

Dominant Variables: The Keys to Success in DC Savings

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The best measure

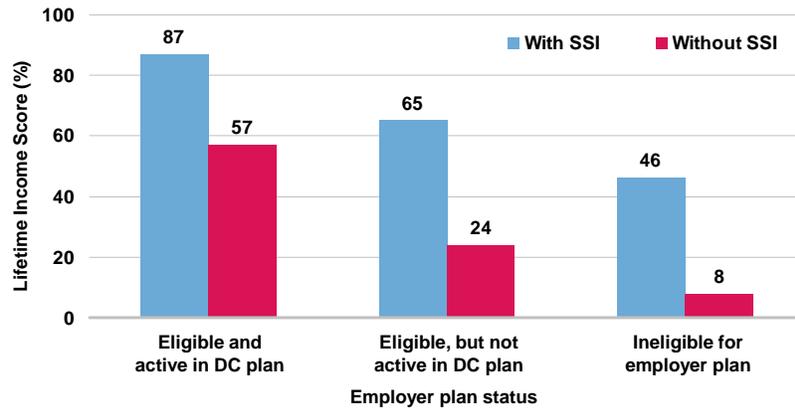
“ The best measure of success for any retirement system, plan or strategy is its ability to reliably replace — for life — the income people made while working. ”

Robert L. Reynolds
President and CEO
Putnam Investments

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Access to and active participation in workplace savings are vital for lifetime income prospects

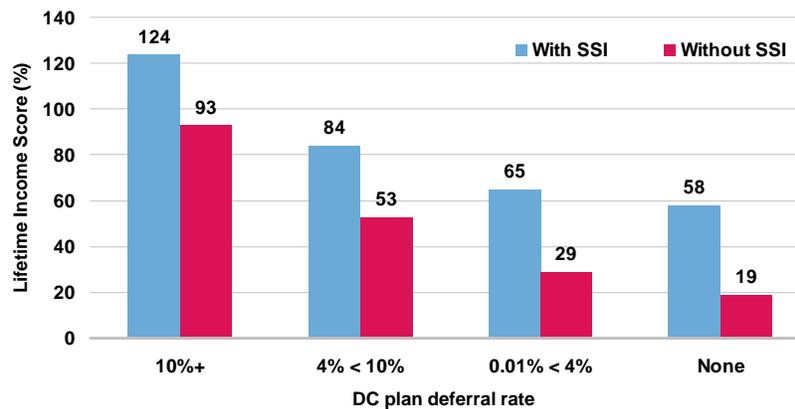


The Putnam Lifetime Income Survey, with research methodology provided by the Putnam Institute, was conducted online by Brightwork Partners and completed in the first quarter of 2011. The survey of 3,290 working adults age 18 to 65 was weighted to U.S. Census parameters for all working adults.

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Among plan participants deferral rates were the prime variable for lifetime income success

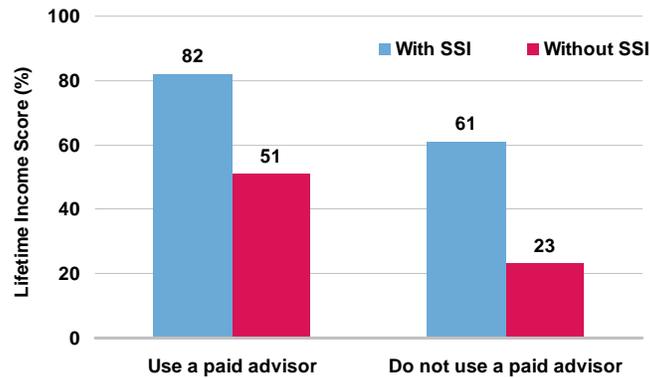


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Use of a paid financial advisor also significantly lifted lifetime income replacement scores



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Let's take a base case — John Doe — then measure multiple variables that can change John's lifetime income prospects

December 31, 1982

- Age: 28
- Salary: \$25,000 + 3%/year raise
- 401(k) plan features:
 - Match of \$0.50 on the dollar up to 6%
- Asset allocation: Conservative

U.S. equity	25%
Large growth	10%
Large value	10%
Small cap	5%
International equity	5%
U.S. bond	60%
Money market	10%

- Funds: Historical index performance in all categories

December 31, 2011

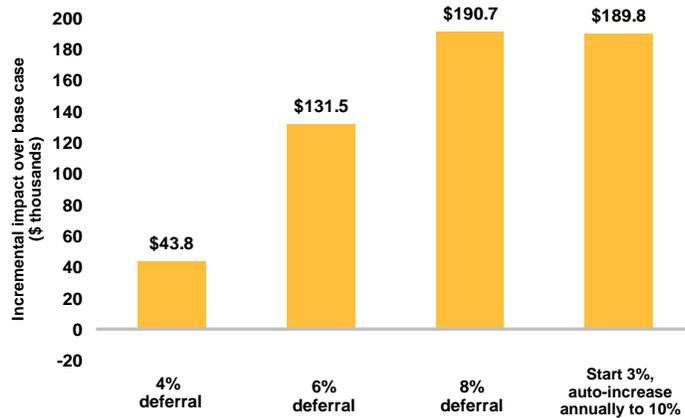
- Age: 56
- Salary: \$57,198
- 401(k) balance: ????

For illustrative purposes only. Not indicative of the performance of any fund or product. It is not possible to invest directly in an index.

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Deferral rules: Gains over the base case from four variable deferral rates



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Conclusions and Policy Implications

- Social Security provides a vital baseline for all income groups.
- Access to workplace savings plans is a decisive variable for retirement readiness.
- The DC industry needs to refocus its energies on participants' lifetime income potential – and advise them of their progress toward that goal.
- Individual funds' performance within plans does matter. But it is only one of many variables at work, including plan design, diversification, allocation, rebalancing, age-based strategies, and deferral rates.

Of all these variables, deferral rates are — by far — the most powerful

- Financial providers, plan sponsors, advisors, and policymakers should adopt 10%+ deferral rates as the new norm for retirement success

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