EMPLOYEE FIDUCIARY

401(k) Plan Enrollment Booklet

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Congratulations!

Your company offers a low-cost retirement plan from Employee Fiduciary, LLC ("Employee Fiduciary"). Our low fees mean more savings for you to compound until retirement.

THE PURPOSE OF THIS BOOKLET

This booklet is designed to summarize important information about your 401(k) plan, including its key features, the benefits of participation, and how to enroll.

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UNDERSTANDING YOUR PLAN

A 401(k) plan is a retirement savings plan sponsored by an employer for the benefit of employees. They allow participants to defer a portion of their wages until retirement on a tax-advantaged basis. Most offer additional benefits. Details about your plan's benefits can be found in the following documents:

- **Summary Plan Description (SPD)** - describes your rights, benefits, and responsibilities under the plan in plain language.
- **Participant Fee Notice** – describes how to direct the investment of your account as well as the fees and expenses that may be deducted from your account.
- **Comparative Chart** – describes your plan's investment options, including their fees and expenses.

For more specific information about your plan, contact your employer.

Benefits of Plan Participation

Participating in a 401(k) plan offers several benefits that can positively impact your financial security. Here are some of the key benefits:

- **Pre-tax Contributions:** Contributions to a 401(k) plan are typically made with pre-tax dollars. This means the money is taken out of your paycheck before income taxes are applied, reducing your taxable income for the year.
- **Tax-Deferred Growth:** Contributions made to a 401(k) plan with pre-tax dollars grow on a tax-deferred basis. This means you don't pay any taxes on the dividends, interest, or capital gains from the investments in your account as they accrue. You'll only pay taxes when you start withdrawing funds in retirement.
- **Roth Contributions:** Some 401(k) plans offer a Roth option, where contributions are made with after-tax dollars. While this doesn't reduce your taxable income in the year you contribute, withdrawals in retirement, including earnings, can be tax-free when certain conditions are met.
- **Automatic Savings:** Participating in a 401(k) plan encourages regular saving for retirement. It's easy to procrastinate or spend money on other things, but automatic contributions from your paycheck help you prioritize your future financial security.
- **Investment Flexibility:** 401(k) plans usually offer a range of investment options, allowing you to tailor your portfolio to your risk tolerance and retirement goals. They also tend to offer a foolproof way to help you invest appropriately like target date funds.
- **Portability:** If you change jobs, your 401(k) account is portable. You can either leave it in your current plan, roll it over into a new employer's plan, or transfer it to an Individual Retirement Account (IRA).
- **Legal Protections:** Assets in 401(k) plans are typically protected from creditors and bankruptcy, offering a layer of financial security.

Overall, participating in your employer's 401(k) plan is a smart way to save for retirement, take advantage of tax benefits, and secure your financial future.

How Much to Contribute

Deciding how much to contribute to your 401(k) plan depends on several factors including your financial goals, your current financial situation, and your retirement plans. Here are some considerations to help you determine the right amount:

- **Maximize Employer Match:** At a minimum, try to contribute enough to get the full employer match, if available. This is often described as "free money" and is an immediate return on your investment. For example, if your employer matches 50% of your contributions up to 6% of your salary, you should aim to contribute at least 6% to take full advantage of the match.
- **Contribution Limits:** The IRS limits the contributions you can make to a 401(k) plan annually. Most plans also allow “catch-up” contributions if you are age 50 or older.
- **Financial Goals:** Consider your retirement goals. Think about the kind of lifestyle you want in retirement and use retirement calculators to estimate how much you need to save to fund that lifestyle. This can help you decide how much to contribute each year.
- **Affordability:** Review your budget to determine how much you can realistically afford to contribute without compromising your current financial health. Remember, contributions are typically made with pre-tax dollars, so increasing your contribution might not reduce your take-home pay as much as you might think.
- **Age and Retirement Timing:** If you started saving for retirement later in life, you might need to contribute more aggressively compared to someone who started saving in their 20s. Conversely, if you plan to retire early, you might also need to save more aggressively.
- **Financial Stability:** Ensure you have an emergency fund and manage high-interest debts before maximizing your 401(k) contributions. It's important to balance saving for retirement with maintaining financial stability in the present.

A common recommendation is to aim to save between 10% to 15% of your income for retirement, including any employer match. However, the best amount depends on your personal circumstances and retirement goals. Consulting with a financial advisor can also help tailor your retirement saving strategy to fit your specific needs.

How to Invest

Investing your 401(k) account appropriately throughout your working years can dramatically lower the out-of-pocket cost of your future retirement. Investing a 401(k) account appropriately involves constructing - and maintaining – an investment portfolio that balances growth potential and risk of losses. Striking this balance is important. Otherwise, you could miss out on gains by investing too conservatively when young or sustain unrecoverable losses by investing too aggressively when older. You must properly apply three investing principles invest a 401(k) account appropriately:

- **Asset Allocation** - Involves allocating your investment portfolio among different asset categories, such as stocks, bonds, and cash based on time horizon and risk tolerance.
- **Diversification** - Involves selecting investments with uncorrelated returns for your asset allocation. This way, if one investment is declining, others are more likely to grow, or at least not decline as much – minimizing the risk of large losses.
- **Rebalancing** - Involves periodically buying or selling assets in a portfolio to maintain a desired asset allocation.

If you're like most 401(k) participants, you will need professional help to properly apply these principles throughout your working years. Fortunately, there's a good chance your 401(k) plan offers one or more of the three major forms of professional investment advice available today:

- **Fund-based advice** – delivered by a mutual fund. A Target-Date Fund (TDF) is the most popular form. To invest appropriately, you simply need to invest 100% of your account in the TDF that best matches your target retirement date.
- **Human advice** - delivered by a financial advisor.
- **"Robo" advice** – delivered by a computer algorithm - a set of rules that constructs an investment portfolio for you based on responses to a questionnaire.

Not investing your 401(k) account appropriately can be a costly mistake, so you want to get professional help if you need it. An Aon Hewitt study found professional advice increased the median investment returns of 401(k) participants by 3.32% annually.

How to Get Started

To enroll in the plan, please take the following steps:

1. Complete the Wage Deferral Agreement and Designation of Beneficiary Form and return to your employer.
2. Go to www.myplanprovider.com/efc to complete the enrollment process.

If you don't want to enroll, please return a completed Wage Deferral Agreement with the No contributions box checked to your employer.