

# Morningstar<sup>®</sup> Retirement Manager<sup>SM</sup>

Aiming for Better Investment Outcomes

**Presentation for State of Nevada**

**October 10<sup>th</sup> – 12<sup>th</sup> 2017**

**MORNINGSTAR<sup>®</sup>**

**MORNINGSTAR**®

**30 Years of Helping Investors**

Independent

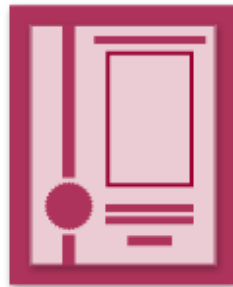
Objective

Trusted



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Award-winning  
Research



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Patented  
Methodology



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Investment  
Professionals

# Morningstar Investment Management



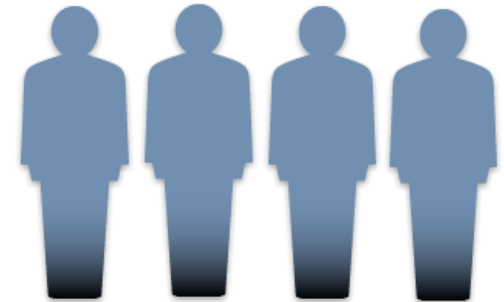
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\$201 Billion in Assets  
under Advisement or  
Management



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304,000 Plan  
Relationships

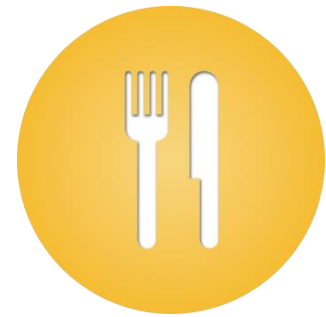


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1MM + participants  
enrolled in our  
Managed Account  
service

Data as of December 31, 2016

# How many hours do you spend planning your vacation each year?



# Saving for Retirement

**Pension**

**Social  
Security**

**457  
401(k)  
403b**

# Morningstar Retirement Manager

## A Simplified Approach to Decision-Making

- ▶ A platform of personalized investment advisory services designed to customize a retirement plan solution for each user
  - ▶ Not just one size fits all – provides personalized:
    - Retirement income goal
    - Savings rate recommendation
    - Retirement age recommendation
    - Portfolio
- ▶ Makes it easy for participants to manage their retirement accounts in about 10 minutes per year

# Two Ways to Manage Your Account

## Managed Accounts

### Managed by Morningstar

- ▶ Fee-based professional investment management and ongoing oversight for your retirement account
- ▶ You delegate account management responsibility to Morningstar Investment Management
- ▶ Morningstar Investment Management serves as the **Investment Manager**

- ▶ Morningstar Investment Management assumes fiduciary responsibility in its capacity as a provider of investment advice/management

## Investment Advice

### Managed by You

- ▶ A wide range of resources, research and educational support to help you make more informed decisions about your retirement account.
- ▶ Participants implement advice themselves
- ▶ Morningstar Investment Management serves as the **Investment Advisor**



# Morningstar Retirement Manager Investment Process

## Investor Profile Analysis



## Rigorous Portfolio Analysis



## Disciplined Management

- ▶ Age
- ▶ Annual income
- ▶ Current plan balances
- ▶ Current investment elections
- ▶ Asset liability analysis
- ▶ Participants have the option to alter assumptions and add personal information

- ▶ In-depth analysis of all fund options
- ▶ Apply institutional investment process
- ▶ Identify overall asset allocation targets
- ▶ Use holdings-based analysis to select the ultimate fund allocations

- ▶ Quarterly portfolio reviews
- ▶ Investment updates
- ▶ Portfolio adjustments

# Morningstar® Retirement Manager<sup>SM</sup>

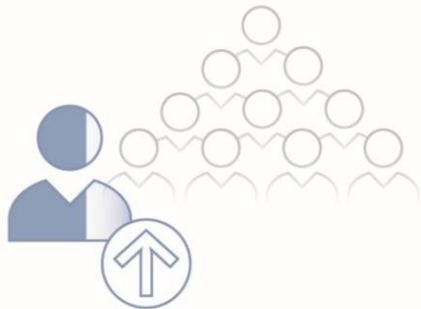
## The Impact of Managed Accounts

We studied more than 58,000 people before and after they enrolled in our service and found the following results:



