

## 2017 Plan Wellness Scorecard

For another consecutive year, employees have taken a more active role preparing for their retirement, using their employer’s 401(k) offering. While overall participation increased modestly, employee account balances, contributions and contribution rates all saw significant increases.

Complementing these enhanced levels of employee engagement, employers are making it easier for employees to take more control of their finances by continuing to simplify retirement plan design and expanding the benefits they offer to include Roth 401(k)s and Health Savings Accounts (HSAs).

Backed by the financial wellness solutions of Bank of America Merrill Lynch, employers are able to give employees access to the financial help they want *and* establish a culture of financial wellness. Working together, we are continuing to help employers deliver solutions that help their employees live their best financial lives today, and in the future.

*“Now more than ever, employers are integral to helping employees prepare for the future. As engagement with retirement income planning topics increases, employers can support employees with general savings opportunities and simplified plan options along with ongoing education, and guidance that can help them live better financially, today and in the future.”*

— Lorna Sabbia  
Head of Retirement & Personal Wealth Solutions  
Bank of America Merrill Lynch

This scorecard monitors plan participants’ behavior and sponsors’ adoption of new plan design features and services in our proprietary 401(k) business, which comprises \$181 billion in total client plan assets and 3.1 million total plan participants with positive balances as of December 31, 2016.<sup>1</sup>

### Key findings

- Employee engagement sees double-digit growth.** More employees are participating in their 401(k) plans and are engaged in planning for retirement with rising deferral rates.
- Employers are using plan design to support a culture of wellness.** Employers are moving towards simplified plan design, incorporating features including auto-enrollment and auto-deferral, resulting in higher employee engagement.
- Digital and mobile technology are increasingly important resources for managing 401(k) accounts.** Employees are turning to digital account access, in addition to traditional channels, to manage investments and make changes to their deferral rates, not just check balances.
- Employees are increasing their use of Roth 401(k) accounts.** For employers who offer a Roth option in their 401(k), they are seeing increased adoption of Roth 401(k) options, allowing employees to contribute taxable dollars today to help establish a potentially tax-free income stream in retirement.
- Health Savings Accounts are also seeing significant increase in participation.** Beyond focusing on just their retirement, employees are also looking for ways to help manage healthcare expenses now and in the future and are increasingly turning to tax-advantaged Health Savings Accounts (HSAs).

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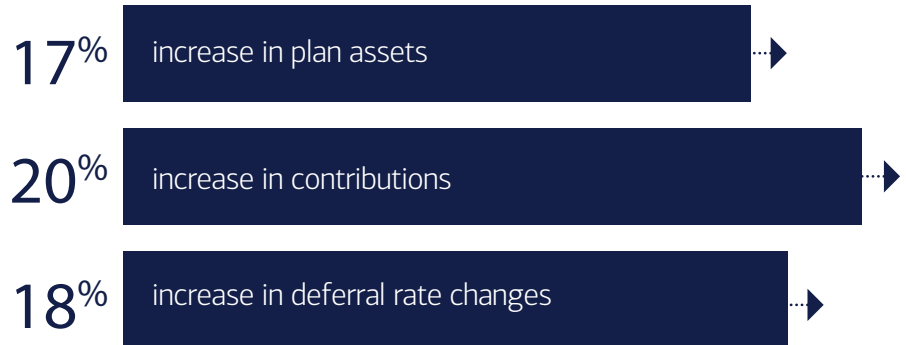
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See page 6 for important information.

# Employee engagement sees double-digit growth

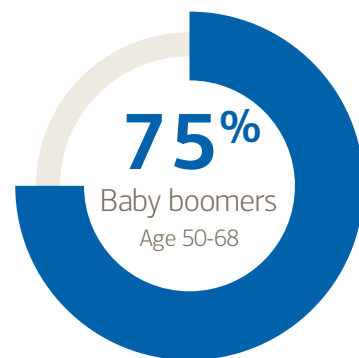
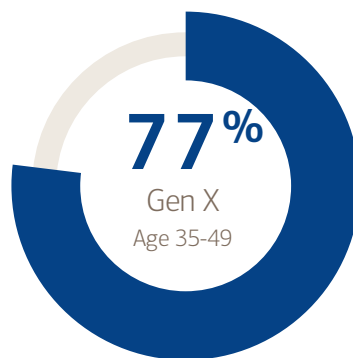
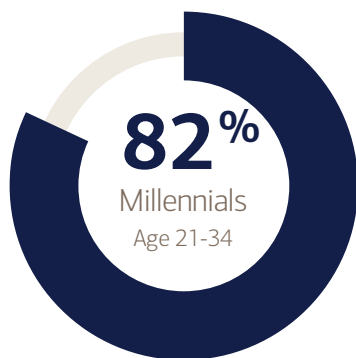
Last year new enrollments continued to grow steadily, while we saw significant increases in how employees engage with their 401(k) plans. This growth has been driven in part by employers making education more accessible with onsite meetings, webcasts and personal consultations.



