

The Future of Advice and Reg BI: Get a Head Start

*Our webcast will be starting shortly.
Please turn-up the audio on your computer to listen to the event.*

Today's speakers



Joe Smolen

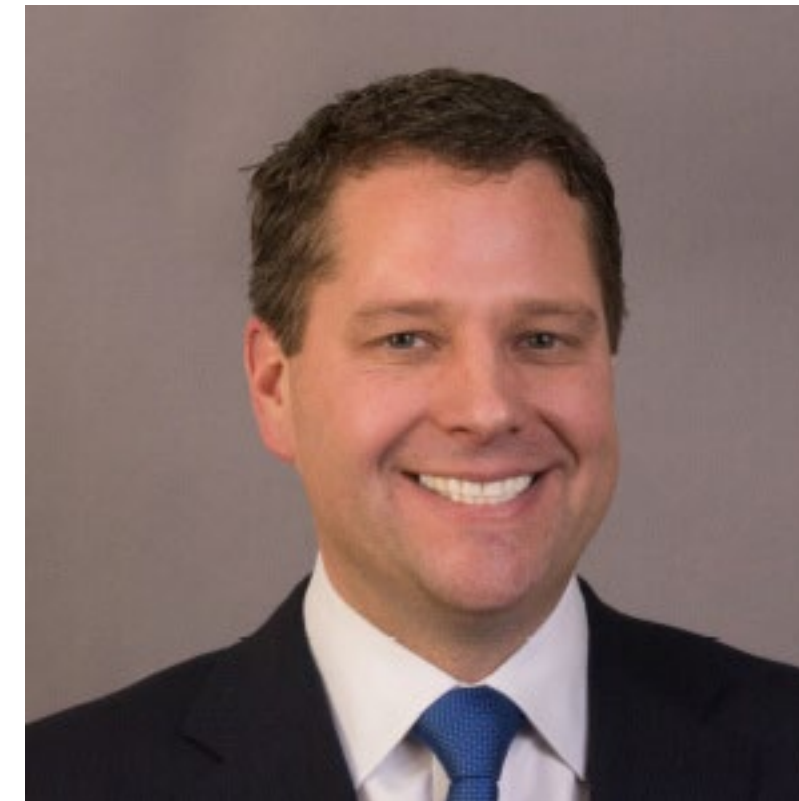
Moderator

Senior Vice President
Head of Core Markets



Christian Giorgi

Assistant General Counsel



Dan Morrison

Senior Vice President
Government Markets



Carol Waddell

Senior Vice President
Head of Retirement
Solutions Group

Agenda

- Pandemic's amplification of the need for advice
- Defining Reg BI and its implications
- Remaining compliant while helping participants get the advice they need
- 6 questions to ask potential providers
- Q&A

