Schwab Retirement Plan Services

# Automating Your Retirement Plan

## *An Executive Guide to Automatic Features in Defined Contribution Retirement Plans*

*Utilizing an automatic feature retirement plan design that helps employees make important economic decisions that benefit their retirement goals*

charles SCHWAB

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## INTRODUCTION
# The New Retirement Frontier

The great 401(k) retirement plan "experiment", born out of a loophole in IRS regulations almost thirty years ago, is now an adult and will provide tens of millions of Americans with their primary source of retirement income. Corporate America handed the retirement reigns to employees during the late ‘70s and early ‘80s because the workforce was mobile and needed a portable retirement plan. With this new retirement responsibility, employees received control of their retirement savings, how much to save and where to invest those savings. For previous generations, who often stayed with one employer for their entire career, the defined benefit plan worked well; the employer made the "how to save and where to save it" decisions for their employees and employees dedicated their careers to that employer. Today is a new world. Faced with a reality that millions of Baby Boomers are on the cusp of retirement, we are finally paying attention – collectively and individually – to our retirement realities. Employees want answers about how much to save and where to put those savings, and they are wondering how much they will have to live on in monthly retirement income. So how have employers, the retirement industry, public policy makers and others joined together to help American workers plan for their future?

## PART I

# The Rise of the Automatic Plan

We have entered the era of the automatic retirement plan. But how did we get here? Several factors and events have converged to create the perfect environment for the rise in popularity of automatic retirement plan features. The following overview provides a brief look at the trends that have brought us to where we are today:

> "Studies show that if people default in, they stay in. People really would rather be saving, but they just don't get around to it." ~ Dallas Salisbury, CEO of Employee Benefits Research Institute

### *Behavioral studies support automatic plan features*

Behavioral finance experts proved that automatic features work.[1] By harnessing potentially negative forces such as procrastination and inertia in a positive way, plan sponsors can create a retirement plan design that helps people make important economic decisions that benefit their retirement savings goals. Adding automatic features to a retirement plan, such as automatic enrollment and automatic savings increases, help employees save – and save more – for retirement.

> "We are witnessing the defined benefitization of the defined contribution world." ~ Steve Patterson, COO, Schwab Retirement Plan Services

### *A shift from defined benefit plans to defined contribution*

Automatic features create some of the same advantages as a defined benefit plan, offering imbedded decision making that is in the best interest of the employee. Enrolling in the plan, saving for retirement and investment selection assistance become inherent features of the plan, but now in a defined contribution plan setting where the employees still have responsibility, control and portability of their retirement savings.

### *Education alone does not drive action*

Experts have come to the realization that employee education alone does not drive employees to take action when it comes to saving for retirement. Most employees understand the need to save for retirement, yet that knowledge does not compel them to enroll in the plan.

### *Baby boomers approaching retirement*

There is a constant reminder and sense of urgency in the media regarding the looming potential crisis that begins in 2010, when 76 million Baby Boomers born between 1946 and 1964 — one quarter of the U.S. population — begin to retire. This is the first generation of individuals who are not necessarily covered by a traditional pension plan provided by their employer. Their careers span the transition from a defined benefit world to a defined contribution world. Boomer preparedness, or lack thereof, will have a profound impact on our economy, our social services and the country in general.

### *Business goals and management philosophies*

Employers have both paternal and business reasons to encourage employees to build adequate retirement savings. Employers want their employees to be able retire comfortably when the employee chooses to do so. The other side of that coin is that employers also want a workforce comprised of individuals who want to be working and contributing to the organization versus a workforce comprised of individuals who are working because they simply have not saved enough for retirement and must continue to work. Businesses today are striving to create a "win – win" scenario, one that provides employees with avenues to reach their retirement savings goals as well as providing the organization with healthy levels of attrition to keep a balanced demographic blend.

> "No matter how much we used to encourage attendance at enrollment meetings, a lot of people didn't turn up. So, we moved to auto enrollment and in 18 months since we implemented it for our plan, we moved from 50% participation rate to 80% and growing." ~ John Worcester, Manager Compensation and Benefits, Oregon Steel Mills, Inc.

