

Managed Accounts

A New Look at Managed Accounts

July 22, 2020

NEWPORT
retirement services

The Numbers Tell the Story



Kurt Laning

The Numbers Tell The Story

75%

Americans who manage their own finances with **NO help** from a professional or online service*

17%

Use a financial advisor and reap the benefits of your professional advice which studies have shown **add 1.5% to 4% in returns***

4 in 10

Provided an estimate of retirement savings and **“guessed” the amount they needed****

* CNBC and Acorns “Invest In You Savings Survey,” April 2019

** Transamerica Center for Retirement Studies, June 2018

Snapshot of Managed Account Usage

31% of **all plans** offer professionally managed accounts

Source: 2020 PLANADVISER Micro Plan Survey, February 12, 2020

20% of **plans with <\$1M in assets** offer professionally managed accounts

Source: 2020 PLANADVISER Micro Plan Survey, February 12, 2020

27% of **plans with \$1-5M in assets** offer professionally managed accounts

Source: 2020 PLANADVISER Micro Plan Survey, February 12, 2020

66% of **large market plans** offer professionally managed accounts

Source: 2019 Trends and Experience in Defined Contribution Plans, Alight



One more question...

Managed Account Basics



Matt Meyer



Steve Schreiber

What is a Managed Account?

- In a managed account, a professional investment **advisor oversees an investment and savings strategy** in a participant's retirement plan, all according to the participant's unique objectives and personal circumstances
- From the participant's standpoint, a managed account **removes the guesswork** associated with which investments to pick, how much to save, and when to retire.

1

Your Circumstances and Needs Form the Strategy

The service gathers data from your retirement plan, as well as information that you provide, to help you determine your retirement goal.

2

Your Personalized Strategy is Created

The service creates a personalized saving and investment strategy for your retirement plan to help you reach your goal.

3

Your Strategy is Implemented and Managed For You

When you subscribe, your strategy is automatically put in place. And for as long as you are subscribed, the service continues to manage your strategy.

A History of Success

- 1st introduced in DC plans over 20 years ago
- Managed accounts have proven their worth, particularly in larger plans

66%

of **large market plans** offer professionally managed accounts

Source: 2019 Trends and Experience in Defined Contribution Plans, Alight



99% of employers ranked managed accounts as effective

Source: 2019 Trends and Experience in Defined Contribution Plans, Alight

94%

The percentage of sponsors that are somewhat or very **satisfied with managed accounts**

Source: 2020 Defined Contribution Trends Survey, Callan Institute

And a Need to Evolve

THE 'OLD' MANAGED ACCOUNT service

- 3rd Parties with no relationship to advisor, sponsor, or participants
- Expensive fees on top of high fund fees often with minimums
- Not used as the plan's QDIA
- Investment diversification solution only
- Minimal integration with participant recordkeeping experiences
- Lack of participant adoption programs



Newport's New Managed Account Service

How It's Different

Our new Managed Account service was **built with your business in mind**:

- Incorporates your business model as the plan's advisor
- Low cost
- Functions as the plan's QDIA
- Full savings, investment and retirement strategy
- Fully integrated with recordkeeping system
- Supported by strong participant communications programs

Newport's New Managed Account Service

- Data about participant and plan is provided via recordkeeping platform
 - **The participant can enter additional personal information to further customize the experience**
- The service uses the information to create a **personalized strategy** that includes:
 - Projection of future retirement income needs and any gap
 - A savings rate recommendation to help close any gap.
 - A retirement age recommendation to help close any gap
 - An asset allocation recommendation based on assets in the plan's investment menu to help close any gap
- When **participants subscribe for a small monthly fee**, the service automatically implements their personalized strategy and manages their investments on a go-forward basis.