Pandemic's amplification of the need for advice

We are living in unprecedented times

Americans' confidence in their retirement savings **decreased** by

20%

In the **first month** of the pandemic



Despite concerns, most participants are resisting the urge to make changes



26%

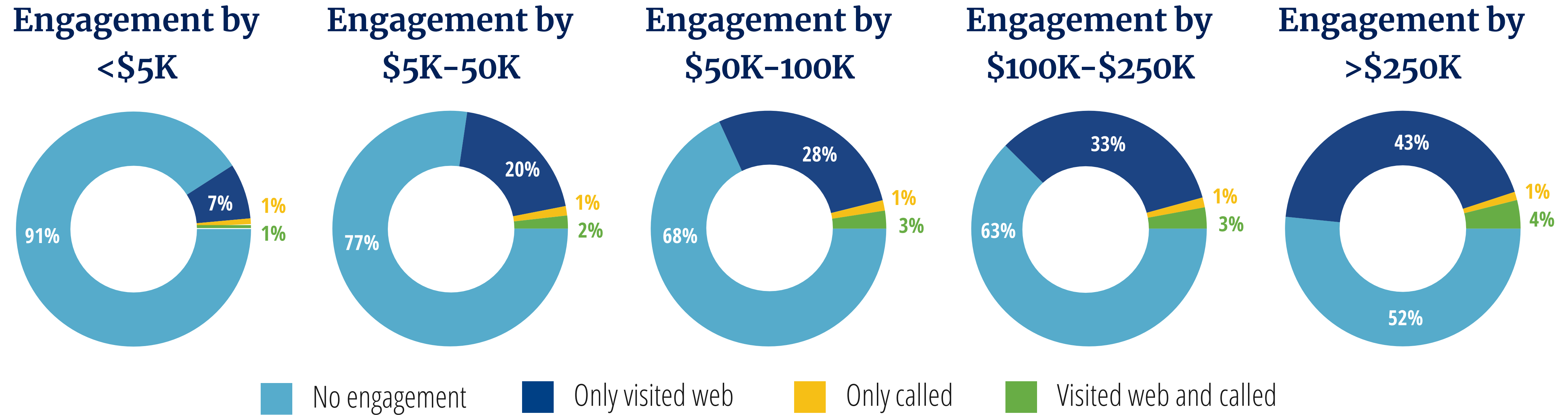
Of participants **called or logged**
in to see their balance



3.5%

Of participants changed
contributions, **with 2/3 increasing**

Those with higher balances are more engaged

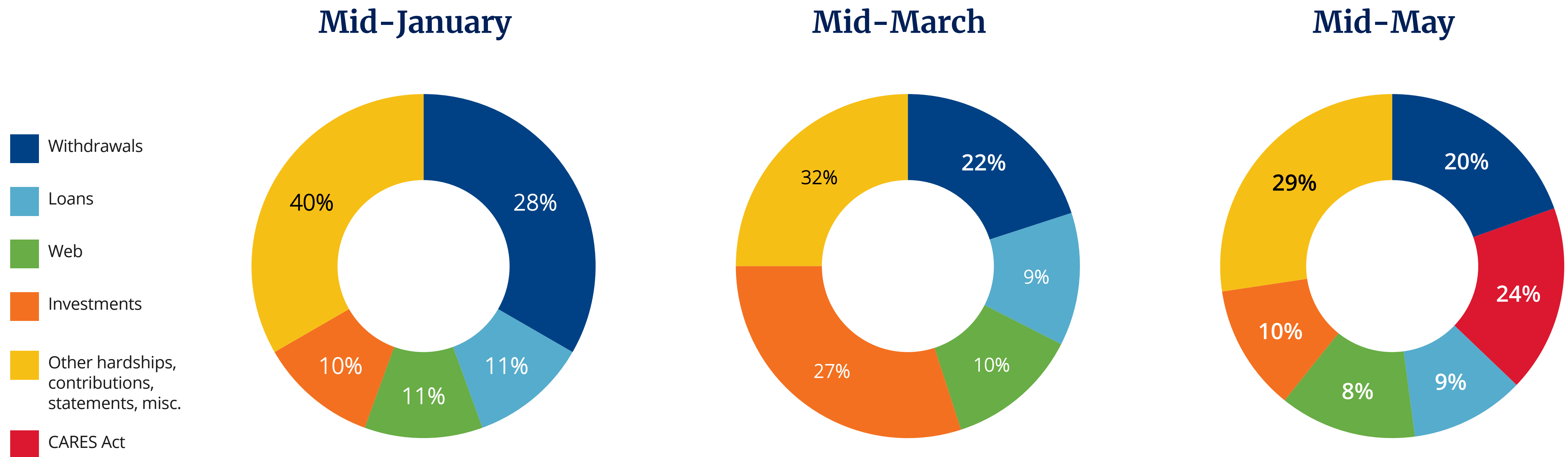


48% of participants with balances over **\$250,000** are engaged.

Engagement dropped significantly the last two weeks of March and did not return to normal levels until the CARES Act implementation in early April.