## *Saving for retirement American style – just do it for me*

Many individuals are reluctant to make investment decisions. Today, there are investment options that cater to individuals not interested in becoming investment experts. Age-based target-date retirement funds (also known as life cycle funds), increasingly used as the default investment for plans, are one example. Advice services are relative newcomers to the retirement marketplace and are another example of options designed for those individuals not currently engaged in – and who may never be engaged in – the retirement saving process. These plan features help individuals successfully save because they offer diversification, professional management and are often structured to adjust their asset allocation to become more conservatively invested over time as the individual approaches retirement.

“While we have to be able to provide varying solutions for our more sophisticated participants, there remain a number of participants who either don’t participate or are hesitant to make their own investment decisions, and we have to find a way to assist them. Otherwise, there’ll be just too many employees who have nothing saved after 30 years of work.” ~ Mike Trueblood, CFO, Karsten Manufacturing

## *Time is not always on our side*

Today’s world is busy and increasingly more complicated. The demands of life compress the American workforce and it can be difficult to proactively address retirement issues while dealing with increasingly hectic lives, especially for employees who don’t have the time, interest or inclination for saving and investing. Employers and retirement plan service providers understand this challenge and want to help employees get to and through retirement by incorporating time-saving features and options into the retirement plan design.

## *New legislation*

With its passage, the Pension Protection Act of 2006 (PPA) strengthens traditional defined benefit plans and reflects the evolution of workers’ retirement benefits – the rise of the defined contribution plan as a means of building retirement savings. The PPA contains provisions that help American workers save using defined contribution plans and makes it easier for workers to participate in these plans. A key provision in the legislation also removes barriers that, in the past, deterred some employers from automatically enrolling their employees.

Whether it is the procrastination of the American workforce to save for retirement, the shift from defined benefit to defined contribution plans, the looming retirement of millions of Baby Boomers, the need for more competitive business models, the necessity to provide employees assistance with their investment decisions or the enactment of recent legislation – these factors and events are reshaping the retirement landscape and fueling the adoption of automatic retirement plan features.

“We feel target-date funds are a necessary competitive component in our 401(k) plan… That became even more important when, with auto-enrollment, we began to use these funds as defaults for new hires.” ~ Alan Perry, Vice President Human Resources, Black Box Network Services

# WHAT ARE AUTOMATIC PLAN FEATURES?

## *A La Carte Menu*

**Automatic Enrollment** (also known as automatic deferral or negative election): Automatically enrolling your employees in the retirement plan and requiring them to "opt out" if they do not wish to participate in the plan. This feature can apply to new hires only or it can be applied to all employees in the plan. Some plan sponsors have also instituted it on an annual basis, requiring an employee to opt out every year if they don't wish to participate.

**Automatic Savings Increases** (also known as acceleration or step up):
Automatically increasing the amount your employees contribute to the plan up to a pre-determined amount.

- **Plan Determined Increases:** Increases are determined at the "plan level." The plan sponsor determines that everyone's contribution to the retirement plan is increased by a set amount (usually 1% or 2%) every year. The increase will occur on a set date, such as the first of the year or at merit increase time when one percent won't drastically impact take home pay, but can positively impact retirement savings accumulation over time.

- **Participant Determined Increases:** Increases are determined at the "participant level." Employees choose the amount of the automatic increase and the timing of that increase. The increase will automatically occur on the date the employee selects. This feature is typically accessed on the service provider's web site.

**Automatic Investment Selection:** Defaulting employees into investment options with embedded decision making and ongoing management.

- **Age-based Target-date Retirement Funds** (life cycle funds): Defaulting employees based on their age into strategic investments selected by the employer that offer diversification, professional management and ongoing rebalancing.

- **Risk-based Asset Allocation Funds** (life style funds): Funds that allow a participant to choose if they wish to be invested in a diversified, professionally managed fund that is aggressive, moderate or conservative in nature.

- **Automatic mapping of balances into target-date retirement funds:** Moving all employee retirement balances into age-based target-date retirement funds offering employees diversification, professional management and rebalancing over time. This can be done during a transition to a new service provider or for a group of plan participants who are invested inappropriately; (e.g., those too heavily weighted in company stock or for a group of individuals who had previously been defaulted into an investment that is not ideal for long-term investing, such as a money market or a stable value fund).

A retirement plan can incorporate any or all of these features into its plan design and choices, and participants can always opt out of any automatic feature as well. We refer to this menu of automatic plan choices as Schwab Retirement Smart Steps.™

## PART II

# Fueling The Adoption of Automatic Features

Automatic plan features have been at the forefront of many plan sponsors' minds in recent years. Our perceptions about automatic features and what types of employers or plans they might work best for have changed and the application of automatic features (the "à la carte" menu) is much broader now. More and more sponsors are jumping on the automatic feature bandwagon and it is happening at a rapid pace.