As of 12/31/16.

We are also seeing the majority of employees in every age group actively contributing to their 401(k) accounts, with younger employees slightly more likely to contribute.

## Percentage of eligible employees who made a contribution



As of 12/31/16.

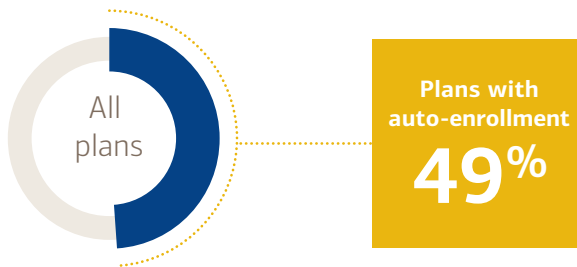
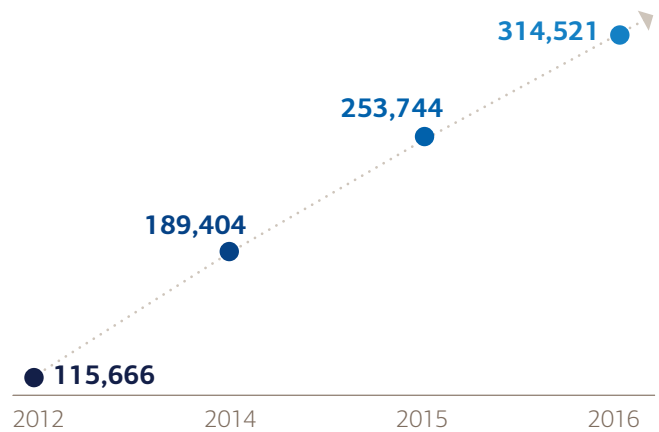
# Employers are using plan design to support a culture of wellness

Nearly two-thirds of employees say their employer has been at least somewhat influential in getting them to contribute toward retirement.<sup>2</sup> Employers who are looking to help their employees contribute more for retirement and establish a culture of wellness in the workplace are embracing simplified plan features.

Plans that adopted simplified features, such as Express Enrollment, auto-enrollment and auto-increase, rose by an extraordinary 153% in 2016.

Auto-increase has become very popular, showing a 24% year-over-year adoption growth rate and an astonishing 172% increase since 2012.<sup>3</sup>

Number of participants with auto-increase



87%

combine auto-enrollment and auto-increase.



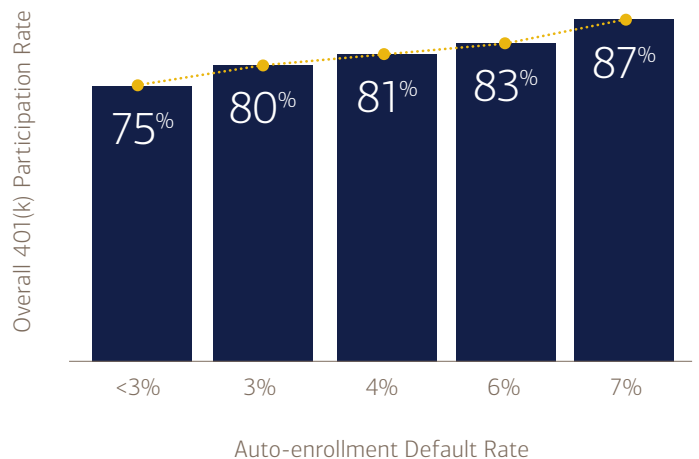
More than 97%

of auto-enrolled employees don't opt-out.

Express Enrollment can also enhance employee engagement. 401(k) plans with Express Enrollment see higher employee enrollments.

**78% vs. 53%**  
for traditional enrollment processes.

Employers can help increase employee participation rates with plan design features. We see that the higher the automatic enrollment default rate is, the higher the levels of employee participation in their 401(k) plan.