Call topics have evolved during the crisis

Types of calls evolved over past weeks. Investment-related calls spiked in early and mid-March with market volatility. CARES Act-related calls have become 21-23% of our daily call volume since early May.

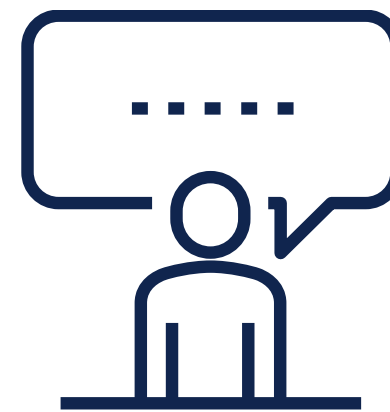


Participants exploring financial wellness – and navigating towards 1:1 advice



22%

Increase in use of our **financial wellness resources**



109%

Increase in appointments for **1:1 advice**

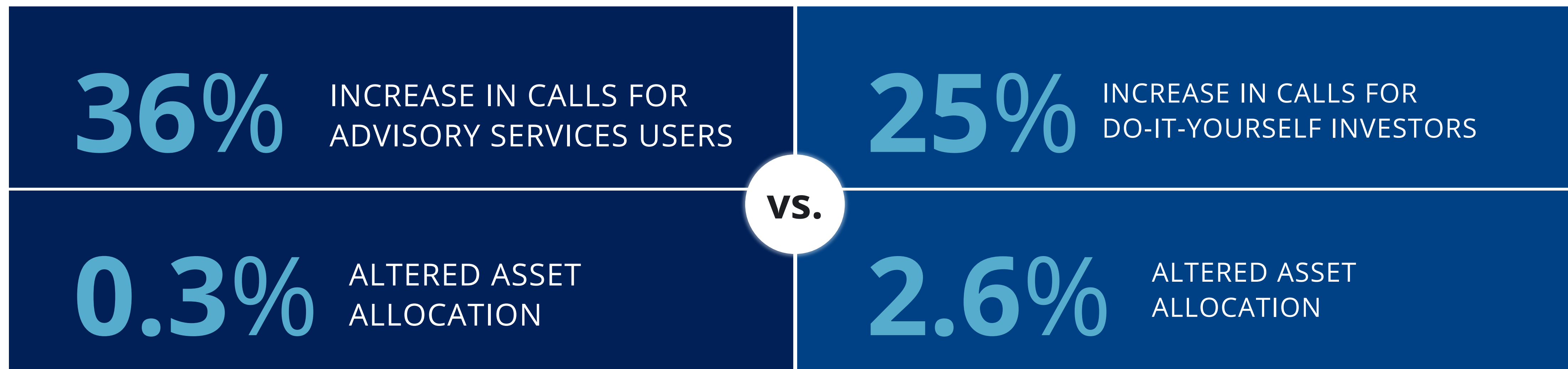


14%

Increase in **call length**

Advised participants demonstrate different behavior

99.5% of our advisory services participants have retained the service, with enrollments increasing during the month of March 2020.¹



9x ADVISORY SERVICES PARTICIPANTS WERE 9X MORE
LIKELY TO MAINTAIN THEIR LONG TERM STRATEGY²

¹ As of March 27, 2020. Empower recordkeeping data compared to February 2020 prior to market volatility.

² As of March 27, 2020. Empower recordkeeping data based on call volume at the same time last year.

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Advice helps make difference

Those getting advice are more likely to be on track for more retirement income¹

RETIREMENT PROGRESS SCORE BY ADVISOR USE



¹ Source: Empower Institute, Scoring the Progress of Retirement Savers, 2018
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Defining Reg BI and its implications

SEC Regulation Best Interest

What is SEC Regulation Best Interest?

- New SEC regulation effective June 30th.
- Requires **broker-dealers and their associated persons** to act in the **best interests** of their **retail customers** when **recommending** securities and investment strategies, including **rollovers and account recommendations**

Who is a retail customer?

- any person who receives a recommendation and uses it for personal purposes.
 - Includes recommendations to plan participants.

