401(k) Wellness Scorecard
For quarter ending March 31, 2013

In the first quarter of 2013, employees' financial wellness — a key measure of retirement success — continued to improve as a result of positive savings actions and further engagement with investment advice tools. Employees benefited from the financial environment: the economy continued to recover; the stock market gained 10%; and workers and employers increasingly focused their attention on preparing for retirement.

This quarterly scorecard monitors plan participant behavior and plan sponsor adoption of new plan design features and services in our proprietary 401(k) business, which comprises $107.7 billion in total client plan assets and 2.5 million total plan participants with balances. Our goal: to identify trends and suggest ways to help employers drive better outcomes in their 401(k) plans. All numbers are as of the quarter ending March 31, 2013, except where noted.

“The country today is focused on individuals’ ability to save enough for retirement. We are taking action by providing plan participants with the tools and guidance they need to help them improve their outlook for the future — and participants are taking advantage of these resources.”

— Kevin Crain
Head of Institutional Retirement & Benefits Services

Key Findings
The results we see from the first three months of 2013 show employees taking advantage of the tools they have at their disposal.

1. Plan features are having a positive impact. Tools such as automatic enrollment, age-based default investments and guidance are helping workers improve their financial wellness.

2. The cost-effectiveness of 401(k)s. Our analysis indicates that a company with a 401(k) plan may have lower costs for employee salaries than a company without one.

3. Employees are taking action on health care. Workers planning for health care costs are increasingly applying the kind of experience, tools and resources they use to plan for retirement.

Bank of America Merrill Lynch is a marketing name for the Retirement Services business of Bank of America Corporation ("BAC"). Banking activities may be performed globally by banking affiliates of BAC, including Bank of America, N.A., member FDIC. Brokerage services may be performed by wholly owned brokerage affiliates of Bank of America Corporation, including Merrill Lynch; Pierce, Fenner & Smith Incorporated (MLPF&S), which is a registered broker-dealer and Member SIPC.

See last page for important information.
Plan Features Are Having a Positive Impact

Bank of America Merrill Lynch data continues to demonstrate that specific plan features can help employers engage employees and encourage healthy financial behaviors, with powerful benefits for financial wellness.

**Automatic enrollment.** As of March 31, there were 266,326 participants in automatic enrollment and 319 automatic enrollment plans. Our first-quarter results added to the growing body of evidence that automatic enrollment is extremely effective at improving employee participation in 401(k) plans. Between January and March, more than 26,000 employees were automatically enrolled in 401(k) plans that we service, and only 7% opted out. This represents a 93% success rate and suggests that greater use of automatic enrollment has the potential to considerably enhance 401(k) participation. Among plans across the industry that do not use automatic enrollment, less than one-fifth achieve employee participation rates of 90% or better.⁴

**Automatic contribution increase.** Many employers have taken a wait-and-see attitude toward this feature in recent years. However, adoption grew substantially during the first quarter, possibly indicating a growing comfort level with automatic increase.

**Default investments.** More than half (58%) of our plan sponsor clients use GoalManager® or Advice Access® as their default investment as of March 31, and the number jumped to 80% among plans that use automatic enrollment. Use of these features helps ensure that employees are using diversified investment strategies that are appropriate for their age and circumstances — which may increase an employee’s financial wellness. Of course, asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

---

**Guidance.** The positive influence of our Advice Access platform is especially evident among the youngest workers who, left to their own devices, may invest more conservatively than is appropriate for their longer time horizons.

- According to a study by the Investment Company Institute, 20% of U.S. investors in their 20s hold less than 60% of their retirement savings in assets other than equities.⁵
- Among Advice Access participants younger than 30, only 8% hold less than 60% in equities.

As shown below, both young workers and employees nearing retirement displayed a desire to take full advantage of PersonalManager® during the first quarter, and significantly improved their retirement preparedness.