### *Shift in perception*

There has been a shift in the perception of which types of employers for which automatic features are best suited. In the past, these features were used most often by larger employers, presumably because it was harder to reach a larger workforce with the "save for retirement" message. Many of these larger employers were manufacturers and automatic features were put in place because a traditional pension plan or defined benefit plan had been frozen or terminated. Automatic features made sense in such cases because employees were accustomed to having decisions made for them and employers felt making the decision was in the best interest of their employees. Today, many plan sponsors, including professional service firms and retail organizations – regardless of organizational size or demographics – are adopting automatic features for their retirement plans.

### *Gearing up: "aggressive" is the new "conservative"*

What was traditionally viewed as an "aggressive" strategy – automatically enrolling employees, automatically increasing how much they save and choosing where to invest those savings – is now not considered an aggressive approach at all. Contemporary thought is that ensuring your employees have saved enough for retirement is expected and perceived as the right thing to do by most experts. It is also part of actively managing your workforce, helping to ensure that older workers can retire comfortably when the time is right for them and creating opportunities for younger employees.

"Something has got to happen, because, in our litigious society, every misfortune is allegedly someone's fault so it's going to be somebody's fault when the Baby Boomers can't retire. I am the chair of our Retirement Plan Committee, so this concerns me a great deal, and I don't think we can go on just being passive plan sponsors." ~ Brian Fitzsimmons, Partner, Tucker, Ellis & West

Today, automatic features lend a "conservative" or protective approach to plan design. While the responsibility for saving for retirement has transferred from the employer to the employee, as a society we clearly have not always taken personal responsibility for securing our own retirement savings. As a society, we are also prone to play the blame game. When something doesn't work out right, we look for who's at fault – and we rarely look in the mirror. Some plan sponsors may be asking themselves, will there be a class action law suit down the road by a group of employees who have not saved enough for retirement and decide it is their employer's fault? Perhaps these employees will allege that they didn't know they should save for retirement, didn't know how much to save or know where to invest those savings – if only their employer had just told them what to do they would have been all right. In a retirement plan with automatic features what recourse would an employee who opted out of the plan have in claiming it was someone else's fault they did not have adequate retirement savings? Presumably very little. The reality is we live in a world where people can sue a company over coffee being too hot, or food being too fattening. Concerns that employees will sue their employers when they can't retire are legitimate

### *Shift in application*

A creative shift is underway in the application of automatic features. More and more plan sponsors are choosing from the a là carte menu of automatic features to achieve their benefits strategy and plan goals. What is impressive is the amount of creativity that is going into the merging of plan design and investment options with embedded decision making and education. Many plan sponsors are taking a mix and match approach to automatic and semi-automatic features and exploring how these features can provide solutions that address the specific needs and unique aspects of their organization and workforce.

## REASONS PLAN SPONSORS ADOPT AUTOMATIC FEATURES

Plan sponsors typically adopt automatic plan features to create a retirement plan design that helps employees make important economic decisions about their retirement savings. There are also organizational goals and philosophies that can influence plan sponsors when making the decision to include automatic plan features as part of their retirement plan design:

- **Paternalistic Culture –** caring about each employee's future financial well-being – and offering a retirement benefit that helps employees to and through a comfortable retirement – may be part of an organization's culture and management philosophy

- **Workforce management tool –** creating a work environment where individuals are able to retire when they choose ensures career growth for current employees as well as opportunities to hire employees with new ideas and experiences for a more dynamic workforce

- **Achieving plan goals and impacting plan participant behavior –** whether your goal is passing discrimination tests, increasing participation, boosting deferral rates or making your plan more efficient, leveraging automatic plan features is key when considering plan design

- **Fiduciary liability concerns –** protecting yourself by ensuring that your employees are automatically participating in the retirement savings benefit can mitigate liability concerns

The following cases highlight a few creative approaches to finding the right automatic feature for achieving very specific plan goals:

### *Creative use of automatic enrollment*

A national retailer with 5,000 employees is concerned about the participation rate in their plan, but has significant employee turnover during the first two years of employment. The plan sponsor knows that if an employee stays with the company for three years, he or she is more likely to become a long-term employee – and an employee the plan sponsor wants to make certain is taking advantage of their retirement plan. The company is considering automatically enrolling employees after three years of employment, perhaps even doing this on a one-time basis to see how it works before automatically enrolling employees after three years of tenure on an ongoing basis. This plan sponsor is using an alternative approach on the automatic enrollment feature to improve plan participation and to ensure that their long-term employees take advantage of the retirement benefit.

