

# 401(k) Wellness Scorecard

For quarter ending June 30, 2014

At Bank of America Merrill Lynch, we continue to see positive trends in participant behavior and plan design across the 401(k) plans we service. Employees are taking ownership and understand the need to fund their retirement expenses to meet their long-term financial goals. Meanwhile, plan sponsors are adopting plan design features that encourage employees to save. We are particularly encouraged by the positive actions taken by Millennial employees (ages 18–33). We believe they are likely to face considerable increases in longevity as well as health care costs by the time they reach retirement and are least likely to be able to rely on defined benefit plans. Strong trends among Millennials for defined contribution plan enrollment and health savings account ownership suggest that plan sponsors have been successful in making the right features available that appeal to employees and make it easier for them to take the steps toward being financially well.

**This scorecard monitors plan participants' behavior and sponsors' adoption of new plan design features and services in our proprietary 401(k) business. The business comprises \$128.9 billion in total client assets and 2.5 million total plan participants with balances as of June 30, 2014.<sup>1</sup>**

*"Today, average life expectancy is in the 80s. The question becomes: How does our industry help ensure that the longevity revolution is the positive global miracle it should be?"*

— Andy Sieg,

Head of Global Wealth & Retirement Solutions, Bank of America Merrill Lynch

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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.

## Key findings

Our results for the first half of 2014 indicate that employees recognize the value of their retirement plans, and plan sponsors are interested in a plan design focused on supporting employees' efforts to save for the future.

### 1. Millennials are enrolling faster than other generations.

The growth suggests this age group understands and appreciates the need to save for their future.

### 2. Automatic contribution increases are gaining traction.

Plan sponsors' use of auto increase has jumped, both as a standalone feature and coupled with automatic enrollment.

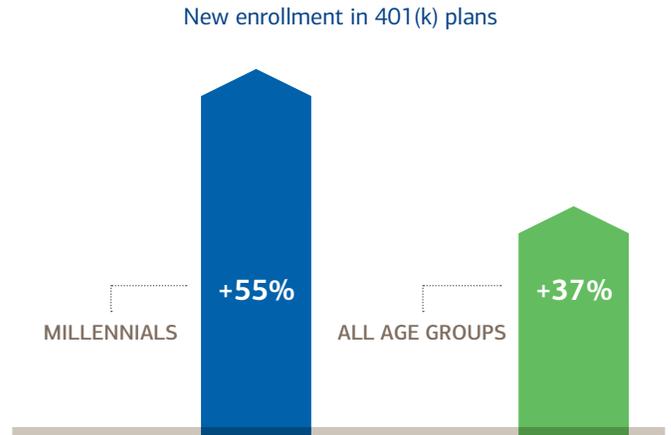
### 3. Mobile technology helps participants manage their financial lives.

Plan sponsors are promoting mobile technology to engage their employees and seeing success with traditionally hard-to-reach groups in industries with limited access to desktop computers.

### 4. Enrollment in health savings accounts is growing.

Employees clearly value the ability to set aside funds for out-of-pocket expenses on a tax-advantaged basis.

