

# Meeting participants' diverse needs with Fidelity® Smart QDIA



Taking plan design beyond one-size-fits-all solutions

Navigating the ever-changing investment landscape can leave participants lost and confused. A qualified default investment alternative (QDIA) can be helpful for participants who struggle to choose appropriate investments. But not all participants are alike and a one-size-fits-all approach may not be appropriate for everyone. That's why Fidelity offers Smart QDIA<sup>SM</sup>, which allows plan sponsors to use two defaults—a target date fund and our managed account, Fidelity® Personalized Planning & Advice—to meet the varying needs of participants and keep them on the path to financial security.


## Industry trends are pointing toward the need for Smart QDIA



### QDIA options

The DOL regulations have supported the use of only three exclusive QDIAs in defined contribution plans.

 **Balanced funds**

 **Target date, or lifecycle, funds**

 **Managed accounts**



### Auto solutions

Auto solutions have grown in popularity over recent years, and can help participants overcome inertia in their workplace savings plans.

**86%**

participation rate in plans using automatic enrollment—16% higher than plans that don't offer it.<sup>1</sup>



### Personalization

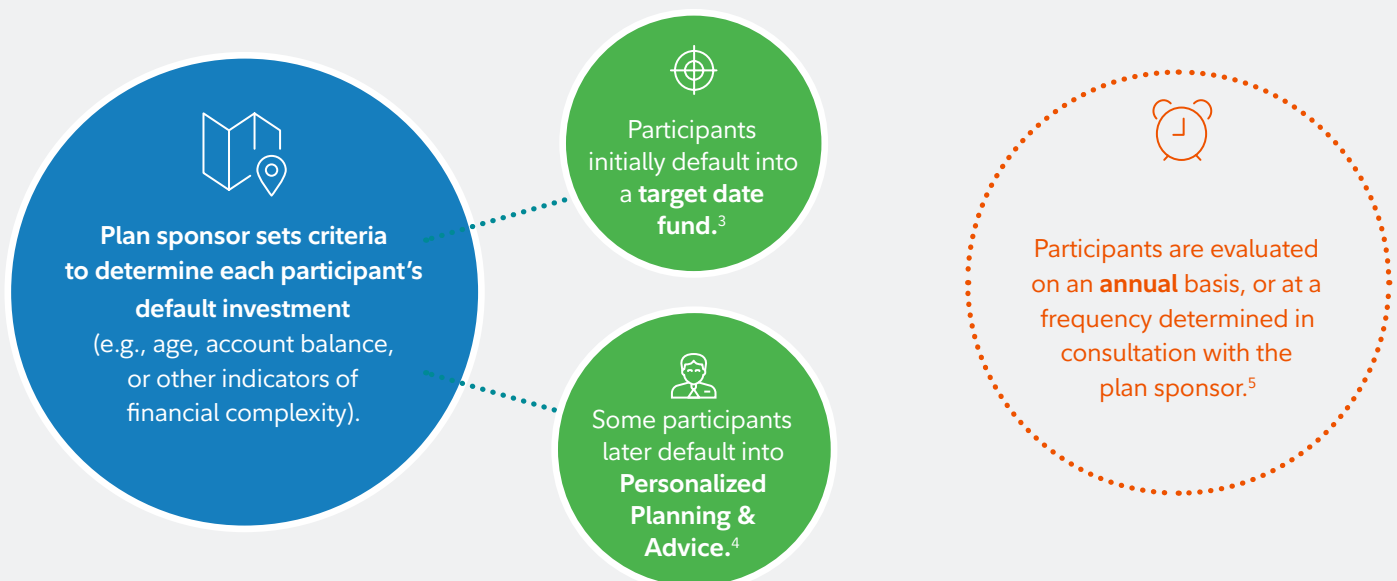
Some investment solutions have evolved to consider more complex financial circumstances. A participant's holistic financial situation, time horizon, and risk tolerance can all impact asset allocation.