A variation on this idea of delaying automatic enrollment is an approach recently considered by a manufacturing company. The majority of this company's turnover occurs in the first year of employment and the company does not match employee contributions until after one year of service. After considering the alternatives, this company is deliberating on starting automatic enrollment in the second year of employment, when the match begins, to ensure that long-term employees participate in the plan.

### *Creative contribution strategy and use of automatic increase*

A large manufacturing company, located in the Midwest, has used automatic enrollment defaulting into risk–based managed portfolios and recently explored making a change to their plan design in order to encourage employees to save more. This employer automatically enrolls employees in the plan at 4% and matches 100% up to this amount. The employer also gives employees a "core" contribution of an additional 2%. The employer is considering restructuring their contribution to encourage employees to save more by converting the core contribution amount into an additional match and incenting employees to either save up to 6% (if they match 100%) or 8% (if they match 50%). In effect, this plan sponsor will redistribute company contributions to encourage employees to save more. The company is also exploring the implementation of an automatic increase feature. This will not only encourage additional retirement savings but will increase the likelihood additional savings will become a reality for their employees.

### *Creative annual application of opt out*

A professional services firm who adopted automatic enrollment and an automatic deferral rate increase has also decided to add an annual opt out of these features. If an employee opts out of either the automatic enrollment or the automatic increase they will be contacted every year and automatically enrolled and/or increased again – and must opt out again annually. Some have referred to this approach, as the "health plan" approach to retirement plans since many health plans require an annual enrollment decision.

### *Creative use of automatic investment vehicles to impact asset allocation*

Through mergers and acquisitions over the years, a plan sponsor with 1,000 employees reached a point where there were seven different defined contribution plans with no common investment line up. In addition to the problems presented by seven different plans, the plan sponsor also found the need to terminate a defined benefit plan. Yet another concern for the company was a lack of confidence in their employees' abilities to choose investments or make appropriate asset allocation decisions. It was time for a fresh start for the retirement benefit offering.

After considering the alternatives, the plan sponsor chose to create one plan with automatic investment features to assist employees with their investment choices and give them answers to their questions about asset allocation. At conversion, all of their employees were mapped into age-based target-date retirement funds, instantly providing age-based asset allocation, diversification, and ongoing professional management. Additionally, employees were encouraged to roll over their defined benefit balances into the new, improved plan and given access to either age-based target-date retirement funds or an advice and managed account service at no additional charge. These automatic investment features proved to be very important for the defined benefit balances since the employees had been used to someone else making the investment decisions for them. The company leveraged the inertia already in place to help their employees make solid asset allocation decisions and receive ongoing management of their retirement savings.

### *The role of employee education in an automatic plan*

Adopting automatic plan features does not eliminate the need to effectively communicate with employees about their retirement planning needs. However, what is communicated and how employees are educated will, indeed, change.

In fact, one can argue that employee education has an even greater role in an automatic plan because the employee now has "skin in the game".

One misconception is that the adoption of automatic features puts a plan on "auto-pilot" with respect to employee education and communication. In reality, the true value employee education brings to a plan with automatic features is the concerted ability to focus the communication and education programs on the factors that impact employees' retirement goals – instead of spending resources on enrollment programs or savings deferral campaigns.

What is most important to communicate, under an automatic plan, is the "how" and not the "why." Effective communication for automatic plan features should offer guidance on:

- How much an employee needs to save
- How employees can diversify their savings
- How to employ an appropriate asset allocation strategy to meet specific retirement goals
- How to consider a total financial picture by including assets outside the plan

For employees who actively opt out, plan sponsors can target them specifically with a focused campaign.

Another facet of the employee education program to consider: underscore the valuable benefit the company is providing its employees through the retirement savings plan. Education can focus on the fact the company's culture and philosophy is focused on employee financial well-being. The company feels so strongly about saving for retirement that they automatically enroll employees and/or automatically increase how much they save. This is also an opportunity to showcase the value of the company match if one is offered – helping build loyal employees and improving labor relations.