What is a recommendation?

- A call to action or not to take action. Based on FINRA's existing guidance.
- Excludes education, general financial information and interactive investment materials.

SEC Regulation Best Interest

4 Regulation Best Interest Obligations

- **Disclosure Obligation**
 - Customer must be provided a “full and fair” disclosure at time of recommendation.
 - Including scope of relationship, limitations, fees/costs, conflicts of interest.
- **Care Obligation**
 - Must have a reasonable basis to believe a recommendation is in the best interest of customer.
 - Based on the customer’s investment profile and the potential risks, rewards and costs associated with the recommendation.
- **Conflict of Interest Obligation**
 - Must identify, disclose, and mitigate or eliminate conflicts of interest associated with a recommendation.
- **Compliance Obligation**
 - Must establish, maintain and enforce Reg BI policies and procedures.

SEC Regulation Best Interest

Impact to Plan Participants

- Assures investment recommendations are made in participant's best interest.
- Must be made pursuant to a reasonable process to determine if product is a good fit and in best interest.
- Recommendations on rollovers now subject to best interest requirement.

Considerations for Plan Sponsors

- Determine if plan service provider will offer investment advice and rollover recommendations.
- Obtain information on the provider's advice methodology.
- Review the provider's Reg BI disclosures and insure provider has appropriate Reg BI procedures.
- If ERISA plan, determine if provider is acting as an ERISA fiduciary.
- Align terms of provider contract with services to be offered to participants.

Remaining compliant with Reg BI

**We believe in the power of
advice and acting in the
best interest of our
customers**

We had a head start

The screenshot displays the EMPOWER Retirement software interface. At the top, the client profile for Roxana Vasquez (1234-56789-012) is shown, with age 42 and income \$30,000 - \$100,000. Navigation buttons include 'Save as draft', 'Re-submit for review', and 'Back to dashboard'. A horizontal menu bar contains tabs for 'Investor profile', 'Financial wellness', 'Roth vs. Pre-tax contributions', 'Roll-in', 'Distribution', 'Guaranteed income', and 'Investment advice'. The 'Distribution' tab is active.

The main content area shows a series of decision steps for a retirement plan. A green vertical bar on the left indicates the progress. The steps include:

- Assess whether the fees in the IRA are lower or higher than your current plan:** Options are 'Lower in IRA', 'About equal' (selected), and 'Higher in IRA'.
- Is the funding source an IRA?** Options are 'Yes' (selected) and 'No'.
- Do you anticipate needing access to the money from your retirement plan within one year from now?** Options are 'Yes' (selected), 'No', and 'N/A'.
- Assess whether the plan limits access to cash:** Options are 'Yes' (selected) and 'No'.
- Assess whether distribution is eligible for early withdrawal penalty exemption in plan:** Options are 'Yes' (selected) and 'No'.
- Assess whether distribution is eligible for early withdrawal penalty exemption in IRA:** Options are 'Yes' (selected) and 'No'.
- Are there investment options you are interested in that are not available in your plan?** Options are 'Yes' (selected) and 'No'.
- Do you have the time, knowledge, or desire to choose and manage your investments?** Options are 'Yes' (selected), 'No', and 'N/A'.

On the right side, there are sections for 'Fee comparison' (with a 'View full comparison' link), 'Recommendation' (with 'Rejected' and 'Accepted' buttons), and 'Narrative' (with a text area). At the bottom, there is an 'Attachments' section with a 'Select a file to upload' link and three sample files: 'SampleExcelSpreadsheet.xls', 'SampleWordDocument.doc', and 'SamplePDFDocument.pdf'.