28%

People increased their savings rates by nearly 28% after using the program, an average of 2% of their salary.<sup>1</sup>

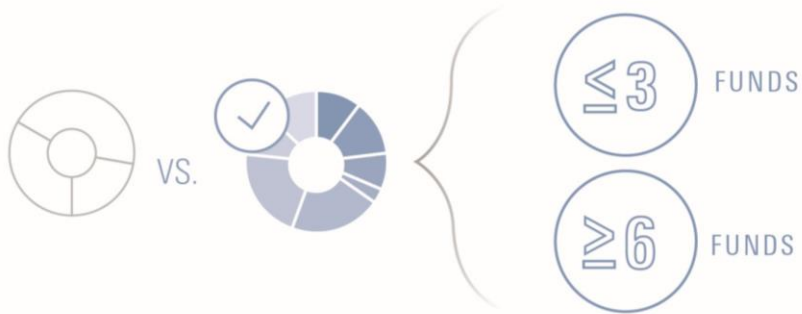


87%

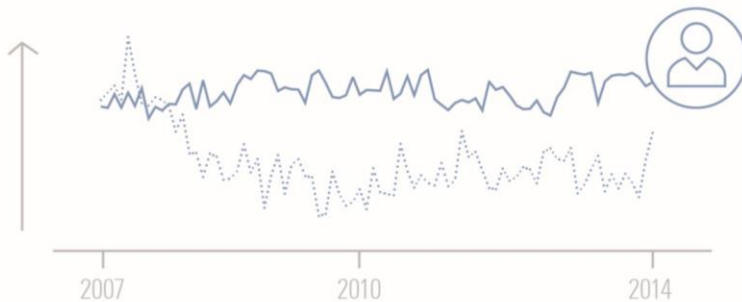
87% of the people studied increased their savings rates after receiving recommendations to save more.<sup>2</sup>

# Morningstar® Retirement Manager<sup>SM</sup>

## The Impact of Managed Accounts



Before using the program, almost half (48%) of those studied held three or fewer funds—suggesting people who choose to manage their accounts themselves may not have a diversified portfolio.<sup>4</sup> After using the program, most held six or more funds.



People enrolled in the program maintained their equity allocations throughout this economic cycle. Those not enrolled reduced their allocations and did not return them to their original levels, potentially missing out on market gains.<sup>5</sup>

# Morningstar® Retirement Manager<sup>SM</sup>

## The Impact of Managed Accounts

The net results of the other common factors we found indicated people who use our service could have more wealth in retirement.



A 25-year-old using our service could have almost 40% more retirement income, assuming an annual fee of 0.40%<sup>6</sup>. Also, there is an 89% chance of a 25-year-old using the program having more wealth in retirement.<sup>7</sup>

# Fees

## Managed by Morningstar

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- ▶ Fee for professional management is a percentage of your account balance = .50% per year
- ▶ Automatically deducted from participants' accounts – no bills
  - ▶ For example, if your account balance is \$10,000, your annual fee is \$50.00.
  - ▶ In this case, your quarterly deduction would be \$12.50
  - ▶ If you cancel the service, all fees stop immediately

## Managed by You

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- ▶ Free of charge to you

# How to Access Morningstar Retirement Manager Online



[Contact Us](#) | [More Resources](#) | [Statements & Documents](#) | [User Preferences](#) | [Logout](#)

**Account** | [Investments](#) | [Plan Information](#) | [Personal Information](#) | [Message Center](#) <sup>2 New</sup> | [Education and Tools](#)

<b>Account Summary</b> <ul style="list-style-type: none"><li>Balances</li><li>Estimated Income</li><li>Personal Rate of Return</li><li>Voya Lifetime Income Protection</li><li>Account Value Chart</li><li>Balance By Source</li><li>Vesting</li></ul>	<b>Contributions</b> <ul style="list-style-type: none"><li>Change Contributions</li><li>Catch-Up Contributions</li><li>Rate Escalator</li><li>Contribution History</li></ul> <b>Get Advice</b>	<b>Account Activity</b> <b>Manage Investments</b> <ul style="list-style-type: none"><li>Investment Elections</li><li>Model Portfolio Election</li><li>Change Elections</li><li>Fund Transfer</li><li>Reallocate Balances</li><li>Rebalance Account</li></ul> <b>Pending Transactions</b> <b>Transaction History</b>	<b>Loans</b> <ul style="list-style-type: none"><li>Available Loans</li><li>Loan Payments</li><li>Request a Loan</li></ul> <b>Withdrawals</b> <ul style="list-style-type: none"><li>Available Withdrawals</li><li>Request a Withdrawal</li></ul>
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Portfolio total is \$35,000.00