## Millennials lead a strong savings effort

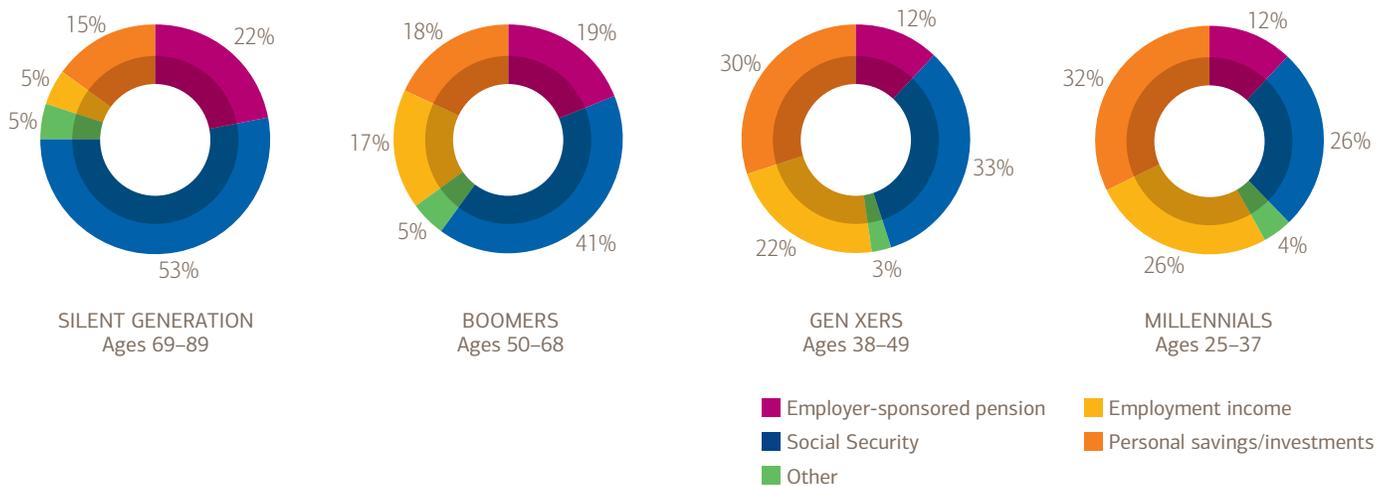


Comparison based on actions taken January – June 2013 vs. January – June 2014.

Savings trends during the first half of 2014 were encouraging among employees of all age groups. The number of first-time contributors overall increased by 37%, and among those in the Millennial generation, the number jumped to 55%. Millennials now make up 20% more of our total contributor population than they did at the midpoint of 2013.

Millennials' saving behaviors are critical, given the potential that this generation may need to cover the majority of their retirement expenses. Recent research by Merrill Lynch and Age Wave found that for retirement, Millennials expect to rely primarily on personal savings and income, while other generations see Social Security and pensions funding most of their retirement.<sup>2</sup>

### Expected sources of income in retirement by generation



Source: "Work in Retirement: Myths and Motivations," Merrill Lynch Retirement Study conducted in partnership with Age Wave, 2014.

## Plan sponsors are making saving easier

Greater participation is encouraging, but financial wellness also requires increases in contribution rates. To assist, a growing number of plan sponsors are making it easy for employees to first participate/join, and then to contribute more. Our data shows that employers are more frequently leveraging automatic enrollment and automatic contribution increases in tandem: As of June 30, 2014, the number of plans combining auto enroll and auto increase grew 19% compared with a year prior.

### Sponsors are combining auto enroll and auto increase

Increase in plans combining auto enroll and auto increase from June 30, 2013 to June 30, 2014



Furthermore, momentum for combining these features is building. Nearly all plans (94%) across our client base that added auto enrollment in the first half of 2014 paired it with auto increase, compared with just 50% of plans during the same period in 2013.

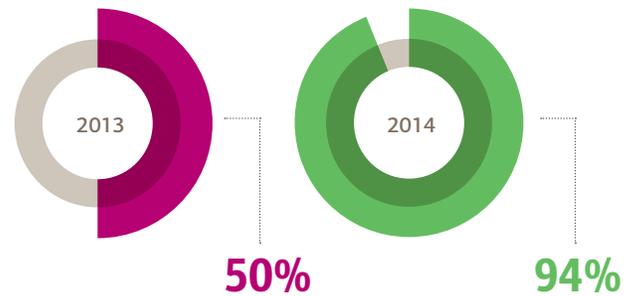
### Plans are using auto increase

Increase in plans that offered standalone auto increase features from June 30, 2013 to June 30, 2014



More plan sponsors are adding a voluntary automatic increase feature (63% increase in adoption from June 2013 to June 2014). Utilization of this feature is working as demonstrated by a 27% increase in the number of participants using automatic increase (from June 2013 to June 2014).

### Percentage of plans that added both auto enroll and auto increase



Comparison based on actions taken January – June 2013 vs. January – June 2014.

Plan sponsors also are recognizing that simplifying the enrollment process — by reducing the number of decisions employees must make up front, limiting the number of contribution-rate choices and leveraging a default investment — can dramatically increase enrollment rates. There has also been a 126% increase in plan sponsors adopting Express/Simplified Enrollment from June 2013 to June 2014. Our Express Enrollment feature has an 80% employee enrollment rate vs. 55% with traditional enrollment.

### Plan participants taking more positive savings action

Increase in the number of participants who took a positive savings action from June 30, 2013 to June 30, 2014

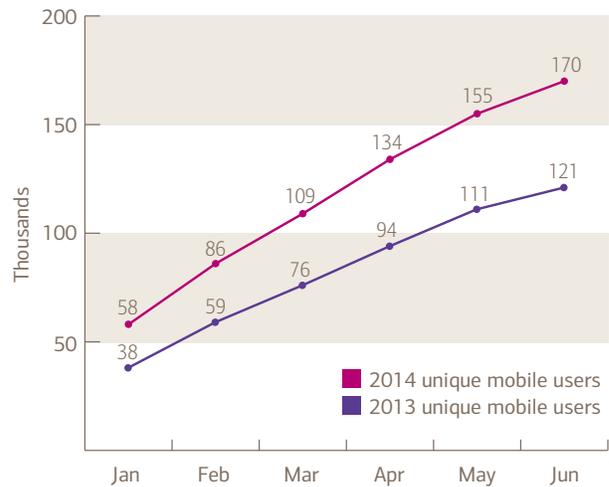


## Mobile technology continues to drive participant engagement

Use of our Benefits OnLine® (BOL) Mobile smartphone-optimized site continues to grow — indicating that participants want information and education about their plans, as well as tools to better manage their financial lives on the go. More employees are using mobile devices to engage with their plans, demonstrating the appeal of convenient, easy-to-access information.