---

**Taking Advantage of PersonalManager**

---

**Growth in Automatic Contribution Increase**

<table>
<thead>
<tr>
<th></th>
<th>PLANS WITH AUTO-INCREASE</th>
<th>PARTICIPANTS WITH AUTO-INCREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>December</td>
<td>189</td>
<td>115,703</td>
</tr>
<tr>
<td>March</td>
<td>207</td>
<td>126,537</td>
</tr>
<tr>
<td><strong>Growth</strong></td>
<td><strong>9.5%</strong></td>
<td><strong>9.3%</strong></td>
</tr>
</tbody>
</table>

---

**Percentage of employees who use PersonalManager who entered information about spouses, dependents or additional accounts, or otherwise did more than review their likelihood of achieving retirement goals**

**Percentage of employees who improved likelihood of achieving retirement goals**

---

<table>
<thead>
<tr>
<th>Age Group</th>
<th>YOUNGER THAN 35</th>
<th>35 TO 49</th>
<th>50 TO 64</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>61%</td>
<td>57%</td>
<td>35%</td>
</tr>
<tr>
<td>24%</td>
<td>26%</td>
<td>35%</td>
<td></td>
</tr>
</tbody>
</table>
The true test of these and, ultimately, all plan features is whether they support greater financial wellness. Data from the first quarter suggest that they do. Two-thirds of savings actions were positive during the first three months of the year.

- Number of employees who started saving in a 401(k) plan: 87,377.
- Number of employees who increased their 401(k) contributions rate: 96,235.

## The Cost-Effectiveness of 401(k)s

A company’s 401(k) plan can be one of its most effective tools in inducing talented employees to stay — a task that is likely to gain importance as the economy and labor market continue to recover. Corporate decision-makers generally acknowledge that 401(k) plans enhance retention. Still, they may be surprised by the degree of cost savings surrounding retention.

Bank of America Merrill Lynch data on 2,117,502 employees found that eligible employees who don’t participate in their company’s 401(k) plans have turnover rates double than those of employees who do participate. The impact was consistent across age groups and industries, as the tables at right illustrate.

Replacing a typical employee can cost nearly 20% of his or her annual salary. Maintaining an appealing 401(k) plan with a match may more than pay for itself by helping reduce those turnover-related expenses. We attempted to quantify this dynamic by comparing two hypothetical companies:

- Company A has no eligible employees in its 401(k) plan and no match.
- Company B has a 401(k) plan with a 3% employer matching contribution and 75% employee participation.

Our analysis concluded that Company B, despite its company match, may not incur greater expenses than Company A — and it may have lower overall employee costs.

## Positive Actions in Participation and Contribution Rates

<table>
<thead>
<tr>
<th>STARTS</th>
<th>INCREASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>87,377</td>
<td>96,235</td>
</tr>
</tbody>
</table>

All told, 89% of all age groups enrolled in Advice Access are financially well as of March 31, according to the first-quarter Financial Wellness Monitor.

## Employee Turnover For 401(k) Participants and Non-Participants

<table>
<thead>
<tr>
<th>BY INDUSTRY</th>
<th>TURNOVER, 401(K) PARTICIPANTS</th>
<th>TURNOVER, ELIGIBLE NON-PARTICIPANTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANUFACTURING</td>
<td>12%</td>
<td>23%</td>
</tr>
<tr>
<td>FINANCE &amp; INSURANCE</td>
<td>15%</td>
<td>37%</td>
</tr>
<tr>
<td>RETAIL</td>
<td>15%</td>
<td>25%</td>
</tr>
</tbody>
</table>

## Employer Cost Per 100 Employees

<table>
<thead>
<tr>
<th>Company A</th>
<th>Company B</th>
</tr>
</thead>
<tbody>
<tr>
<td>no 401(k)</td>
<td>$180,000</td>
</tr>
<tr>
<td>401(k) with 3% match</td>
<td>$176,700</td>
</tr>
</tbody>
</table>
Employees Are Taking Action on Health Care

There are many parallels between planning for retirement and planning for health care costs. Both are challenging long-term financial endeavors that require smart decisions about saving and investing. And responsibility for health care planning is shifting from corporations to individuals, much as retirement planning has during the past three decades.

The shift presents workers with major challenges. Health insurance premiums have doubled since 2002 — a growth rate three times faster than wages — putting pressure on employees’ financial wellness.8

Employees are recognizing these trends and taking action. In particular, they are turning to tax-favored health savings accounts (HSAs) to invest for future health care costs, just as they have become accustomed to using tax-favored defined contribution plans to invest for retirement.