Benefits for Plan Sponsors

- Works with plan's existing investment menu
- Turnkey and easy to introduce
- Qualifies as a QDIA
- Three subscription choices
 - Opt-in
 - Auto-enrollment of new employees
 - Mapping of investment elections at conversion
- Participant interactions are fully integrated with recordkeeping system
- Deferral guidance likely increases employee contributions which may reduce overall investment costs for the plan
- Full suite of participant support services (e.g., phone center, email campaigns and meeting services from Newport or the plan's advisor)

Did you know that employees who aren't on track for retirement have increased their savings rates by an average of **33%** in a managed account?

Source: The Impact of Managed Accounts on Participant Savings and Investment Decisions, Morningstar Research, January 22, 2019.

Benefits for Plan Participants

- Easy way to manage retirement planning with varying levels of personalization through a **free, personalized retirement planning tool**
- Access to “Do It For Me” **professional investment management** at a reasonable cost
- Access to **support from advisors** like you
- Ability to **unsubscribe at any time without penalty**
- Participants in managed account programs have been shown to **have better outcomes and have been shown to stay on track** in terms of their investment and saving strategy

Did you know that employees who aren't on track for retirement have increased their projected retirement income by **15-21%** net of fees in a managed account?

**Source: The Impact of Managed Accounts on Participant Savings and Investment Decisions, Morningstar Research, January 22, 2019.
± 33% average savings increase when using a managed account*

Benefits for Advisors

Our service was **built with your business in mind**:

- **No need to change existing plan menus**
- **No disruption to 3(38), 3(21) or investment consulting relationship**
- **Compensation for supporting participants** in certain business models
- Built-in **billing and payment automation**
- **Tools for due diligence and monitoring** of program
- **Flexible participant contact and support services** that allow you freedom to structure participant support to meet your business needs
- Opportunity to **engage with participants** holistically
- Scale to offer advice for all participants while allowing you to **focus on participants that require specialized assistance** (i.e. larger balance, outside assets, planning clients, etc.)

Benefits for Advisors

Newport offers multiple options to fit your business needs and preferences, and you can choose whether you wish to be compensated as part of the service.

And we have more options if your firm chooses to become the service's 3(38) fiduciary, taking over some or all of the functions Newport performs.

OPTION 1 Newport Turnkey Service	Newport performs all services as the 3(38) fiduciary for the service.
OPTION 2 Advisor Compensated Participant Support	Newport services as the 3(38) fiduciary for the service with you as the plan's advisor being compensated for participant enrollment and education support services.
OPTION 3 Semi-Custom Service	Your firm serves as the 3(38) fiduciary for the service with Newport fulfilling some fiduciary functions as your sub-advisor. Newport also supports the managed account platform, and performs certain participant support services.



Newport's Managed Account Service

How It Works – The Participant Experience

The Participant Experience

ALERTS
Demo Plan TDI, Inc. 401(k) Plan
You have not completed your beneficiary information

MY FORECAST
GOAL
\$33,000 Monthly Goal
Projected Monthly

Change My Investments

1 Tell us how you would like to invest.

2 Select your investments.

3 Verify and submit your changes.

Tell us how you would like to invest.

- Automatic Investing**
Automatic Investing - Your account is invested in an asset allocation fund selected by your plan.
- Model Portfolio**
Model Portfolio - Your account is invested in a model portfolio designed by an investment advisor to your plan and based upon the risk tolerance that you choose. Each model portfolio has its own rebalancing schedule.
- Managed Account Service**
Our Managed Account service provides you with personalized investment advice. It is easy to use and can help you reach your retirement goals. There is a fee for this service. [Click Here](#) to learn more.
- My Own Investment Choices**
My Own Investment Choices - Your account is invested in an investment allocation of your choosing from among the menu of investment choices that are offered in your plan. [Click Here](#) for an asset allocation and risk tolerance calculator.