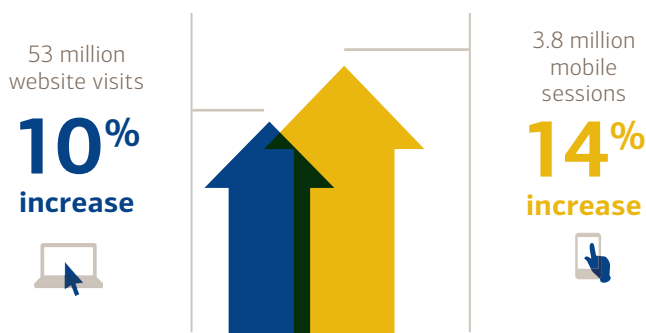
As of 12/31/16.

Auto-enrollment can contribute significantly to overall plan participation; in 2016 30% of new participants were auto-enrolled.

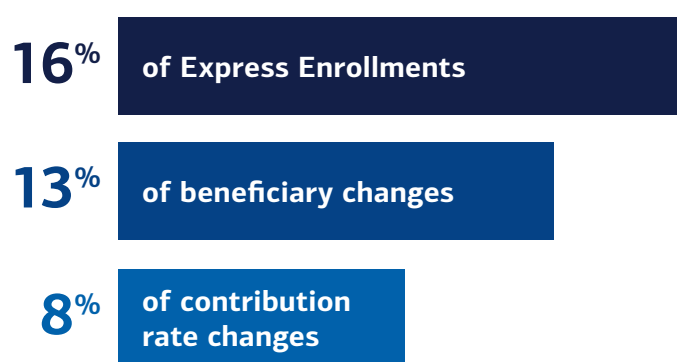
# Digital and mobile technology are increasingly important resources for managing 401(k) accounts

In addition to simplified plan design, website and mobile access to Benefits OnLine has seen increased usage.

When employees access their account, they are doing more than just checking balances. They are using mobile channels for:



As of 12/31/16, compared to 12/31/15.

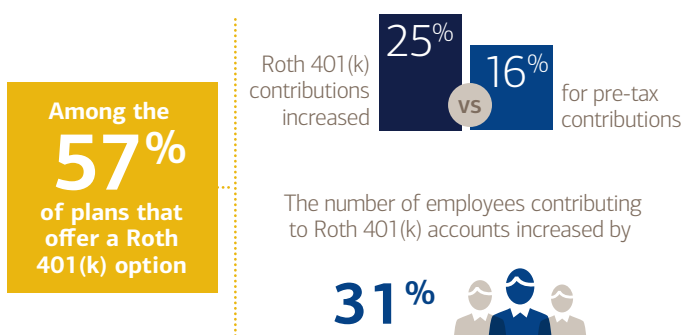


As of 12/31/16.

# Employees are increasing their use of Roth 401(k) accounts

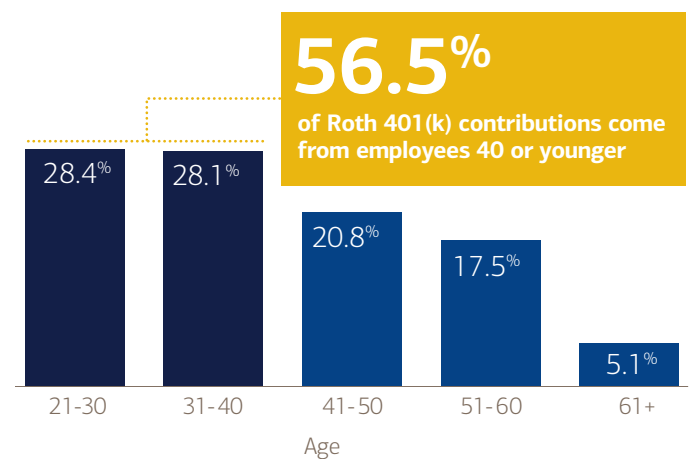
Employees with an eye on retirement are also thinking about the impact of taxes on their retirement income. Building on the increased use of Roth 401(k) accounts in 2015, employees continued to increase their use of this tax-advantaged option.

Interestingly, it is younger employees, under the age of 40, who make up more than half of those contributing to a Roth 401(k) account with significant drop off in use as you move up the age spectrum.



As of 12/31/16, compared to 12/31/15.