**9**

The average household reported holding nine separate retirement accounts.<sup>2</sup>

## How the Fidelity Smart QDIA works

Plan sponsors evaluate and select the default criteria for participants, and Fidelity then uses that criteria every year to automatically place them into the investment strategy that's most appropriate: a target date fund or Personalized Planning & Advice, which offers ongoing discretionary investment management.

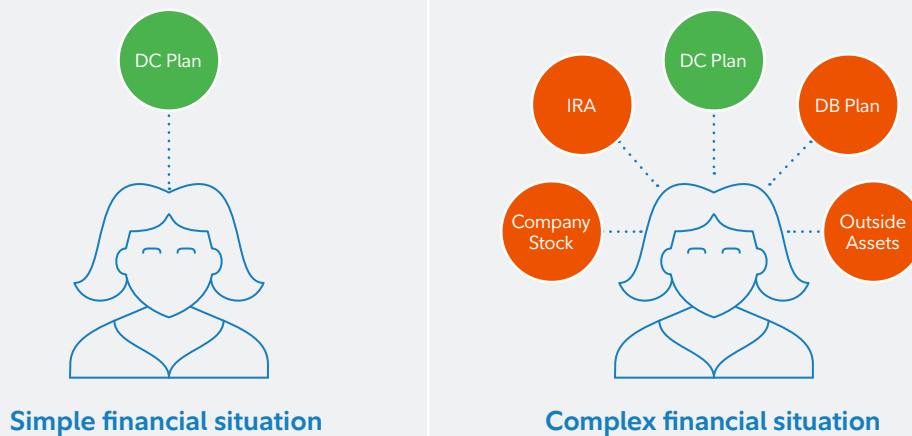


## Does a Smart QDIA make sense for your plan?

Adding a Smart QDIA offers a variety of potential benefits:

- ✓ Solutions that go **beyond one-size-fits-all**
- ✓ **Easy setup and implementation**
- ✓ **Automatic placement** of participants—with periodic reassessment
- ✓ A default that can accommodate both simple and more **complex financial profiles**
- ✓ Appeals to **preretirees and retirees** who could benefit from exposure to a managed account

## Considerations for determining targeted default criteria



Plan sponsors should consider their unique participant population and work with a consultant or advisor, when applicable, to help determine the appropriate criteria.



Contact your Fidelity representative for more information and pricing on this service.

<sup>1</sup>All data is based on Fidelity Investments recordkept data of nearly 22,400 corporate defined contribution (DC) plans and 15.3 million participants as of December 2017. Excludes nonqualified plans, tax-exempt market (TEM) pooled plans, defined benefit (DB) cash balance plans, plans with 0 participants, and FMR Co. plans.

Participation rates in plans that offer automatic enrollment are 15.7% higher than those that do not. 52.5% of deferral increases are a result of annual increase program (AIP) over the past 12 months.

<sup>2</sup>*Ignites* reported that the average household retains nearly two employer-sponsored DC plans, three IRA accounts, and one each of a traditional DB pension plan and cash balance plan. Along with other retirement accounts, that's an average of nine separate retirement accounts—excluding separate savings in CDs, home equity, 529 accounts, etc.

<sup>3</sup>Initial default could be a target date fund or other fund as determined by the plan (e.g., lifecycle fund, balanced fund), of which participants can opt out and choose a different investment option in the plan at any time.

<sup>4</sup>The annual evaluation provides participants with the opportunity to opt out of the automatic enrollment into the managed account. Participants can unenroll from Personalized Planning & Advice and/or choose a different investment option in the plan at any time. In the instance they choose to opt out, they will not be included in the following year's annual evaluation and passive enrollment campaign.

<sup>5</sup>Any participant who unenrolls from Personalized Planning & Advice will automatically become ineligible for inclusion in future passive enrollment campaigns.

### Investing involves risk, including risk of loss.

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