

RetirementWorks® II with Annuities User's Guide for Advisors and Financial Fiduciaries

Version 4.01 and higher

Introduction

Welcome to RetirementWorks, the best financial tool available for people approaching retirement, beginning retirement, or already in retirement. It is completely internet-based, so that you always have access to the latest improvements . and you can even view it online simultaneously with individual clients using no specialized software other than an ordinary web browser.

RetirementWorks is not an annuity illustration system . it's more and better than that. The purpose of this version is to enable the retiree, soon-to-be retiree, or younger employee to ***understand the impact of a new annuity on his or her personal financial situation***. In this context, and only in this context, can the individual make a truly informed decision. And often, only by seeing the impact in this context, is the individual sufficiently motivated to actually elect an annuity.

The software enables you to compare financial outcomes for participants in a variety of situations, such as annuitization of defined contribution plan balances, decisions to purchase non-qualified annuities, evaluation of defined benefit plan lump sums (whether offered as a regular plan option, or as a plan termination option), and others.

Delayed income annuities, deferred annuities, and SPIAs can all be shown, as appropriate to the situation. But note that only fixed annuities are used in this system; variable and equity income annuities are not available.

How does it work?

RW2 for YOU normally involves a four-step process:

1. You provide key information about the plan (on the ~~W~~elcome+page): the client name, and the characteristics of the annuity illustration you want to produce.
2. The system asks for information about the client, and his/her family, assets and debts, sources of income, expenses, and health status.
3. You validate the information: The best way to do this is to print the Input Summary, and review it against the input form (if you used one), or just to read it over to see if everything looks right.
4. You get a printable report that provides the overall rationale for the annuity purchase, ~~R~~eport Cards+that grade potential future financial scenarios both with

and without the annuity purchase, hypothetical future cash flows under a long-life scenario with and without the annuity, and detailed explanatory notes.

Getting Started with RetirementWorks

You need to have (and should have already been provided with) an internet address (a so-called URL), a User ID, and a Password. Start your customary web browser, and go the URL. Unless you have received a different instruction, the address for the current version is: <https://www.rworks2.com/?advisor=10>. You will then see the Please Sign In page.

This page asks for a Company number, a Name (User ID), and a Password. Your Company number is 0 (please select this, if it does not default to that number). You also need to enter your User ID and Password. The User ID can use capital and/or lower-case letters (i.e., it is *not* case-sensitive), but the Password has to be exactly as it was given to you, using upper or lower case as given (i.e., it *is* case-sensitive).

You will be taken to the Individual Case Selection Page, from which you can select which client case you will be working with. You can also use this page to create a new client case by entering a new User ID and new password for the new case, or you can delete a case or make a copy of an existing case.

The first time you enter the system you will be taken directly to the Welcome page, which asks a few basic questions. Start here, and you are off and running!

The main entries you type in, *after* the Welcome page, are in several sections on the Basic client information page. There are several tabs, labeled Family, Assets, etc. Click on each tab, and enter the information it asks for, whatever applies to your situation.

Make sure you click the “Save” button before you exit the system, or else any new entries you have made will be lost (though this is not necessary, by the way, on the Welcome page, which is automatically saved when you exit it by clicking the Next button).

Designing the annuity plan (Welcome page)

The following notes explain when the various options on the RetirementWorks Welcome page are appropriate . so you can get the results you want. Here are the most common scenarios, though other alternatives and variations may arise.