The move to automatic features does require some additional communication needs. At the forefront is encouraging employees to step up past their enrollment "plateau". For example, there is evidence to suggest that automatic enrollment without an automatic increase feature can lead employees to only contribute up to the default amount, usually 3%, which is generally not enough to reach a comfortable retirement and may actually be less than what the employee would have contributed if they had made the decision themselves[2]. Some employees may perceive that the default amount is a suggestion by the company – that this is all they need to save for retirement – and then fail to become engaged in the decision making process. Thus, there must be a strong education message which emphasizes that the initial enrollment contribution rate may not be an adequate amount for that employee to reach his or her retirement goals. The employer needs to let the employee know that they should continue to save more and understand how much they need to save to reach their retirement goals. How? Directing employees to an automatic increase feature they can implement themselves is one way. Providing educational examples of savings rate increases and the impact on their overall retirement savings nest egg is another. Last, offering an advice service that will calculate how much employees need to save becomes a valuable service and an effective part of the employee education and communication program.

### *Employee reaction to automatic Features – myth busting*

Some of the questions that plan sponsors who do not offer automatic features raise during discussions include, "How do employees react to being automatically enrolled in their retirement plan?" "Is there a lot of negative backlash?" When plan sponsors properly communicate what is happening, when it will happen and why it is happening, there is generally no negative reaction by employees to automatic enrollment or automatic savings increases. The key is to portray it as a non-event. To promote it as part of the employer-provided benefit package. Down the road, after receiving a retirement account statement showing their savings, employees tend to be grateful and comment on how easy it is to save.

### *Participant reactions to automatic enrollment*:

"It's a forced and easy way to save money."

"I've been putting away an extra one percent every three months, and I'll keep it up until I can't stand it anymore."

"You can't beat doubling your money on the first five percent of pay."

— Participants in the Karsten Manufacturing Corporation, which matches up to 5%

### *Plan sponsor reactions to automatic enrollment*

"This gets people over the inertia (of not saving). Once you accept that first bite out of your paycheck, you get used to it."

"It's important for us because we do care about our employees."

"When we started automatic enrollment, we had some concerns about how it would be received but have found the overall reception has been immensely positive."

— HR professional's reaction at the Karsten Manufacturing Corporation

"I believe that within five years as many as half the companies sponsoring defined contribution plans will have changed their plan philosophy from opt-in to opt-out." ~ David Wray, President, Profit Sharing/401(k) Council of America.

## PART III

# Semi-automatic Features: a Bridge to Automatic Plans

One consideration regarding automatic enrollment is that some plan sponsors cannot afford the increased employer match costs and need some time to budget for the additional expense in future years. For these clients, a number of "semi-automatic" features can serve as a bridge to complement automatic features.

### *Semi-automatic features*

The suite of semi-automatic features may include a number of services

- "Easy Enroll" Education Tools – direct mail pieces, onsite education workshops and online tools that offer a quick and simple way to sign up for the plan, usually via a form that has suggested deferral amounts and investment defaults so employees simply check a box to join the plan.

- Gap Analysis or Retirement Readiness Targeted Communications (with a call to action) – a communication that lets an employee know if they are on track to achieve an adequate retirement savings level or if there is a "gap" in their savings and what they can do in order to shore up that gap.

- Advice & Managed Accounts – a service that helps employees determine how to save, where to invest those savings (specific investment recommendations) and how much they can expect to have to live on in monthly retirement income. Additionally, it offers automatic rebalancing of their account. Schwab Personal Retirement Planning™ is an advice and managed accounts service that is offered at no additional charge[3] to Schwab clients.

- Age-based Target-date Retirement Funds – discussed previously as an automatic feature, target-date funds can also be considered a semi-automatic feature.

Employers can use semi-automatic features to have an impact on their retirement plan savings rates and asset allocation. For example, an "easy enroll mailer" or simple direct mail piece with a tear-off response card can be sent to all employees who are eligible, but not participating in the plan. Employees simply check a box indicating they want to join the plan. If they do not choose a deferral amount or where to invest those savings, a default deferral amount and default investment (usually an age-based target-date retirement fund) will take effect. The semi-automatic approach does not eliminate inertia, but it removes the barrier of "investment choice paralysis" and simplifies the enrollment process – two factors that contribute to non-participation in retirement savings plans.

