

Frequently Asked Questions

For Plan Sponsors and Advisors

What is Managed Advice?

Managed Advice is a service that helps your employees retire successfully. The key to retiring successfully is having a plan, and with Managed Advice, investors get a retirement plan that's tailored just for them. Each plan includes a personalized investment portfolio that updates automatically as the markets and a participant's life circumstances change. The plan also includes savings and retirement age recommendations, retirement income projections, and more.

What's the difference between Managed Advice and a Target Date Fund?

Managed Advice is a personalized retirement plan. Unlike target date funds (TDFs), Managed Advice recommends when participants should retire, how much they should save, and how much income they can expect to have in retirement. And instead of the one-size-fits-all investment portfolio that participants get with TDFs, Managed Advice gives each participant a personalized portfolio that accounts for their age, gender, salary, outside retirement accounts, and much more.

Who is NextCapital?

NextCapital¹ is an enterprise digital advice company whose mission is to help everyone retire successfully. They partner with leading financial institutions to deliver personalized planning and managed advice to individual investors. They work with their partners to customize advice methodology and fiduciary roles, and they can serve as the 3(38) investment manager for discretionary, plan participant advice.

What are the benefits of Managed Advice for plan participants?

Managed Advice helps plan participants retire successfully. The key to retiring successfully is having a plan. Unlike TDFs and other managed account solutions, Managed Advice gives participants a tailor-made retirement plan. Each plan includes a personalized investment portfolio that updates automatically as the markets and a participant's life circumstances change. The plan also includes savings and retirement age recommendations, retirement income projections, and more.

¹ As used here, "NextCapital" refers to NextCapital Software, Inc. and NextCapital Advisers, Inc. Investment management services are provided by NextCapital Advisers, Inc., an investment adviser registered with the Securities and Exchange Commission ("SEC"). Registration does not imply a certain level of skill or training. NextCapital Software, Inc. does not provide investment advice.

What are the benefits of Managed Advice for plan sponsors?

With Managed Advice, plan sponsors can give their employees an opportunity to improve their financial wellness by helping them retire successfully. Managed Advice helps plan participants retire successfully by giving them a personalized retirement plan. Each plan includes a personalized investment portfolio that updates automatically, as well as savings and retirement age recommendations, retirement income projections, and more. And because Managed Advice helps participants retire successfully, it enables plan sponsors to meet their fiduciary duties and offer an attractive benefit that can help drive employee recruiting and retention.

What account types are supported?

The following workplace account types are supported:

- 401(a) Money Purchase
- 401(k)
- 403(b)
- 457(b) Non-Profit
- 457(b) Government
- Non-Qualified Default Contribution (NQDC)
- Profit Share
- Thrift Savings Plan

Support for different plan types may vary. Please reach out to your plan advisor for more information.

What participant data does Managed Advice need to create personalized retirement plans?

At minimum, NextCapital needs the following data to provide an age-based retirement plan:

- Name
- Date of Birth

To provide a personalized retirement plan, NextCapital needs the following data:

- Salary
- Employment status
- Employee deferral rate

Minimum required data may vary. Please reach out to your plan advisor for more information.

What are all of the data points that can be considered?

The following data point are typically provided by the recordkeeper:

- Date of Birth
- Sex
- State of Residence
- Current Salary
- Recordkept Account Balance
- Recordkept Account Savings Rate
- Desired Retirement Age (if available)

NextCapital automatically calculates an estimate of Social Security and the investor's target retirement income. Users can override either.

User-entered data points can include:

- Marital status, spouse gender, spouse age, and spouse salary (if available)
- Education level
- Health/wellness
- Salary risk
- Other guaranteed income sources (e.g., pensions or annuities)
- Other retirement accounts (manual or aggregated) with contributions

Do email addresses need to be provided for employees who are eligible for the plan?

Whenever possible, plan sponsors should provide email addresses for all eligible employees. This enables targeted communications that explain what Managed Advice is and how it helps participants retire successfully by giving them a personalized retirement plan. Continued outreach helps participants stay on track by encouraging them to update their personal information in order to keep their plan up to date, while also enabling the delivery of important disclosures and other account information

How is participant data protected? What security practices are in place to ensure that participant data is not compromised?

NextCapital takes privacy and security seriously, and they're committed to providing a secure solution for all their customers. By leveraging Amazon Web Services and combining industry-leading practices, NextCapital ensures that participant data is kept private and remains available at all times. For more information, see <https://www.nextcapital.com/security.html>.

How can eligible participants enroll?

Eligible participants can enroll online by first visiting their workplace benefits website. From there, they can use a desktop or mobile browser to enroll in as few as three clicks. Participants may also have access to professionals who can answer questions about Managed Advice and enroll a participant over the phone—please reach out to your plan advisor for more information.

Can Managed Advice be offered as the QDIA?

Yes. When Managed Advice is the QDIA, that means that it's the default investment used when money is contributed to an employee's workplace retirement account, but the employee hasn't made an investment election. Because Managed Advice helps investors retire successfully by giving them a personalized retirement plan, it can be a prudent QDIA selection.

Who serves as a fiduciary for Managed Advice?

This can vary. Please reach out to your plan advisor for more information.

What are the plan sponsor's fiduciary responsibilities if they adopt Managed Advice?

As a plan sponsor, you have the fiduciary responsibility for the plan, regardless of which other entities serve in a co-fiduciary capacity. Your responsibility when selecting a service provider is to validate that the service is appropriate for their population, that the provider's methods are sound, and that they are carried out in a consistent manner. For more information about plan sponsor fiduciary responsibilities, please see the IRS guide to [A Plan Sponsor's Responsibilities](#).

