factor in future changes in personal information or current market conditions, for the “Do-it-myself investor”*

*The Advice Access service uses a probabilistic approach to determine the likelihood that participants in the service may be able to achieve their stated goals and/or to identify a range of potential wealth outcomes that could be realized. Additionally, the recommendations provided by Advice Access do not consider an individual’s comfort level with investment risk and may include a higher level of investment risk than a participant may be personally comfortable with. Participants are strongly advised to consider their personal goals, overall risk tolerance and retirement horizons before accepting any recommendations made by Advice Access. Participants should carefully review the explanation of the methodology used, including key assumptions and limitations, which is provided in the Advice Access disclosure statement. It can be obtained through Benefits OnLine®, or through your Bank of America Merrill Lynch representative.*

*IMPORTANT: The projections or other information shown in the Advice Access service regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.*

\* Bank of America Merrill Lynch’s Retirement and Benefit Plan Services (Retirement and Benefit Plan Services) is part of Global Wealth and Investment Management (GWIM), the wealth and investment management division of Bank of America Corporation. As of December 31, 2014, Retirement and Benefit Plan Services had client balances of \$128.9 billion. Client Balances consists of assets under management, client brokerage assets and deposits of GWIM retirement plan participants held at Bank of America, N.A. and affiliated banks.

<sup>1</sup> GoalManager® is a proprietary asset allocation and portfolio rebalancing service that helps 401(k) plan participants choose and manage investments.

<sup>2</sup> The target date is the approximate date when an investor plans to start withdrawing the assets from their retirement account. The principal value is not guaranteed at any time, including at the target date. The funds are designed to become more conservative over time as the target date approaches.

<sup>3</sup> Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss.

<sup>4</sup> December 2014 Merrill Lynch Financial Wellness Monitor® Report. Financial Wellness Monitor provides plan sponsors offering Advice Access with an overview of the financial well-being of their plan participants. Well-being is defined as savings and investing behavior that can lead to retirement success. The Financial Wellness Monitor gives each participant a score from 0 to 10, 10 being the highest wellness level. Points are deducted based on symptoms associated with proven at-risk behaviors such as concentrating in a specific asset class or not fully benefiting from company match. A score of 7 or higher is regarded as being “well.”

To use Financial Wellness Monitor® is not to suggest that a plan sponsor would dispense with using retirement income replacement modeling at the employee level. Only an employee knows his or her overall household circumstances for retirement income planning, and tools like Advice Access can help build awareness about an employee’s future income needs and aid in his or her preparation for that income. Currently, the Financial Wellness Monitor is being offered only for plans that have adopted the Advice Access service. The Financial Wellness Monitor includes all active participants in the plan.

<sup>5</sup> Please consult with your own attorney or tax advisor to understand the tax and legal consequences of your HSA, Health FSA and/or HRA plan or program offerings to your employees and your particular situation in your capacity as employer and/or plan administrator.

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