Principal Reverse KT – Top-Down Summary

# 1. Principal Financial Group (PFG) — The Parent Layer

* A global financial company that helps people and businesses:
* - Save for retirement
* - Invest money
* - Protect wealth through insurance
* - Offer banking and trust services
* Major customer categories: Individuals (IRAs, SimpleInvest), Employers (401(k), Pension, ESOP), Institutions (Custody, Trust).
* Revenue Streams: Retirement service fees, Insurance premiums, Investment management, Custody fees.

# 2. Organizational Mapping

* SBU – Strategic Business Units (RIS, PI, PGI).
* SCBU – Shared Capability Business Units (support tech, analytics, digital advice).
* PGS – Principal Global Services (India): Engineering, platform enablement.

# 3. Retirement & Income Solutions (RIS)

* Goal: Help people achieve financial security before and after retirement.
* Sub-segments:
* - WSRS – Workplace 401(k)/403(b) plans.
* - Individual Solutions – IRA, SimpleInvest.
* - PAS – Financial advice, model governance.
* - PGI – Asset management, fund lineup.
* - Custody Solutions – Safekeeping & trust.
* - Principal Securities – Broker-dealer trades.

# 4. Business Units & Products

* - Workplace Savings: 401(k), 403(b), payroll integration.
* - Individual Solutions: IRA (Traditional/Roth), SimpleInvest.
* - Principal Bank: FDIC-insured CDs, savings, cash sweep.
* - Principal Securities: Trade execution, confirmations.
* - Custody Solutions: Institutional trust services.
* - Annuities & Pension Transfers: SPIA, DIA.

# 5. Retirement Plan Types

* 401(k): Employees, pre-tax or Roth, employer match.
* IRA: Individuals, traditional or Roth.
* SIMPLE IRA: Small employers, employer contributions.
* SEP IRA: Self-employed/freelancers, higher limits.
* NQDC: Executives, beyond IRS limits.

# 6. Job Change Pathways

* Options:
* 1. Keep assets in old 401(k).
* 2. Rollover to IRA/SimpleInvest.
* 3. Roll into new employer plan.
* 4. Cash out (discouraged – taxes + penalties).
* Operational Flow: KYC → ACAT → Funding → Allocation → Disclosure.

# 7. SimpleInvest Overview

* Hybrid robo-advisor with PAS oversight.
* Features: Goal/risk profiling, rebalancing, cash management, tax-loss harvesting, SIPC-protected accounts.
* Experience Roles:
* - Client: Onboard, fund, track.
* - Advisor: Manage proposals, KPIs.
* - Admin: Handle approvals, reconciliations.

# 8. Key Players

* PAS – Portfolio governance.
* PGI – Fund lineup, due diligence.
* Apex – Custodian, clearing, statements.
* Principal Securities – Trade execution.
* Principal Bank – FDIC cash handling.
* Custody Solutions – Institutional trust.

# 9. Revenue Model

* Advisory Fees – % of AUM.
* Account/Admin Fees – maintenance, transfers.
* Fund Expenses – internal fund fees.
* Interest Spread – idle cash earnings.
* Custody Fees – institutional safekeeping.

# 10. Technical Architecture

* Frontend: React SPA + NestJS.
* Backend: Java/Python microservices for account, KYC, portfolio, fees.
* AWS Infra: ECS (Fargate), API Gateway, S3, DynamoDB, RDS, Route53, ALB.
* Security: JWT, OAuth2, RBAC, AES-256, KMS, Secrets Manager.
* Async: SQS/SNS, EventBridge.
* Monitoring: CloudWatch, X-Ray, OpenTelemetry.

# 11. Lifecycle Flow

* 1. Employer plan separation.
* 2. Rollover initiation with KYC and disclosures.
* 3. Funding via ACH/ACAT.
* 4. Model assignment by PAS, execution via Apex.
* 5. Custody & compliance reporting.

# 12. Compliance & Regulation

* ERISA/DOL – retirement plan governance.
* SEC/FINRA – investment regulation.
* FDIC/SIPC – deposit and investor protection.
* AML/KYC – anti-fraud verification.
* GLBA/CCPA – privacy protection.
* Controls: Onboarding KYC, Reg BI checks, encryption, disclosure, retention.

# 13. Extended Product Lines

* Defined Contribution (401k/403b).
* Defined Benefit/Pension Transfers.
* Stock Plans/ESOP.
* NQDC Deferred Comp.
* Annuities, Mutual Funds, Custody Services.

# 14. Summary – Full Flow

* PFG → RIS → Individual Solutions → SimpleInvest.
* End-to-end digital, compliant, AWS-based ecosystem linking 401k to IRA to managed investments.