

# K<sup>4</sup> Plan Goals: A New Business Model

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Fifty-nine percent of 401(k) participants who calculate a retirement goal increase their retirement savings. Unfortunately, less than half of plan participants do this calculation, so only about 25% benefit from this vital information.<sup>i</sup>

Most participant education and guidance systems suffer from low usage and the resulting inadequate participant savings. But K<sup>4</sup> Plan Goals can cost-effectively deliver a personal retirement strategy to each and every eligible participant with no participant data input and no required online access. It concisely and clearly shows all participants whether they're on track for retirement and, if not, what to do about it.

Online access is not required, but participants who do go online find the experience simple and rewarding. K<sup>4</sup> Plan Goals offers a state-of-the-art user interface designed for simplicity and produces a complete savings, investing, and retirement strategy in a single step. The immediate result for the participant is the optimal combination of the highest level of satisfaction today and a reasonable probability of success in retirement.

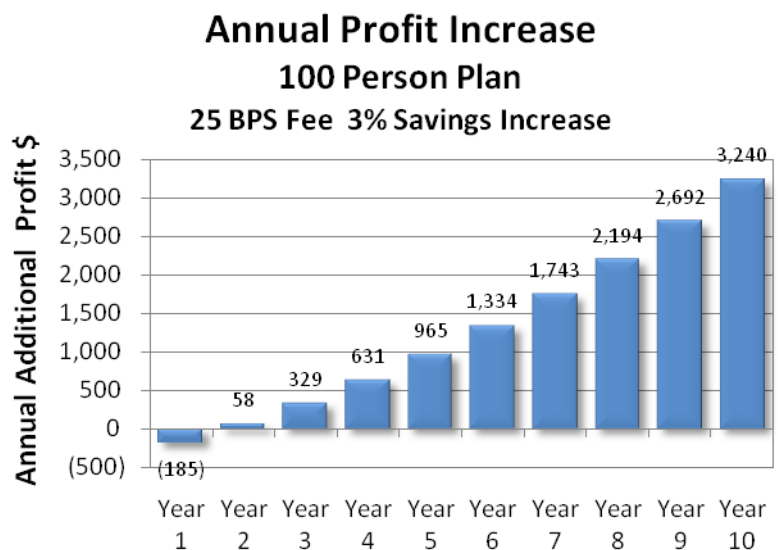
In this tough economic environment where budgets are tight and margins are being squeezed, K<sup>4</sup> Plan Goals offers a distinctly different business model for providers. A K<sup>4</sup> Plan Goals analysis can be provided annually to every plan participant for only a few dollars a year. Delivering this retirement goal calculation to 100% of participants enables providers to increase profits quickly with little or no short run budget impact.

To illustrate how the K<sup>4</sup> Plan Goals approach works, we did a simple case analysis assuming an average participant annual salary of \$50,000 today, a total increase in savings from all sources of 3%, and the EBRI survey results on increased savings applied to the K<sup>4</sup> Plan Goals model. The annual increase in profit is shown in the graph below. This approach produces net profit by Year 2 and over ten years the cumulative profit increase is more than \$13,000 in the plan example shown.

The increased savings in this example have a significant benefit to the participant. This same 3% savings increase will boost retirement income by over 40% if started at age 25 and 20% even if not started until age 40. This isn't magic, but a simple trade-off between today and tomorrow. Part of the 3% may be from the employer match and the additional money saved by the participant is partially offset by a lower tax bill. Any remainder might come from a little less coffee or other daily expenses. Presented to the participant, that will probably sound like a very good trade off.

The bottom line is that this business model helps participants achieve a higher probability of retirement success, allows the plan sponsor to meet or exceed fiduciary responsibilities, and gives the service provider a more secure and profitable client relationship. It is a winner for all parties.

With a 25 bps fee, \$3 cost per participant for K<sup>4</sup> Plan Goals, and participants averaging \$50,000 in income, the forecasted increase in savings from K<sup>4</sup> Plan Goals produces profit in the second year that continues to grow over time. This particular scenario has been used for example purposes, but Klein can provide a custom analysis using your specific assumptions. Higher average compensation, additional savings rate increases, or higher fees naturally produce an even more profitable model.



<sup>i</sup> Employee Benefits Research Institute (EBRI), April, 2008.