

# K<sup>4</sup> PLAN GOALS

## A VALUABLE ASSET DURING MARKET TURMOIL

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During periods of market volatility, some investors make emotional decisions that can have negative repercussions on their long term strategies. This may be particularly true for 401(k) participants who are responsible for directing their own retirement strategies yet often lack adequate expertise, time or information. Most 401(k) education and guidance is generic with no direct relation to each individual or to the specific goals for retirement. But K<sup>4</sup> Plan Goals delivers a complete, personalized retirement strategy to each individual participant, even without his or her direct input.

### A TYPICAL 401(k) PLAN PARTICIPANT

Consider a 45-year-old male participant invested in 100% large cap equity funds and saving 6% of his salary. He earns \$50,000 a year and has an account balance of \$100,000. Because of his good savings strategy, this participant has an 80% chance of being able to retire at age 66 with 90% of his pre-retirement income.<sup>1</sup>

### BEFORE THE MARKET TURMOIL

If his employer had used K<sup>4</sup> Plan Goals last year, the participant would have received a report with a Suggested Strategy showing a portfolio of 60% equity rather than the 100% equity he currently has. He would have actually had a greater chance of success while also lowering his risk as shown below. Had he been able to act on this information, the participant would have enjoyed increased downside protection and a very high probability of success for his retirement goals.

Retirement Variables	Current Strategy	Suggested Strategy
Savings Rate	6%	6%
Investment Strategy (% Equity)	100%	60%
Retirement Age	66	66
Retirement Income	90%	90%
Chance of Success	80%	83%

### AFTER THE MARKET TURMOIL

Instead, over the past year the participant's account balance dropped from \$100,000 to \$50,000. It is times like these that participants panic and either stop contributing altogether or invest too conservatively. K<sup>4</sup> Plan Goals can provide reassurance that they can still meet their retirement goals. In this example, the following comparison shows the participant's chance of success based on the new lower account balance and different strategies. The new strategy recommends a retirement age of 67 instead of 66 and the replacement income drops from 90% to 87%. However, he still has a very good probability of meeting his retirement goals with the new Suggested Strategy. K<sup>4</sup> Plan Goals can also illustrate the negative consequences of switching to an excessively conservative strategy. As illustrated here for example, reducing equities to 20% will significantly reduce the probability of retirement success for this participant.

Retirement Variables	Current Strategy	Suggested Strategy	Alternate Strategy
Savings Rate	6%	6%	6%
Investment Strategy (% Equity)	100%	60%	20%
Retirement Age	67	67	67
Retirement Income	87%	87%	87%
Chance of Success	75%	76%	38%

Perhaps the most important lesson here is that for this participant, the strategy he should follow after the market turmoil is the same strategy he should have adopted before. Although market conditions and his account balance have changed considerably, the same strategy offers him the best probability of success. News like this can be especially comforting to participants after a year like 2008. K<sup>4</sup> Plan Goals provides 401(k) solutions that meet tomorrow's needs today.

<sup>1</sup>These calculations hold the savings rate constant at 6% and include an employer match and other assumptions typical for plan participants. The portfolios for this example are comprised of combinations of Large Cap Equities and Fixed Income.