**Did you know...?** You can better view your overall retirement picture if you combine your accounts in one place. Speak with a representative to learn more **about your options and what to consider** at 855-848-2302.

You have **NEW** communications to view in: **Statements, Confirms, and Tax Forms.**

**Account Summary**

Current as of May 1, YYYY

# Home Page: Choose Your Solution

Morningstar® Retirement Manager<sup>SM</sup>

ABC Co. | MORNINGSTAR®

## Choose Your Solution

### Managed by Morningstar

Experience the peace of mind from having our professional recommendations implemented for you, as well as having your account professionally managed on an ongoing basis. [Fee Estimate](#)

**Start >>**

**With Managed by Morningstar, you'll receive:**

- ▶ A personalized strategy designed to meet your retirement goals
- ▶ A diversified portfolio custom designed with carefully selected investments
- ▶ Ongoing adjustments and rebalancing of your account
- ▶ Detailed progress reports

**Who should use this service?**  
Anyone who lacks the time to manage their account or wants professional oversight.

### Managed by You

Use our research and recommendations to make more informed decisions about your retirement account. You are responsible, though, for deciding to implement our recommendations.

**Start >>**

**With Managed by You, you'll receive:**

- ▶ A personalized strategy designed to meet your retirement goals
- ▶ Tailored asset mix based on your risk level and goals
- ▶ Access to our research and educational tools

**Who should use this service?**  
Anyone who enjoys actively managing their investments and account.

### Questions?

Compare benefits of each solution  
Learn more about Morningstar Associates  
Frequently asked questions

# Step 1: Confirm Your Information

Morningstar® Retirement Manager™



- 1 Confirm Your Information**
- 2 Review Your Strategy
- 3 Finalize Your Strategy

## ▼ Verify Required Information

This is the minimum amount of information that we need to construct your retirement strategy. Your account administrator may have provided some of this information already. If any data is missing or incorrect, please change it here in order to receive your strategy. You also must contact your account administrator to report these changes. Any data you change here will be used for this session only.

General	Edit
First Name	MARTIN
Last Name	DOE
Gender	Male
Date of birth (MM/DD/YYYY)	1/27/1970
Age to begin withdrawals/retirement age (?)	65
Annual Salary	\$75,000
State of Residence	IL
Email	TEST@yahoo.com

401(K) SAVINGS PLAN	Edit
Account balance	\$40,000
Annual Pre-Tax employee savings rate	2%
Annual Roth employee savings rate	1%
Annual Post-Tax employee savings rate	

- ▶ [Change Retirement Account Details \(?\)](#)
- ▶ [Include Spouse/Partner Information \(?\)](#)
- ▶ [Add Additional Accounts/Income Sources \(?\)](#)
- ▶ [Add Expenses \(?\)](#)



# Step 1: Confirm Your Information Cont.

Morningstar® Retirement Manager™



- 1 Confirm Your Information**
- 2 Review Your Strategy
- 3 Finalize Your Strategy

▶ **Verify Required Information**

▶ **Change Retirement Account Details** (?)

▶ **Include Spouse/Partner Information** (?)

▼ **Add Additional Accounts/Income Sources** (?)

### Additional Income Sources

<b>Social Security</b> (?)	<b>Edit</b>
Social Security start age (?)	67
Social Security estimate/yr	\$27,737

Add Income Sources (?)

### Additional Accounts

If you are using this service to manage another balance held by the same entity that's administrating your primary account, please do not enter that balance here. Doing so will lead us to consider it twice (both as an additional account and as the primary account) when designing a strategy for that balance. The primary account is the one under which you log into our service.

Add Accounts (?)

▶ **Add Expenses** (?)

