

# Morningstar Retirement Manager with Income Secure Product Fact Sheet



**Product Category:** Non-Insured / Non-guaranteed products (Payout mutual fund, managed account drawdown strategy) available in plans

**Product Category Defined:** These types of payout products encompass all non-guaranteed, non-annuity and non-insured products that are available in a qualified retirement plan

- Payout mutual fund – A balanced mutual fund that provides a targeted draw down (for example 4%) and manages the mutual fund to achieve modest growth and income. Payment amounts are generally reset annually and can go up or down depending on market performance.
- Managed account drawdown strategies – Use a traditional managed account provider (for example Morningstar or Financial Engines) to continue to manage the participant’s account during the drawdown / retirement phase where the managed account provides both liability driven personalized investment strategies / advice combined with strategies for a regular retirement check or withdrawal from the account. The withdrawal amount can change based on market performance and individual participant factors including a strategy to increase the withdrawal amount by an inflation factor to try to hedge against an inflation risk.

**Product Summary:**

|   |                                       |   |                       |
|---|---------------------------------------|---|-----------------------|
| Equity participation  | Yes                                   | Is payout election revocable?                                       | Yes, under most cases |
| Equity participation managed by participant or by fund/product offering | Product                               | Can additional amounts be taken beyond the payment strategy?        | Yes                   |
| Range of equity exposure offered  | Yes varies                            | Is there an additional fee for the service?                         | Fee varies            |
| Percent of Equity invested (if managed by fund or product)              | Yes varies                            | Are the fees explicitly charged or imbedded in the product/NAV?     | Explicitly charged    |
| Is there a strategy to hedge longevity risk?                            | Yes                                   | What are the fees/range of fees?                                    | Varies                |
| Is there a built-in COLA increase in the payout amount?                 | Yes                                   | Are participants educated on option/product provided?               | Yes                   |
| Are the payments guaranteed?  | Only if an annuity is offered in-plan | Are same options available with RO IRA with provider? Restrictions? | No                    |

<sup>1</sup>Not above normal fee for the managed account

**Product Description**

Morningstar Retirement Manager with Income Secure is designed to provide retirees with a sustainable spending plan, as well as an investment strategy for their retirement account. Income Secure can be used with both our managed accounts and advice services. With managed accounts, our investment professionals oversee the participant’s account, taking care of everything from rebalancing to adjusting the underlying fund and asset allocation strategies. Participants can access Income Secure either online or through a plan provider’s call center. When a participant who is enrolled in our service indicates that they are retired or about to retire, they automatically gain access to Income Secure (if the plan offers it). The service will analyze the participant’s retirement account(s), Social Security benefits bequest amounts, tax exposure, pensions, and any other income sources that will be used to fund their retirement (including those of a partner, if applicable).

The service then presents the participant with a sustainable spending plan, which is designed to provide them with enough money to last until the end of their retirement.

The spending plan includes a detailed overview of the income sources that comprise the person’s annual income so they know how much to withdraw each year from their various accounts. As part of their spending plan, Income Secure will provide participants with an investment strategy for assets within their retirement account. This helps give their nest egg the potential to grow or at least keep pace with inflation without exposing it to too much risk.

## Availability

Income Secure is an optional add-on for plans that currently offer Morningstar Retirement Manager.

## Investment Structure

Morningstar Retirement Manager uses a combination of model portfolios as part of a larger portfolio construction and fund implementation process. We construct strategic asset allocation models ranging from conservative to aggressive. The development of the strategic asset allocation models draws upon 30 years of investment research, including numerous asset class specific studies, traditional mean-variance optimization, re-sampled mean-variance optimization, liability-relative optimization, and mean-conditional value-at-risk optimization based on non-normal returns.

The asset classes we typically have the ability to model with Morningstar Retirement Manager include the following:

- Large Cap Equity
- Large Cap Growth Equity
- Large Cap Value Equity
- Mid Cap Equity
- Mid Cap Growth Equity
- Mid Cap Value Equity
- Mid / Small Cap Equity
- Mid / Small Cap Growth Equity
- Mid / Small Cap Value Equity
- Small Cap Equity
- Small Cap Growth Equity
- Small Cap Value Equity
- International Equity
- Emerging Markets Equity
- REITs
- Direct Real Estate
- Commodities
- High Yield Bonds
- TIPS
- Foreign Bonds
- Long Term Bonds
- Aggregate Bonds
- Short Term Bonds
- Cash

Because each participant receives a customized asset allocation recommendation, there is not a base asset allocation one would receive.

## Income amount determination

We believe that income determination and decumulation is just as complex and personalized as income accumulation. As such, participants continue to get an individually customized investment recommendation, as well as a comprehensive drawdown strategy designed for their specific needs, not a standard 4 percent withdrawal.

## Fees and Expenses

A managed account fee is charged to participants in addition to the underlying investment expenses. There is no charge to the plan sponsor. The managed account fee varies depending on a variety of factors such as plan size, participant balance, services offered, and if participants are defaulted or not.

## Portability

Morningstar's managed account services are available on 22 different record keeping platforms; however, not all record keepers offer Income Secure.

## Participant Experience / Education

Morningstar works with our record keeping partners to provide participant education and experience support. We offer a full suite of materials that can be leveraged by plan sponsors in addition to onsite, teleconference, and videoconference meetings.

## Contact Information

Dan Bruns  
Morningstar  
Contact phone number:  
Contact email address: [Dan.Bruns@morningstar.com](mailto:Dan.Bruns@morningstar.com)

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