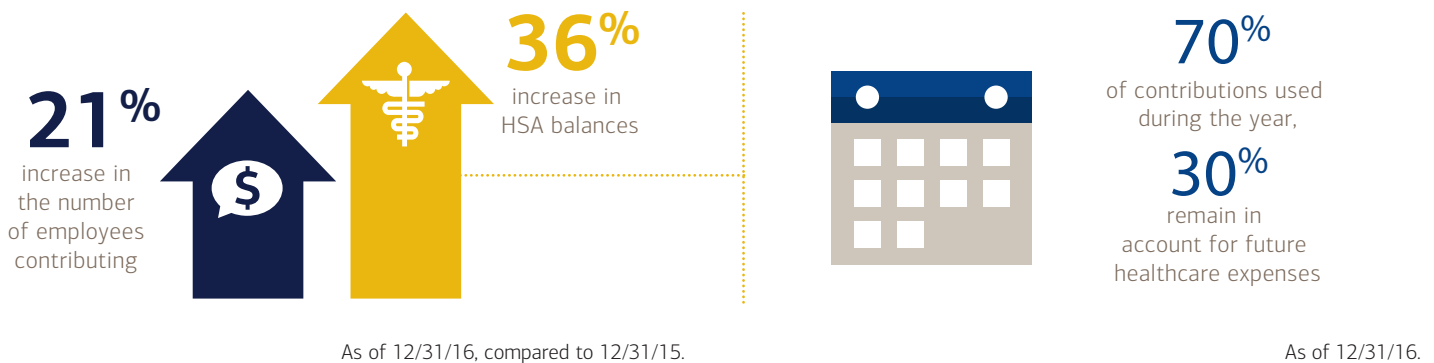
Percentage of employees contributing to a Roth 401(k), by age



As of 12/31/16.

## Health Savings Accounts are also seeing significant increase in participation

Beyond looking just at preparing for retirement, employees are also looking for ways to save for their healthcare expenses, today and in the future. According to Bank of America Health Savings Account data, employees are increasingly using their HSAs to put aside pre-tax dollars to help cover their medical costs.



### Best practices for employers

Employers can significantly influence how well prepared employees are for retirement. By looking at how other employers have helped establish and support a culture of financial wellness through 401(k) plan design and adopting some of their best practices, employers can further support the financial success of their workforce.

- Take time to evaluate plan design.** Small changes to plan design have been shown to increase employee engagement and overall contribution rates. Adding features like auto-enrollment and auto-increase can encourage employees to contribute more, increase overall engagement and help establish a culture of financial wellness.
- Encourage use of digital tools.** As online and mobile account access use increases, employers should actively promote these channels as a complement to existing in-person engagement tools. The more employees take an active role in managing their finances, the more likely they may engage in positive savings behaviors.
- Consider offering Roth 401(k) option.** When presented with the choice, employees are taking advantage of the variety of retirement savings options they have at their disposal. Adding a Roth option to a traditional 401(k) plan will allow employees—especially younger employees—to contribute how they want and potentially mitigate the impact of future tax increases with the tax-free-withdrawal benefits of a Roth account.<sup>4</sup>
- Don't stop at supporting retirement planning.** Healthcare expenses go hand-in-hand with retirement planning. Current healthcare costs can negatively affect how much employees can contribute toward retirement as well as erode retirement contributions in the future. Employers who add a Health Savings Account to their benefits package can provide employees better ability to manage healthcare expenses now and in the future.

## For more information

Contact your Bank of America Merrill Lynch representative or call **877.902.8730** for details on the action steps you can take to help increase employee engagement and support them in living their best financial lives.

You also can visit us online at **benefitplans.baml.com** or email us at **benefitplans@baml.com**.

To read our latest insights, visit **baml.com/workplaceinsights**.


<sup>1</sup> Bank of America Merrill Lynch's Retirement and Benefit Plan Services (Retirement and Benefit Plan Services) is part of Global Wealth and Investment Management (GWIM), the wealth and investment management division of Bank of America Corporation. Client Balances consists of assets under management, client brokerage assets and deposits of GWIM retirement plan participants held at Bank of America, N.A. and affiliated banks.

<sup>2</sup> 2017 Workplace Benefits Report.

<sup>3</sup> Represents total number of participants who are using auto-increase as of 12/31/2016 compared to participants with the same criteria as of 12/31/15 (not limited to auto-enrollment plans and not necessary indicative that an actual increase in rate occurred in 2016).

<sup>4</sup> Any earnings on Roth 401(k) contributions can generally be withdrawn tax-free if you meet the two requirements for a "qualified distribution": 1) At least five years must have elapsed from the year of your initial contribution, and 2) you must have reached age 59½ or become disabled or deceased. If you take a non-qualified withdrawal of your Roth 401(k) contributions, any Roth 401(k) investment returns are subject to regular income taxes, plus a possible 10% additional tax if withdrawn before age 59½.

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