# Morningstar Retirement Manager: Personal Strategy Report

Morningstar® Retirement Manager™



- 1 Confirm Your Information
- 2 Review Your Strategy
- 3 Finalize Your Strategy

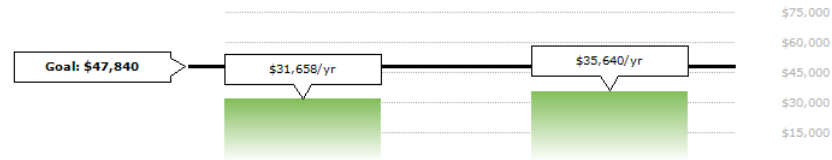
## ▼ Retirement Strategy Overview (?)

Warning: If you continue with your current strategy you may fall short of your retirement income goal.

Our strategy is designed to help improve your income outlook and get you closer to or to your goal. You can accept this strategy by clicking "Next", revise it, or view one of our alternative strategies in the link below the graph.

[Learn more about the different strategies](#)

Retirement Income (?) Current Strategy Enhanced Strategy\*



Overall Rating (?)	★	★★★
Retirement Age (?)	65	65
Savings Rate (?)	3%	6%
Asset Mix/Risk Level (?)	Balanced	Moderately Aggressive

[Click here](#) to view an alternative strategy.

## ▶ Retirement Income Outlook (?)

## ▶ Retirement Age (?)

## ▶ Savings Rate (?)

## ▶ Asset Mix/Risk Level (?)

## ▶ Investment Selections (?)

Exit

<< Back

Next >>

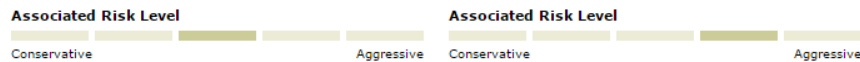
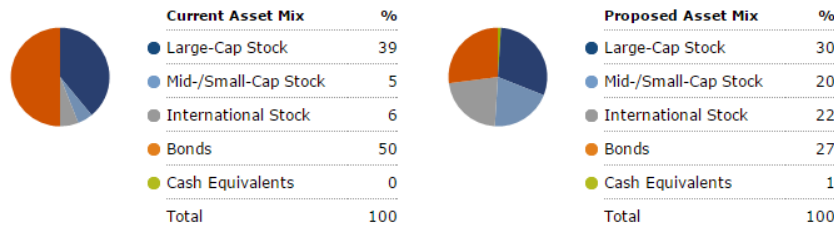
# Step 2: Review Your Strategy

Morningstar® Retirement Manager™



- 1 Confirm Your Information
- 2 Review Your Strategy
- 3 Finalize Your Strategy

- ▶ Retirement Strategy Overview (?)
- ▶ Retirement Income Outlook (?)
- ▶ Retirement Age (?)
- ▶ Savings Rate (?)
- ▼ Asset Mix/Risk Level (?)



<ul style="list-style-type: none"> <li>▶ Your household asset mix</li> <li>▶ Potential five-year performance with this risk level</li> <li>▶ Historical scenarios</li> <li>▶ Risk/Return tradeoffs</li> </ul>	<p>We recommend you restructure your current asset mix to contain a broader coverage of stocks. We believe this is appropriate for you because stocks are the most significant driver of long-term investment growth; although you should be aware that they also present a greater chance of extreme swings in portfolio performance. Morningstar Investment Management LLC places great emphasis on preserving your existing capital. If you have other assets slated for retirement, providing details about these may result in a more aggressive allocation because you are better able to withstand potential losses. <a href="#">See important disclosure information.</a></p>
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- ▶ Investment Selections (?)

# Step 2: Review Your Strategy Cont.

Morningstar® Retirement Manager™



- 1 Confirm Your Information
- 2 Review Your Strategy
- 3 Finalize Your Strategy

▶ Retirement Strategy Overview (?)

▶ Retirement Income Outlook (?)

▶ Retirement Age (?)

▶ Savings Rate (?)

▶ Asset Mix/Risk Level (?)

▼ Investment Selections (?)