- ***Rolling over 401(k), 403(b), IRA and other Qualified Plan balances***

Typical situation: A current or former employee, or an IRA owner, is eligible for a distribution because s/he is retired or because of separation from service. The

purpose is to illustrate the advantage of moving some or all of the plan balance into an annuity, compared to leaving the funds in a tax-qualified retirement account. Select:

- Annuity type:
 - For pre-retirement: delayed income annuity, or deferred annuity.
 - For individuals at or in retirement: SPIA, deferred annuity, or delayed income annuity.
 - Annuity amount:
 - To illustrate a lump sum: contribution rolled over from a *tax-qualified* retirement account.
 - To illustrate a series of SPIAs: Single or multiple *qualified* SPIAs.
 - Annuity distribution amount is *optional*: use it if you already have a SPIA or delayed income annuity quote from elsewhere, or you want to approximate the benefit from an annuity type other than straight life . *but don't use this for multiple SPIAs.*
 - Individual's percent of contributions: always 100%.
 - Payout year: select whichever option the plan participant prefers.
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- ***Annuitizing balances already held in 403(b), IRA, or other qualified deferred annuities***

Typical situation: A retiree or soon-to-be retiree already owns a qualified deferred annuity. The purpose is to illustrate the advantage of annuitizing some or all of the plan balance using an immediate payout (or, a bit more exotically, a deferred income annuity) compared to leaving the funds in place. Select:

- Annuity type:
 - For pre-retirement: delayed income annuity.
 - For individuals at or in retirement: SPIA or delayed income annuity.
- Annuity amount:
 - To illustrate a lump sum: contribution rolled over from a *qualified* retirement account.
 - To illustrate a series of annuitizations: Single or multiple qualified SPIAs.
- Annuity distribution amount is *optional*: use it if you already have a quote from elsewhere, or you want to approximate the benefit from an annuity type other than straight life . *but don't use this for multiple SPIAs.*
- Individual's percent of contributions: always 100%.
- Payout year: select whichever option the plan participant prefers.

- **Moving personal (non-qualified) savings or investments into an annuity, for either current or future income.**

Typical situation: Compare how a deferred, delayed, or immediate annuity stacks up against leaving funds where they are:

- Annuity type:
 - For pre-retirement: delayed income annuity, or deferred annuity.
 - For individuals at or in retirement: SPIA, deferred annuity, or delayed income annuity.
- Annuity amount:
 - To illustrate a lump sum: lump sum contribution from personal assets *other than* a tax-qualified retirement account.
 - To illustrate a series of SPIAs: Single or multiple *non-qualified* SPIAs.
- Annuity distribution amount is *optional*: use it if you already have a SPIA or delayed annuity quote from elsewhere, or you want to approximate the benefit from an annuity type other than straight life . *but don't use this for multiple SPIAs*.
- Individual's percent of contributions: not required (this option presumes that the participant contributes 100%).
- Payout year: for deferred or delayed annuities, select whichever option the client prefers.

- **Using deferred and delayed income annuities for future retirement saving.**

Typical situation: Show how a deferred or delayed income annuity compares to ordinary non-qualified savings and investment:

- Annuity type: delayed income annuity, or deferred annuity.
- Annuity amount . choose whichever suits your need:
 - contribution per year, before retirement
 - distribution per year (using annual contributions until retirement)
 - Base the annuity contribution on income/expense gap in 1st year of retirement.
- Annuity distribution amount is *optional*: use it if you are basing a delayed annuity amount on the contribution amount, and you already have a quote from elsewhere, or you want to approximate the benefit from an annuity type other than straight life.
- Individual's percent of contributions: 100%.

- Payout year: select whichever option the client prefers.
- **Employer-sponsored Qualified Defined Benefit Plan terminations or retirements: Annuity vs. Lump sum.**

Typical situation: Individuals with earned benefits are eligible for a lump sum distribution. The purpose is to illustrate the financial benefit of an annuity over the next best option, which is normally an IRA rollover. Select:

- Annuity type:
 - For current or former employees not yet retired: delayed income annuity, or deferred annuity.
 - For participants at or in retirement: SPIA, or deferred annuity.
- Annuity amount: lump sum contribution from qualified defined benefit plan.
- Annuity distribution amount is *optional*: use it if a delayed annuity or SPIA is being used to match the earned benefit.
- Individual's percent of contributions: not required (this option presumes that the participant contributes 0%).
- Payout year: select whichever option is defined by the plan, if applicable, otherwise whichever the plan participant prefers.
- **Employer-sponsored Non-Qualified Plans: Annuity vs. Lump sum.**