CANCEL **CONTINUE**

The Participant Experience

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[← PLAN SUMMARY](#) **Profile**

Sex	Male	▼
Email Address	proddemo0010@test.com	
State of Residence	CA	
Are you retired?	No	▼
Retirement Age	67	✎
Annual Salary	\$60,000	✎

MARITAL STATUS

Are you married? ⓘ	No	▼
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YOUR FINANCIAL RISK

Education & Skill Level	Bachelor's degree	>
Salary Risk	Neither likely nor unlikely	>
Health & Well-being	Average	>

The Participant Experience

GENERAL

- Profile
- Target
- Incomes
- Accounts

[REVIEW ACCOUNT CHANGES](#)

MANAGED ACCOUNT SERVICE CLOSE AND RETURN

[Home](#) Alerts [FAQ](#)

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Retirement Income


\$47K of \$47K/yr

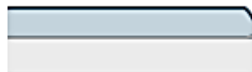
CURRENT PROPOSAL

PLAN

- [Portfolio](#) 83% Equity in managed accounts
- [Contributions](#) 2% / yr increase of 1%
- [Retirement Age](#) 67 no change

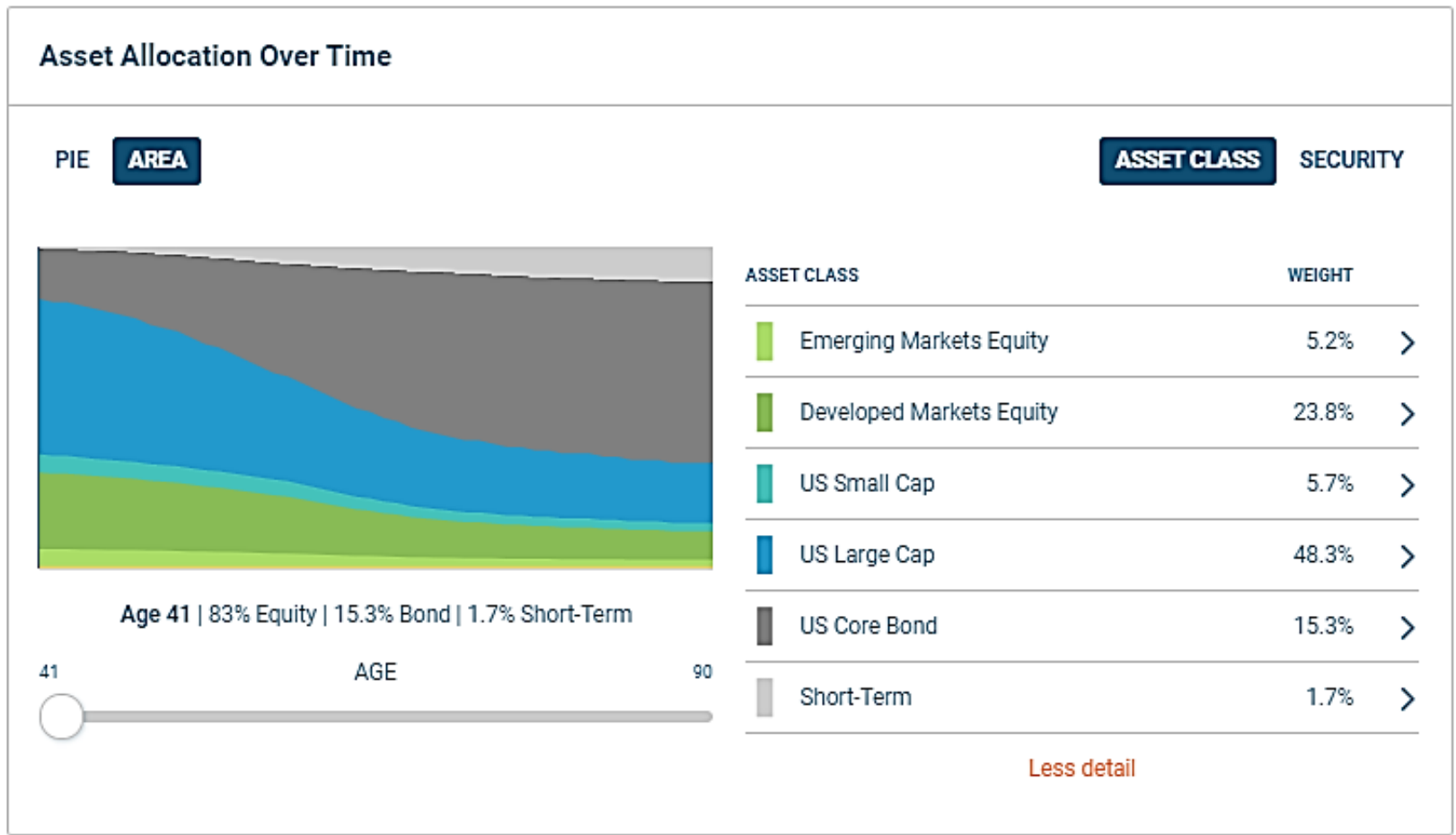
[Projected Wealth](#)  \$395,002 at retirement