- Existing Robust Program
- Toolsets for Advice and Fee Compare
- Licensed & Trained Team
- Recommendation Documentation
- 3rd Party Engine Integration
- Policies & Procedures
- Record Retention
- Governance Committees

We built on a strong foundation

- Suitability, KYC and preference questions enhanced to align with Reg BI
- Additional disclosure and Form CRS appended
- Enhanced Governance with Conflicts Committee
- Further automation of key activities
- All participant materials updated
- Integrated into EMPOWER conversation model
- Expanded our field program

GWFS Equities, Inc. (GWFS)
Form CRS Customer Relationship Summary, June 12, 2020

| | |
|---|---|
| Introduction | GWFS is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). Brokerage and investment advisory services and fees differ, and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at investor.gov/CRS. |
| What investment services and advice can you provide me? | We work together to provide brokerage services on behalf of (IRAs) and broker generally cannot participate in a services. However, to investors. The offer access to a investment reco investor educati mutual funds, va (CITs). We distrib affiliates as well investments for recommendation investments. De on investment at generally do not financial interme financial plannin our brokerage se Starters: 1) Give why not? 2) How relevant experie do these qualifi |
| What fees will I pay? | The fees you pay these fees will b investor for purp based fees (such brokerage servic administrative s ratios of your ce annuities, which whether you me amount of mon understand whe and costs: please we provide you |

Your Personalized Recommendation Summary as of MM/DD/YYYY

In consideration of the information we reviewed today, we offered to you the recommendation to:

- Roll your funds into an Empower IRA
- Roll your funds into the Empower Premier IRA

As with any financial decision, you are encouraged to discuss moving money between accounts, including rollovers, with a financial adviser and to consider costs, risks, investment options and limitations prior to investing.

You accepted our recommendation to:

- Roll your funds into an Empower IRA
- Roll your funds into the Empower Premier IRA

Discussion details

Please take a moment to review the personal and financial information provided. The personal information you shared is held in the strictest confidence and retained for future reference.

Today we spoke about:

- ☐ Savings rates and/or basic financial wellness
- ☒ Plan distributions
- ☐ Roth vs pre-tax plan contributions
- ☐ Investment options
- ☐ Consolidating your accounts
- ☐ Interest in guaranteed retirement income
- ☐ Empower IRA solutions

You provided the following answers to these questions:

| | |
|---|-----|
| Are you looking to distribute from an IRA? | Yes |
| Would you like to have a dedicated, full-service adviser at no additional fee to help with investing, saving and withdrawing your assets? | Yes |
| Do you anticipate needing access to money from your retirement plan within one year? | Yes |
| Does your retirement plan have provisions that limit access to cash? | No |

Page 4

We maintained the best parts

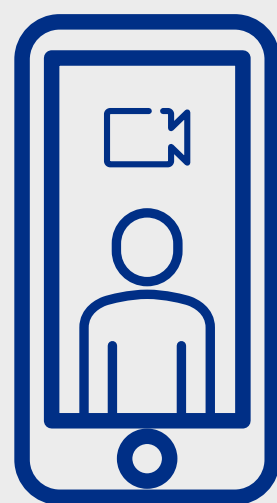
- A wide **range of topics** support retirement readiness and wellness.
 - Savings & Financial Wellness
 - Investments & Managed Accounts
 - Distributions Into and Out of plans
 - Financial Planning (as available)
- Objective **third-party engines** drive investment advice.

- There are no additional **fees**.
- The advice models are **nondiscretionary**.
- Recommendations are accompanied by a **Recommendation Summary** and Reg BI disclosures, and advice engagements are reviewed by a principal.
- Quarterly plan level **reporting**

We are on target with full compliance by June 30th



Our broader approach to wellness, planning and advice



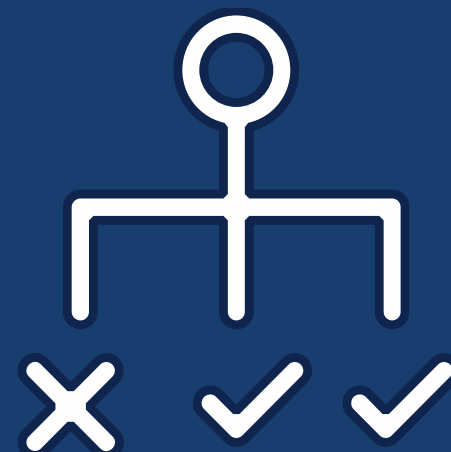
Accessible: Over the phone, via video conference and on-site



