

Education Policy Statement



Section A — Education principles

Date: _____

Prepared for: _____

Prepared by: _____

As a Financial Professional, I am committed to supporting you, your plan and its goals. Participant education is a pivotal part of this commitment.

The following Education Policy Statement is designed to provide you with a clear framework for how I intend to work with you to improve employee understanding of your plan's offerings, encourage participation, and promote satisfaction with your company benefits.

I. The value of ongoing education

The primary purpose of any 401(k) plan is to provide employees with the opportunity to save and invest on a tax-deferred basis to help fund their future retirement.

However, individuals vary greatly in their interest in and knowledge of financial issues. Without access to information about the principles and practice of investing, they will be limited in their ability to make decisions about whether to participate and, if they do, to make investment selections that make sense for their long-term objectives. What's more, behavioral finance studies have shown that even well-informed individuals often make ill-advised choices due to emotion or inexperience.

A well-constructed investment education program that provides ongoing support for participants not only increases the chances they will save money in retirement, it can also help to reduce the potential for fiduciary liability by empowering participants to make informed decisions.

II. Key processes and activities

To ensure that the firm's education policy properly reflects current needs and circumstances, we suggest a systematic approach to the development and deployment of various educational initiatives. This requires a consistent process which allows for periodic adjustments in response to changes in plan features, participant priorities and the overall economic climate. This process should incorporate four key functions:

1 Assessment

- Gather information about potential gaps in the knowledge of participants.
- Establish baselines for current plan participation rates and contribution levels.

2 Strategy

- Make recommendations for key activities, the timetable for their implementation, and the persons or organizations responsible for implementing them.
- Formulate a strategic plan which documents the assessment and recommendations.

3 Implementation

- Select educational materials via consultation with the Plan Sponsor and other designated fiduciaries, such as the Investment Policy Committee.
- Execute the strategic plan using communications techniques agreed upon with the Plan Sponsor (e.g., seminars, conference calls, Internet-based presentations, print materials, etc.)

4 Evaluation

- Conduct an annual review of recent educational initiatives and make adjustments as necessary to foster greater understanding and address new topics in response to changes in the regulatory and economic environment.

III. Communication strategy

Experience has shown that effective methods to successfully educate participants and potential participants include:

- Presentations and/or conference calls conducted by a Financial Professional. These provide an excellent opportunity to engage employees in financial topics they may not find time to explore on their own.
- Prepackaged educational materials, including but not limited to brochures, worksheets, emails and websites. These materials are typically distributed through Human Resources in addition to the various notifications required by the plan. These materials provide a useful point of reference for interested employees to better understand their options and discuss them with family members.

Regardless of the communications vehicle, participants may potentially benefit from guidance on any of the following topics:

- Fundamentals of investing (e.g., types of assets, compounding of returns)
- Principles of asset allocation (e.g., diversification, risk tolerance, time horizon)
- Living in retirement (e.g., estimating future lifestyle costs and income needs)
- Basics of tax-deferred retirement plans (e.g., deductions, rollovers)
- The cost of waiting to start saving for retirement
- The impact of inflation on investments

While educating plan participants is the main priority, it's also important for plan fiduciaries to stay abreast of regulatory developments and pronouncements concerning participant education so that they can structure their plan's educational programs in a manner that can help them avoid unnecessary exposure to legal action and potential liability. I will be available to discuss any questions you may have about education relative to your fiduciary duties.

For Financial Professional use with plan sponsors.

This document contains general information concerning participant education programs and participant education support services that may be provided to the sponsor of a retirement plan upon the sponsor's request. It does not constitute legal, tax or investment advice. You should consult legal counsel concerning your responsibilities with respect to your plan and participant education. This document does not constitute a contract or a binding obligation on the part of the Financial Professional or the Financial Professional's firm. Neither the Financial Professional nor the Financial Professional's firm acts as "fiduciary" under the Employee Retirement Income Security Act of 1974 (ERISA) in assisting plan sponsors carry out participant education programs.