## 401(K) SAVINGS PLAN

Investment Name	Current (?) Allocation %	Proposed (?) Reallocation %	Future (?) Allocation %
<a href="#">Fidelity® Low-Priced Stock (5)</a>	0	3	3
<a href="#">Gabelli Asset AAA</a>	0	16	16
<a href="#">Harbor Capital Appreciation Instl</a>	50	11	11
<a href="#">Morgan Stanley Inst US Real Estate I</a>	0	5	5
<a href="#">PIMCO High Yield Instl (5)</a>	50	2	2
<a href="#">PIMCO Total Return Instl (5)</a>	0	25	25
<a href="#">Selected American Shares S</a>	0	14	14
<a href="#">T. Rowe Price Small-Cap Stock</a>	0	8	8
<a href="#">Vanguard International Growth Inv (5)</a>	0	16	16

# Step 3: Finalize Your Strategy

- 1 Confirm Your Information    2 Review Your Strategy    **3 Finalize Your Strategy**

**Service Selected: Managed by Morningstar**

[Switch Service/Opt Out](#) / [Fee Estimate](#)

The following retirement strategy is designed to help you achieve an annual Retirement Income Outlook of \$35,640. Please click Finish to finalize this strategy.

**We will do the following:**

**1. Adjust Your Investment Lineup**

**401(K) SAVINGS PLAN**

Investment Name	Proposed (7) Reallocation %	Future (7) Allocation %
<a href="#">Fidelity® Low-Priced Stock (S)</a>	3	3
<a href="#">Gabelli Asset AAA</a>	16	16
<a href="#">Harbor Capital Appreciation Instl</a>	11	11
<a href="#">Morgan Stanley Inst US Real Estate I</a>	5	5
<a href="#">PIMCO High Yield Instl (S)</a>	2	2
<a href="#">PIMCO Total Return Instl (S)</a>	25	25
<a href="#">Selected American Shares S</a>	14	14
<a href="#">T. Rowe Price Small-Cap Stock</a>	8	8
<a href="#">Vanguard International Growth Inv (S)</a>	16	16
<b>Total</b>	<b>100</b>	<b>100</b>

The investments shown here reflect Morningstar Investment Management LLC's initial selection. Our investment professionals may review your account and, as a result, it is possible that some additional changes may be made to ensure that your investments are appropriate for your situation.

[View an asset mix X-ray of your account](#)

[See important disclosure information](#)

**2. Ongoing Monitoring** We will review your account regularly, making adjustments as needed.

**You will need to do the following:**

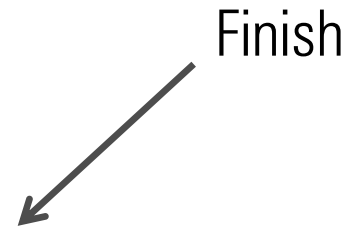
- 1. Set Your Savings Rate** [Edit \(7\)](#)  
Contact your account administrator to make the following changes.
 

Annual Pre-Tax employee savings rate	5%
Annual Roth employee savings rate	1%
- 2. Download a PDF** of your retirement strategy for your records. [Download PDF](#)
- 3. Verify Email Preferences** [View Preferences](#)

Exit

<< Back

**Finish >>**



# Important Disclosures

- ▶ Morningstar® Retirement Manager<sup>SM</sup> is offered by and is the property of Morningstar Associates, LLC, a registered investment advisor and wholly owned subsidiary of Morningstar, Inc., and is intended for citizens or legal residents of the United States or its territories.
- ▶ Morningstar Associates is a part of the Morningstar Investment Management group, which also includes Ibbotson Associates, Inc., a registered investment advisor and wholly owned subsidiary of Morningstar, Inc. Some of the statistics used in this presentation include services provided by Ibbotson Associates. The retirement solutions provided by both Morningstar Associates and Ibbotson Associates use similar methodology based on shared research.

For data used in this presentation, please note the following:

- ▶ “How many hours do you spend planning your vacation each year?”  
The average American spends around five hours planning a vacation that costs close to \$2,000.  
Source: <http://www.thetruthaboutmortgage.com/consumers-spend-same-amount-of-time-researching-mortgagesandvacations/>  
The average American spends 20 years in retirement. Source: [http://www.dol.gov/ebsa/publications/10\\_ways\\_to\\_prepare.html](http://www.dol.gov/ebsa/publications/10_ways_to_prepare.html)
- ▶ “Not Enough Time to Plan for Retirement?”  
The statistics on this slide are from the Bureau of Labor Statistics, American Time Use Survey  
<http://bls.gov/tus/charts/home.htm>

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