Typical situation: Individuals with earned benefits are eligible for a taxable lump sum distribution from a current or former employer (or from some other third party). The purpose is to illustrate the financial benefit of an annuity over a taxable lump sum. Select:

- Annuity type: any option is acceptable
- Annuity amount: lump sum contribution from *non*-qualified defined benefit plan . select this option and enter the lump sum amount.
- Annuity distribution amount is *optional*: use it if a delayed annuity or SPIA is being used to match an earned annual benefit, or if you already have a quote from elsewhere, or you want to approximate the benefit from an annuity type other than straight life.
- Individual's percent of contributions: not required (this option presumes that the participant contributes 0%), but you may indicate that the employer is grossing up its contribution to cover taxes.
- Payout year: select whichever option the plan participant prefers.

- **Employer-sponsored Non-Qualified Plan balance annuitization.**

Typical situation: Individuals with non-qualified retirement balances may benefit from annuitizing some or all them. Illustrate one or a series of SPIAs paid for out of non-qualified funds. Multiple SPIAs sometimes illustrate better than single SPIAs, and the concept is more salable. Select:

- Annuity type: SPIA
- Annuity amount: Single or multiple *non*-qualified SPIAs.
- Annuity distribution amount is *optional*: use it if you already have a quote from elsewhere, or you want to approximate the benefit from an annuity type other than straight life, *and only if you are illustrating just one SPIA*.
- Individual's percent of contributions: not required (this option presumes that the participant contributes 100%).
- Payout year: not required . payouts are immediate, as defined by the spacing of the SPIAs.

Gathering the client information you will need

As noted above, to set up an individual client account, you will need to give it a name and password. This gives you two choices for entering personal information from the client.

1. You can do it the traditional way, which is to give them a printed fact-finder (input form) to complete. With an Advisor account, you can obtain such a document in PDF form from the system itself (it's one of the options in the upper left portion of each page in the system, after you log in).
2. Or you can provide the client case ID and password to the client, and let them do their own input . less work, and less E&O responsibility for you. Client accounts do not have advisor privileges, and individual clients will therefore have access only to their own data. You can also use the client ID and password to enable individuals to log on at the same time as you, and see inputs and/or results in real time.

Calculations and Preliminary Analysis

Once the input is complete and you have saved it and reviewed it, the system is ready to calculate and display the results.

Do click **Save data**, if you haven't already done so, then click **Reports: Preview**, the second-to-last link in the sidebar at the left side of the screen.

It might take quite a few seconds to format the report. Also, the report will first appear in HTML format, which is not always as clean as PDF format, and also shows only one page at a time (to scroll through to later pages, you will probably have to wait at least a few seconds for each page). So if you have Adobe Reader and can view PDF documents, we suggest that the first thing you do is click the button at the top of the report that re-creates the report in PDF format. This will take a few more seconds, but then you will be able to scroll through all the pages without any further delays.

The report will highlight two plans of action:

1. The **With Annuity Purchase** plan, which assumes that the annuity product as defined on the [Welcome](#) page is, in fact, purchased.
2. The **Without Annuity Purchase** plan, which assumes that the annuity product is not purchased. Where the obvious alternative to the annuity purchase is leaving the money in, or rolling it over into, a tax-qualified defined contribution plan (employer-sponsored or IRA, as applicable), this is that is illustrated in the [Without Annuity Purchase](#) plan.

Each plan will make implicit assumptions about future decisions that the client may face . for example, about the age at which Social Security benefits will be claimed by both client and spouse, and the order in which asset categories are liquidated during retirement. These are intended to be approximately optimal. Major choices of this kind are addressed in the Explanatory Notes, but are not highlighted in the reports. The emphasis is on the annuity purchase.