We **advise** clients along the way



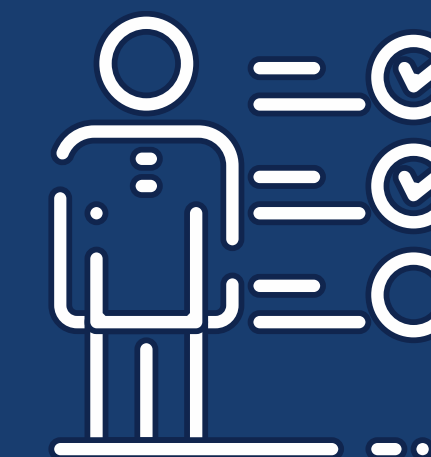
Focus on **personal goals:** Family, retirement goals, retirement income needs



Considers **options:** Different scenarios and trade-offs to reach a client's goals — their way



Integrated experience: Education, email campaigns, digital experience, planner engagement



Delivered by investment **professionals**

Comprehensive and topical advice

DISCUSSIONS CAN:

Be simple check-ins

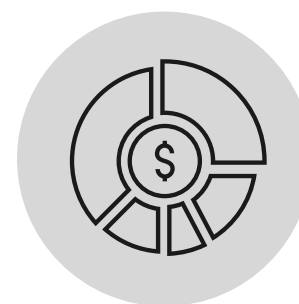
Be related to a life event (marriage, expecting a child, retirement)

Take place over multiple conversations

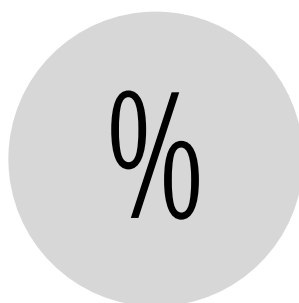
Take place during evening hours

Include a spouse or partner

TOPICS CAN INCLUDE:



Personalized investment allocation



Savings rate advice



Taxable vs. tax-deferred planning



Social Security planning



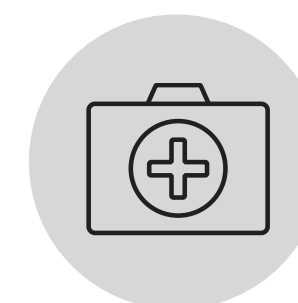
Dynamic withdrawal strategies



Guaranteed income allocation



Mitigating negative investment behavior



Health Savings Account utilization



Insurance coverage



Long-term care needs



Roth conversion planning

6 questions to ask a potential provider

6 questions to ask a potential provider

1. Will your representatives provide investment or rollover recommendations to participants?

- If yes, do you have policies and procedures in place to comply with Reg BI?

2. Will you act as a fiduciary with respect to rollovers and distributions?

3. Do your representatives have discretion with respect to the advice they provide, or do they use a standardized advice program maintained by your organization?

- If they have discretion, how are representatives trained and supervised to help ensure they always act in a participant's best interest?
- If your organization maintains a standardized advice program, how is the program methodology designed and how is it reviewed and maintained on an ongoing basis?

6 questions to ask a potential provider (cont.)

- 4. Can you provide copies of the Reg BI disclosures you deliver to participants who have received a recommendation?**
- 5. Are there any conflicts of interest or limitations on the advice you provide to participants (such as proprietary product limitations)?**
- 6. Does your services agreement address recommendation services, and do you commit to providing the recommendations in compliance with Reg BI and as a fiduciary?**

Q&A

Mark your calendar for our next webinar

ESG Investing

*Thursday, July 30, 2020
2:00 pm ET*

BlackRock[®]



 **NATIXIS**
INVESTMENT MANAGERS

Check your **email for your invitation.**

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