Assets in Bank of America, N.A. HSAs grew by 48% between January 2012 and January 2013. As of March 31, there were nearly 234,000 active and funded HSA accounts (68% increase since 2011). Year over year, average HSA account balances have continued to grow: $1,741 in 2011, $2,029 in 2012 and $2,093 in 2013. This growth can be attributed in part to increases in account use among employees of existing corporate clients, users contributing more to their accounts and carrying balances forward, and new relationships with individuals and employers.

Growth in HSAs is consistent with the experience of other financial providers, as the industry responds to consumers’ increasingly important role in health care decisions.

Bank of America Merrill Lynch recognizes the trend of approaching health care planning in the same way as retirement planning. We make it easier for employees to coordinate their health care and retirement planning decisions by integrating the two: enabling employees to see their HSA and 401(k) balances in the same online window; giving employees a single point of contact for their health care and retirement planning needs; making signup, tools and service far more accessible and convenient; and giving them a more complete sense of their financial picture. Some 7,350 employees have elected to integrate their HSAs with their 401(k) plans since we started the integration program in November 2012.

HSAs, in conjunction with high-deductible health plans (HDHPs), can help employees better manage current health care spending and may provide health care savings in retirement. They can benefit employers as well. HDHPs have lower premiums than HMOs and PPOs. This provides another option to balance spending and savings for both short- and long-term health care needs.
Taking the Next Step

Our experience in the first quarter of 2013 validates and strengthens the conclusions from our year-end 2012 review:

- **Use plan design features that drive healthy behaviors.** Workers are focused on improving their long-term financial prospects. Automatic programs and easy-to-use accessible guidance can help them turn intention to action.

- **Invest in your plan.** Providing a robust 401(k) plan takes an investment of capital — but may be associated with higher financial wellness, satisfaction and retention on the part of employees.

- **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 both their post-work and health care concerns all at once, which in turn can simplify information access and promote overall financial wellness.
**GoalManager** is a proprietary asset allocation and portfolio rebalancing service that helps 401(k) plan participants choose and manage investments. GoalManager makes investing easier for participants, combating the inertia that so often prevents them from taking charge of their financial futures.

**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** — 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 horizon 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.

**Financial Wellness Monitor** provides plan sponsors offering Advice Access with an overview of the financial well-being of their plan participants. Well-being is defined as savings and investing behavior that can lead to retirement success. The Financial Wellness Monitor gives each participant a score from 0 to 10, 10 being the highest wellness level. Points are deducted based on symptoms associated with proven at-risk behaviors such as concentrating in a specific asset class or not fully benefiting from company match. A score of 7 or higher is regarded as being “well.”

1 Standard & Poor’s
2 Bank of America Merrill Lynch’s Retirement and Benefit Plan Services (Retirement and Benefit Plan Services) is part of Global Wealth and Investment Management (GWM), the wealth and investment management division of Bank of America Corporation. As of March 31, 2013, Retirement and Benefit Plan Services had client balances of $107.7 billion. Client Balances consist of assets under management, client brokerage assets and deposits of GWM retirement plan participants held at Bank of America, N.A. and affiliated banks.
3 This is a hypothetical case study based on employees having an average annual salary of $30,000. Turnover rates for participating (15%) and non-participating eligible employees (30%) is based on data received on Bank of America Merrill Lynch plans. Turnover rate includes employees who left voluntarily or were terminated. 401(k) participation rate of 75% is sourced from PLANSPONSOR Defined Contribution Survey, 2012. Assumes cost to replace employee is 20% of annual salary (Center for Economic Policy and Research). Employer cost for 401(k) participation is assumed to be the 3% match offered based on a $30,000 salary for each employee. The analysis does not include 401(k) administrative fees or other plan fees that may be incurred nor does it include the tax deductibility of 401(k) expenses.
5 Investment Company Institute, 2012 Investment Company Fact Book
6 Ways an individual may improve their likelihood include (but are not limited to) the following: increasing their contribution rate, improving their diversification and adding information about outside accounts in PersonalManager.
7 Center for Economic Policy and Research
8 Kaiser Family Foundation/Health Research & Education Trust, “2012 Employer Health Benefits Survey”