Each plan, as noted above, is evaluated under different scenarios. The [normal](#) scenario uses average life expectancy, historically typical inflation, investment returns comparable to those used in current fixed annuity pricing (so the comparison is not biased by interest rate assumptions), and average medical expenses. In addition, other adverse scenarios are evaluated, and the results appear in the Report Cards at the beginning of the report. The assumptions used in the different scenarios are defined in the Explanatory Notes section of the report.

RetirementWorks offers you a choice of three concepts for communicating how well a certain plan of action is expected to perform: (a) a [report card](#), where each plan and scenario gets a traditional A-thru-F letter grade, (b) a 0-thru-10 numeric rating, or (c) a 0-to-5 star rating. You can select the concept you like on the [Analysis](#) tab of the main client input page.

Each plan gets an overall grade or rating, as well as a grade/rating for each scenario. The overall grade/rating for the plan is an average of the other scenario grades/ratings. Plans/scenarios with grades in the "A" range (or 8-10 on the numeric scale, or 4-5 stars) are expected to provide lifetime solvency with room to spare, while "F" (or 0.0-1.9 ratings or 0-to-1½ stars) are severe failures. Inter-

mediate grades/ratings have, of course, intermediate interpretations, which are detailed in the Explanatory Notes on the screen and in the printed reports.

Producing Reports

Click the %Analysis+tab to select the reports you want to see. There are two kinds of reports you can ask for:

1. Plan Descriptions and Evaluations (i.e., report cards, or other alternatives), containing brief plan descriptions, an Evaluation for each plan showing an overall grade/rating plus individual grades/ratings for different scenarios, and comments about the benefits of the annuity purchase. ***You get this by default but you can turn it off if you want to.***
2. Cash Flow Reports, up to five of which can appear. The first two will always appear, but the other three are optional. Note that selecting more reports will mean that generating the reports takes longer, so if you do select them, be prepared to be a bit more patient: ***Note that all the cash flow reports in this version of the system show the extra-long life scenario*** . both client (and spouse, if any) living to age 100 . rather than the %normal+scenario.
 - a. Cash Flow Summary ***with the annuity purchase***, showing income and expenses, broken down into several categories each, plus net worth, year by year.
 - b. Cash Flow Summary ***without the annuity purchase***, showing the same columns of information as the previous report.
 - c. Income Report ***with the annuity purchase***, showing income broken down into six categories.
 - d. Expense Report ***with the annuity purchase***, showing household expenses broken down into eight categories.
 - e. Assets and Debt Report ***with the annuity purchase***, showing net assets broken down into several categories.

The explanatory notes are automatic and cannot be turned off.

As previously noted, an Input Summary report is also available. This is a separate report, which itemizes all of the information that has been entered for this case. You can request it from the menu on the left side of the screen.

Can You Rely on the Results?

RetirementWORKS® for YOU produces reports that reflect our best effort to help you meet your financial goals, given the current situation as you have described it, and taking into account the uncertainty of the future. In all cases, if you knew

exactly how the future would unfold, you would do many things differently. The “normal” scenario is only a current best guess, and the adverse scenarios analyzed are not intended to illustrate the worst possible case. The purpose of the reports is to produce a prudent plan that will give you a relatively good chance of success in an environment where little is certain. But it cannot predict the future, and therefore it should be updated from time to time so that you can adjust your plans as circumstances change.

If these limitations are not acceptable to you, you are strongly advised not to use the software and, if you do, not to take the results into account in your financial planning. If, on the basis of these warnings, you feel that this software is not for you, and you would like a refund of your purchase price, contact us at the email address listed in the next section.

Other versions of RetirementWorks are available on either a corporate or an individual basis to help further evaluate retirement decisions (beyond annuity purchases) that are also relevant to an individual’s financial future.

What If There Is an Error, a Suspected Error, or a Suggestion for Improvement – or If You Have Questions?

Contact us at Help@RetirementWORKS2.com. You should generally get a reply within 24 hours.