Plan sponsors are continuing to see the value of mobile technology to reach hard-to-engage employees, such as those in industries with limited access to desktop computers. Providing mobile access to plan information is also the ideal way to reach Millennials.

More participants are using mobile devices to access BOL



## Enrollment in health savings accounts grows

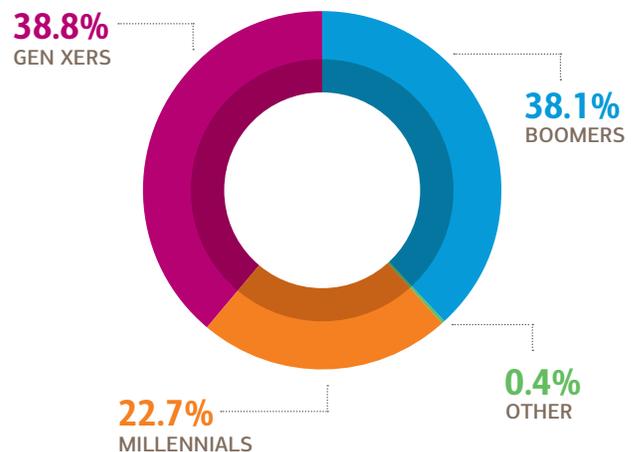
Health savings accounts (HSAs) provide a tax-advantaged way for employees in high-deductible health plans to set aside funds for out-of-pocket qualified medical expenses. The appeal of these accounts continues to grow: In the six months through June 30, 2014, the number of Bank of America, N.A. HSA accounts grew by 33%.

Growth in HSA accounts from January – June 2014



Although Baby Boomers and members of Generation X are most likely to own HSAs, Millennials also find these accounts attractive. Millennials' adoption of HSAs early in their careers is encouraging, given rising health care costs, as well as longevity increases and other factors.

HSA account openings by generation



Data as of June 2014.

## More employees are using advice

Plan sponsors' adoption and participants' use of Advice Access continues to grow. This shows that employees are becoming more responsible for their retirements and are seeking strategies to help them meet their financial goals. Advice Access provides employees with both savings and investment advice specific to their situation, which helps them establish actionable and tailored strategies.

Approximately 90% of employees who are enrolled in Advice Access also use PersonalManager®, a managed account solution that offers periodic reallocation and rebalancing. This figure has remained consistent over time — an indication that employees understand the value of professional assistance in managing their investments.

### Advice Access

Participant usage	Plan sponsor adoption	
194,433	June 2013	46%
209,404	June 2014	52%

Numbers based on participants who adopted Advice Access, January – June 2013 vs. January – June 2014. Percentages represent plan sponsor adoption of Advice Access for the same time period.



## Moving ahead

Plan sponsors have many options when it comes to helping employees increase their financial wellness. Based on our years of experience in tracking employees' behaviors and plan sponsors' actions, we encourage plan sponsors to consider the following:

- **Encourage enrollment across the generations.** Encourage enrollment by addressing the needs of different generations — and provide relevant content.
- **Consider combining automatic enrollment with automatic contribution increases.** Adopting these tools in tandem can help direct employees on their paths toward financial wellness.
- **Take advantage of technology.** Making access simpler and easier to use can help employees interact better with their plans.
- **Consider adding HSAs to your benefits menu.** As high-deductible health plans grow increasingly prevalent, HSAs give employees in high-deductible health plans a tax-advantaged way to pay for eligible out-of-pocket health care costs.
- **Integrate health care and retirement planning.** Employees need to plan for them simultaneously. Integrating enrollment in your health care and retirement plans can help participants see a complete picture of how their finances are all connected. This may allow them to make more informed choices and better integrate their financial lives.
- **Promote education and awareness.** Offer employees access to seminars, webcasts and additional education information to empower them to take charge of their financial wellness.

## 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**.

*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.*

<sup>1</sup> 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 June 30, 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>2</sup> “Work in Retirement: Myths and Motivations,” Merrill Lynch Retirement Study conducted in partnership with Age Wave, 2014.

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