The semi-automatic approach can also serve as a first step when moving toward automatic plan features. A large healthcare firm with more than 20,000 employees was considering adopting automatic enrollment. After analyzing the impact of plan costs, the firm determined that they could not take on the total match increase expense at one time, but still wanted to move toward an automatic scenario. The solution was to offer a semi-automatic, easy enrollment direct mail campaign to eligible non-participants, drastically increasing plan participation. The plan sponsor intends to continue applying the semi-automatic technique while budgeting for the increased match amount that automatic enrollment will require over time.

Alternatively, a number of plan sponsors implement automatic enrollment for newly hired employees and then employ a semi-automatic, easy enrollment method to reach existing employees. There are no hard and fast rules about automatic or semi-automatic features

Employers can use semi-automatic features to have an impact on their retirement plan savings rates and asset allocation.

## PLAN SPONSOR CONSIDERATIONS REGARDING AUTOMATIC FEATURES

- Implementing possible changes to plan design, eligibility and withdrawal provisions; annual notice requirement and other employee communications
- Selecting default percentages and investment options
- Following a fiduciary decision making process when adding automatic features

### The Semi-automatic Approach: Opportunities and Considerations

| Opportunities | Considerations |
|---|---|
| Taking action is simple and streamlined — helps those who are time compressed, overwhelmed by investment decisions, those who procrastinate and those who simply lack interest | The solution is not as effective or as complete as automatic plan features |
| Helps employees make decisions quickly and easily | Must continually administer education programs and campaigns to evaluate ongoing results |
| Doing the right thing for employees — you can have peace of mind knowing that you helped your employees save for retirement | Waiting for final clarity from the DOL on default investment options |
| Encourages retirement savings by making it easier for employees | May want to consider changing eligibility provisions |
| Increases participation rates and may improve non-discrimination testing | Increased participation levels can increase employer match costs and administrative costs |
| Offers an efficient and effective retirement benefit | May result in more small balances in your plan or the need to track down former employees |
| Redirect retirement education efforts — focus messages and target education efforts | May have negative impact on deferral rates — some employees may stay at the default percentage if not coupled with automatic savings increases |

— they can be incorporated into your plan design to meet your unique benefits strategy and your plan goals.

### *Recommendations*

Plan sponsors want recommendations especially when it comes to designing their retirement benefit. Our mission is to help you offer a retirement benefit that will get your employees to and through a comfortable retirement. We remind clients that if their retirement plan helps employees answer the three retirement success questions:

- How much should I save?
- Where should I invest those savings?
- How much will I have to live on in monthly retirement income?

– then employees are well on the right path to a comfortable retirement. The ideal plan not only offers answers to these questions, but also makes saving, increasing savings and investing appropriately automatic. At Schwab, we believe the keys to customizing a plan that is best for our clients and their employees include understanding the company's retirement benefit philosophy and goals, putting these in action through creative plan design and working to communicate and educate their employees.

Schwab's Sponsor Services team is available to assist you with the process of evaluating whether automatic features are appropriate for your plan and participants. To learn more about how we can help, contact your Schwab representative or call 888-444-4015.

You can also visit: scrs.schwab.com.

# NOTES

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*Footnotes*

[1] Save More Tomorrow: Using Behavioral Economics to Increase Employee Savings, Richard H. Thaler and Shlomo Benartzi, August 2001.

[2] Hewitt Survey Findings : Hot Topics in Retirement 2006, Hewitt Associates LLC.

[3] Schwab Personal Retirement Planning ™ investment advice is formulated and provided by GuidedChoice Asset Management, Inc. (GuidedChoice). GuidedChoice is not affiliated with, nor is it an employee or agent of Charles Schwab & Co., Inc. Member SIPC (CS&Co.) or Schwab Retirement Plan Services, Inc. (SRPS). The GuidedChoice service is available to participants enrolled in plans that use the recordkeeping and related services of SRPS. Availability is subject to regulatory requirements. Plan sponsors must elect to make the GuidedChoice service available. Participant access to the GuidedChoice service is facilitated through CS&Co. Neither CS&Co. nor SRPS supervises, makes recommendations with respect to, or takes responsibility for monitoring the advice provided to participants by GuidedChoice. CS&Co. and SRPS are affiliates of each other and are wholly owned subsidiaries of The Charles Schwab Corporation.

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