Managed Advice can help you meet your fiduciary responsibilities because it helps your employees retire successfully. For example, it's priced competitively with TDFs and other managed account services, but unlike those offerings, Managed Advice provides a personalized retirement plan that translates into better retirement outcomes for participants. Managed Advice can also provide reports and other information to help you monitor the service and see how it benefits your employees.

Can eligible participants be enrolled in bulk?

Yes. Using NextCapital's extensive integrations with recordkeepers, an entire group of participants can be enrolled in Managed Advice without participants or advisors having to enroll online through the user interface.

Can participants change their target retirement income amount?

Yes. One of the benefits of Managed Advice is that participants can fine-tune their advice recommendations by updating their profile and providing additional information. The more information a participant can provide, the better — personalization further powers Managed Advice in giving participants a bespoke retirement plan that helps them retire successfully. Participants can update their income targets, external accounts, external sources of income, social security projections, risk tolerance, and other criteria.

Can participants change their suggested savings rate?

Yes. As with target retirement incomes and other inputs, Managed Advice lets participants adjust their recommended contribution rates. Note that the recommendations they get from Managed Advice, however, are designed to help them retire successfully as part of a personalized retirement plan.

How accurate do participants need to be with the information they provide?

While they don't need to be accurate down to the last penny, personalization powers Managed Advice to give participants a retirement plan that helps them retire successfully. Therefore, providing detailed information can help Managed Advice create the best possible plan. For this reason, participants should try to be as thorough as possible when providing new or updated information.

What should participants do if they expect their information to change in the future?

In order to ensure that participants get the most complete, personalized plan possible, it's recommended that they update their information whenever their personal or financial situation changes. This includes going through a major life event, such as getting married, buying a home, or changing jobs.

How are fees charged to participant accounts?

Please reach out to your plan advisor for more information.

How often are the portfolios rebalanced?

With Managed Advice, plan participants get a personalized investment portfolio that is updated automatically. Personalized portfolios can be rebalanced on a regular schedule (e.g. quarterly) and/or when participants update their information. Please reach out to your plan advisor for more information.

Does Managed Advice consider taxes when it recommends contribution amounts?

Yes. In plans where Managed Advice recommends savings rates, it will recommend that participants contribute to a pre-tax account (like a traditional 401k) prior to a Roth account. Managed Advice makes these recommendations based on certain assumptions, including, for example, that taxable incomes in retirement are less than taxable incomes before retirement. While Managed Advice considers taxes, it should not be considered tax or legal advice. Participants are encouraged to speak with a tax professional to ensure Managed Advice aligns with their respective tax situation.

Does Managed Advice advice work for plans that only allow flat dollar amount contribution rates, rather than percentage contributions?

Yes. For plans that only allow flat dollar contribution amounts, Managed Advice will recommend and implement annualized dollar contribution amounts.

Does Managed Advice work for plans that allow both flat dollar amount contributions or percentage contributions?

For plans that allow both flat dollar amount and percentage contribution options, Managed Advice will only recommend and implement percentage contribution rates.

How can participating employees access their account information?

Participating employees can view statements and other information by visiting their workplace benefits website. From there, they can access Managed Advice.

Can participating employees make changes to their investments?

Once employees are enrolled in Managed Advice, they can't make changes themselves for any account(s) being managed. When they choose Managed Advice, they turn over management of their retirement savings account portfolio to a service developed by a team of investment and technology professionals.

What happens when a participating employee leaves our organization? Can they leave money in their account?

This depends on your plan rules. As long as you allow the participant to remain in the plan, they can continue to enjoy the benefits of Managed Advice. Please reach out to your plan advisor for more information.

Can participating employees have non-workplace accounts managed by this service?

Managed Advice won't manage any non-workplace accounts that participants tell us about. However, Managed Advice does factor in these accounts when it creates the participant's personalized portfolio and retirement plan.

Can a participant get advice to implement on their own without having to enroll in Managed Advice?

Yes. Every participant in a plan that has access to Managed Advice will receive a personalized retirement plan at no charge. A participant could choose to implement this advice on their own and manage their account independently or delegate the management of their account to a professional.

What if a participating employee wants to unenroll from Managed Advice?

Participants can unenroll from Managed Advice at any time. Once participants unenroll from the service, they'll be responsible for managing their account, including making exchanges, selecting investments, and rebalancing their portfolio. You should direct employees to the prospectuses for the investment products available in your plan so that they can understand any trading restrictions or related transaction or fund fees.

For more information about fees when a participant unenrolls, please reach out to your plan advisor for more information.

Is reporting available?

Reporting about enrollments, activity, assets under management, positions, and reasonable allocations are available. Please reach out to your plan advisor for more information.

What kind of support is available for participants?

Many plan advisors provide access to trained service center representatives who can answer basic questions about the Managed Advice service and help participants navigate the user interface. Participants may also be eligible to receive assistance from retirement counselors who can conduct onsite visits, webinars, and/or one-on-one consultations with plan participants. Please reach out to your plan advisor for more information.

Can I choose to pay participants' fees rather than having participant accounts be charged directly?

Please reach out to your plan advisor for more information.

Is there a mobile app?

No. However, employees can enroll in and access their account using a mobile web browser. The Managed Advice user interface is designed with mobile browsers in mind.

How is this program going to be communicated and marketed to eligible plan participants?

Please reach out to your plan advisor for more information.

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