[Managed Asset Allocation](#)  45% Equity at retirement

[Projected Retirement Income](#)  \$46,824 / yr

[Download a PDF of my proposal](#)


The Participant Experience





The Participant Experience


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[← BACK](#) **Pre-Tax**


Pre-Tax 2% / yr 

AUTO ESCALATION 

Enable Auto Escalation Yes 

Increase Annually 1% / yr 

Frequency Annually

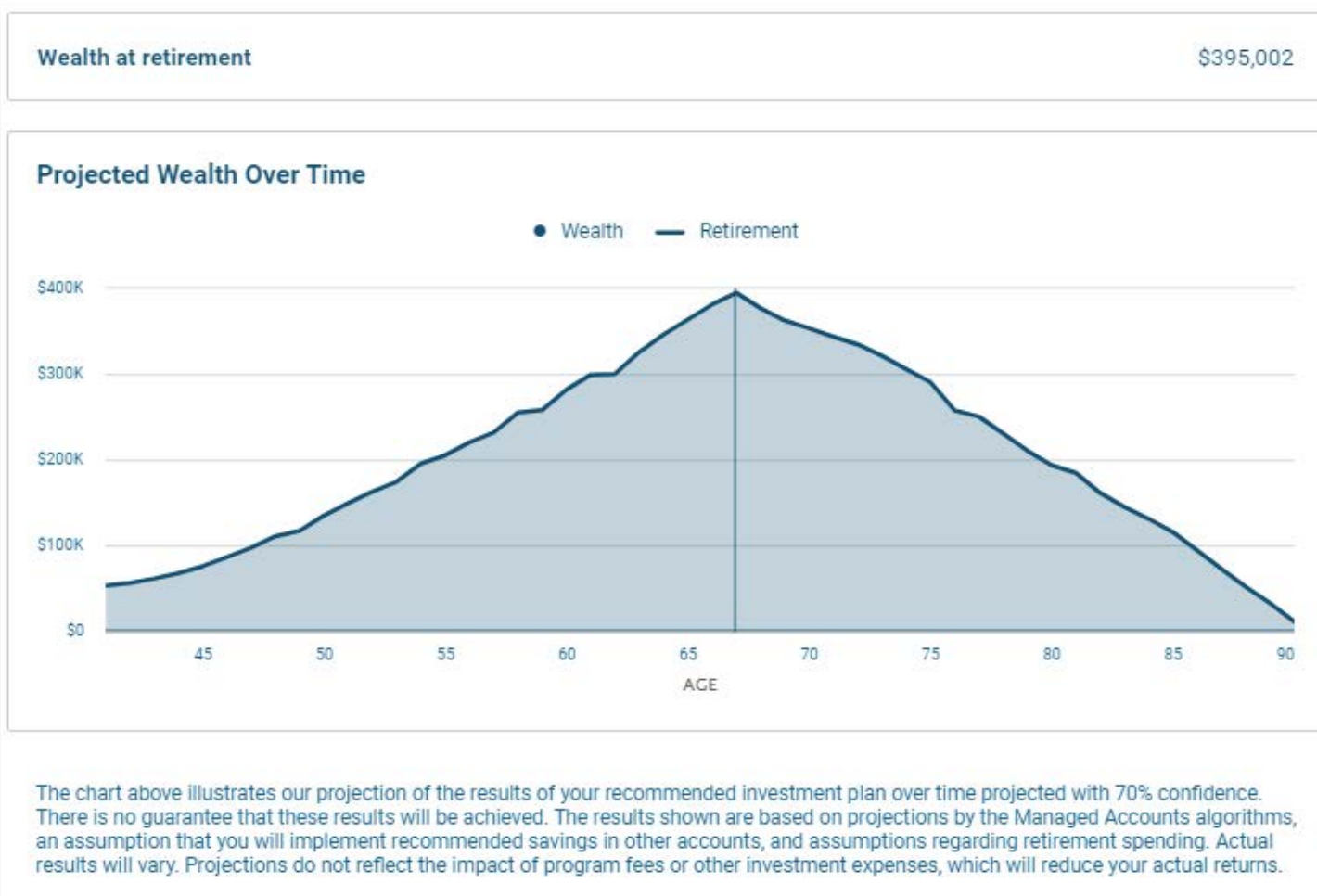
Max Contribution 5.5% / yr 

PERIOD START	CONTRIBUTION AMOUNT
05/28/2021	3%
05/28/2022	4%
05/28/2023	5%
05/28/2024	5.5%

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The Participant Experience





Newport's Managed Account Service

Options for Implementation

Options for Implementation

1

An additional option in the plan's investment menu

2

Qualified Default Investment Alternative (QDIA) when participants don't make an election or are automatically enrolled as a new hire

3

QDIA when mapping participant balances when plan converts to Newport for recordkeeping

Benefits of Managed Accounts as a QDIA

QDIA Features	Risk-based Portfolios	Target Date Funds	Managed Accounts
DOL Compliant QDIA	✓	✓	✓
Risk Sensitive	✓		✓
Investment Horizon Responsive		✓	✓
Systematic De-Risking		✓	✓
Health, Income, and Marital Status Considerations			✓
Deferral Balance and Retirement Income Modeling			✓
Outside Account Integration			✓
Other Income Sources Considered			✓

✓ Only managed accounts are dynamic and responsive to changing participant situations, with outcomes improving as participants become more engaged!

Newport's Managed Account Service

Advisor Success Stories



Ken Weida



Dale Essenmacher

Key Take-Aways from Advisors

- Because Newport does not have any proprietary or preferred investments, our Managed Account service **keeps your investment relationship, menu and structure in place**

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- Allows you to **provide advice to all participants**, and still **focus your personal attention on target participants**

Key Take-Aways from Advisors

- Because Newport does not have any proprietary or preferred investments, our Managed Account service **keeps your investment relationship, menu and structure in place**
- Allows you to **provide advice to all participants**, and still **focus your personal attention on target participants**
- Sign up for a **personal demo** and discussion on how managed accounts can work for you and can **help you differentiate your services**



Questions?

Interested in a demo?

**Let us know during the survey at
the end of today's webinar.**

Thank You!

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The Managed Account service is a web-enabled financial advisory service offered to retirement plan participant accounts including employer-sponsored defined contribution accounts (401(k), 457, 403(b), and other participant directed plans). The service *offered by Newport Group Consulting, LLC, a registered investment adviser* and wholly owned subsidiary of Newport Group, Inc., allows plan participants to develop a strategy to help them reach investing and retirement goals by offering a personalized plan for saving and investing, forecasts for retirement income and wealth, and the creation and management of model portfolios using the designated investment alternatives offered in the employer-sponsored defined contribution plan. Please refer to the Newport Group Consulting, LLC Managed Account ADV Part 2 for detailed information regarding the Managed Account service and associated fees. The ADV Part 2 is available at newportgroup.com and www.iard.com.

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