



Build a blueprint for  
your future—Whatever  
that future may hold

How much should you  
be saving?

Changes to your IBM  
401(k) Plus Plan

IBMers' top questions  
of 2021

Would you like to  
consolidate your  
retirement assets?

It's a digital world. Is  
your beneficiary  
information still on  
paper?

# IBM® 401(k) Plus Plan: 2022 Updates

A Review of Investing for Your Financial Future Prepared by  
Vanguard for IBM

January 2022 | [Feedback](#)

## Build a blueprint for your future— Whatever that future may hold



You can't predict the future. Think back to the end of 2019. Could you have imagined what the next two years would hold? While you can never know the future, you can be prepared for it. And when it comes to planning for retirement, a good place to start is your IBM 401(k) Plus Plan.

Whether you're an investing novice or a seasoned pro, a little preparation can go a long way. The plan has a variety of investments that you can choose and advice services you can consider.

As you prepare for your financial future, here are some questions to consider:

- **How is your money invested by asset type?**
  - **Stocks.** These have more risk with more potential reward. They include domestic stocks and international stocks.
  - **Bonds.** These have less risk with less potential reward. They include domestic bonds and international bonds.

- **Cash.** These have low risk with low potential reward. They include short-term reserves and money market funds.

**Keep this in mind:** There's always risk when investing. Expect market volatility—fluctuations that happen over the course of your investing life. And know that very conservative investing—such as in all cash investments—carries a risk called inflation risk. This is what happens when the earnings on your savings don't keep pace with the rising cost of living. A \$100 bill in your pocket would go much farther in 1990 than today. So keep all the risks in mind as you find a mix that suits your situation, your goals, your timeline to retirement, and your risk tolerance.

By choosing a mix of assets, you're practicing diversification. It's simply an investment approach based on one of life's fundamental principles: Don't put all of your eggs in one basket. The idea is to invest your money in various types of investments. That way, if one type does poorly, another type may do better, which can help keep the value of your portfolio from fluctuating as much. Keep in mind that diversifying means having different types of investments. It doesn't guarantee you'll make a profit or that you won't lose money.

- **Have you considered an All-in-One investment?**

If you don't want to choose a mix by yourself, the IBM 401(k) Plus Plan offers All-in-One LifeCycle Funds. You can choose one that fits you. Your plan offers two different types:

- **Target Retirement Funds.** There are 10 of these, and each has a target retirement year. Choose one, and the fund will automatically rebalance and reduce risk over time as you get closer to the target date.
- **Target Risk Funds.** There are four of these: Income Plus, Conservative, Moderate, and Aggressive. You choose the risk level you want. These won't automatically rebalance over time, so you'd have to make a change yourself to adjust your risk level.

- **Have you set clear and realistic goals?**

When do you plan to retire? How much do you think you'll need in retirement? You may need to replace 65% to 85% of your income to maintain your current standard of living when you retire and your paychecks stop. Plan for the future with realistic goals in mind.

- **Are you prepared to stay the course?**

Once you have a strategy in place, it's important to keep your perspective and long-term discipline. In short, keep your eyes on

your goals. A rash investing decision in the heat of the moment can damage what you've worked hard to build.

### Have you considered advice?

Your plan offers a variety of advice services to suit you:

- **IBM MoneySmart.** Ayco coaches can give you one-on-one financial planning sessions. There is no cost to active IBMers in the US. Topics can cover investment planning, retirement saving, and more. You have two options:
  - Call IBM MoneySmart at **877-543-7678** to discuss your top-of-mind financial questions (Monday through Friday, 9 a.m. to 8 p.m., Eastern time), or [schedule your session online](#) for individual financial counseling, including retirement planning and guidance on your investments. Ayco coaches can help you determine your 401(k) plan savings options (including contributions and investments), review your company match, and develop a personalized plan to achieve your retirement goals.
  - Call Fidelity at **800-976-1054** (Monday through Friday, 8 a.m. to 8 p.m., Eastern time) for support in making retirement plan changes.
- **Edelman Financial Engines.** Get online, independent advice from Edelman Financial Engines. This is available at no cost. Complete a personalized assessment to see if your investments are lined up with your goals, get a recommended asset allocation, project your income in retirement, and more.

To learn more or to get started, log in to [FinancialEngines.com/foribm](https://FinancialEngines.com/foribm) or call **877-401-5762**.

**Note:** With the Edelman Financial Engines advice service, you're responsible for requesting transactions for your account, including rebalancing.

- **Hueler Income Solutions.** You can use the Hueler Income Solutions® tool to shop for income annuities outside of the plan. You can evaluate immediate income and deferred income annuities with the Hueler Income Solutions tool. In just minutes, you'll receive quotes from multiple annuity providers so you can compare payments, features, and fees.

To get started, go to [incomesolutions.com](https://incomesolutions.com) or call a Hueller lifetime-income specialist at **866-297-9835**.

*Whenever you invest, there's a chance you could lose the money. Target Retirement Funds are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor would retire and leave the workforce. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. A Target Retirement Fund is not guaranteed at any time, including on or after the target date. Even though Target Retirement Funds simplify the investment process, they still require some monitoring to ensure that the portfolio is in line with your current situation.*

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*Before investing in any investment options of the IBM 401(k) Plus Plan, please carefully consider its investment objectives, risks, and fees and read the applicable fund flyer/prospectus available on [netbenefits.com/ibm](https://netbenefits.com/ibm) or by calling the IBM Benefits Center — Provided by Fidelity at 866-937-0720 (TTY 711). Representatives are available Monday through Friday (excluding New York Stock Exchange holidays except Good Friday) from 8:30 a.m. to 8:30 p.m. Eastern time. Read all documents carefully before you invest.*



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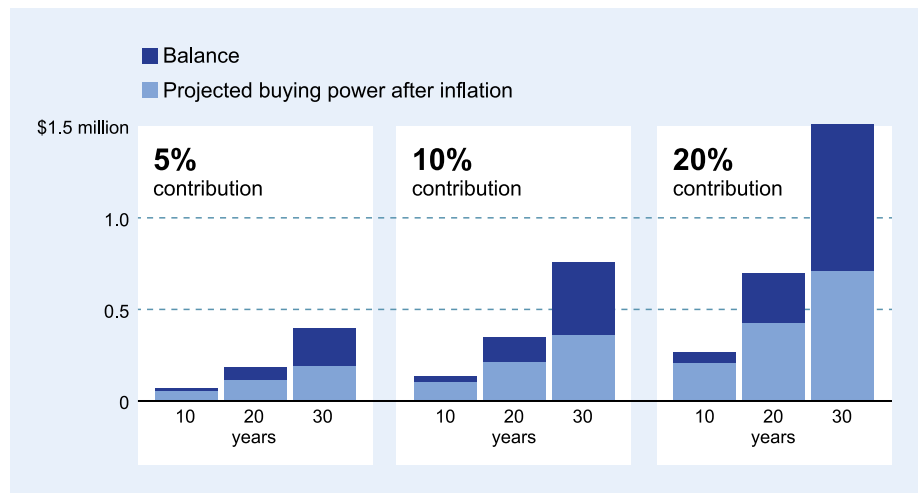
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## How much should you be saving?



Your retirement plan is a powerful tool for your future. It allows you to put money aside before you have a chance to spend it, and for that money to grow on a tax-deferred basis. And here's a big plus: When you save, you benefit from the power of compounding interest. This means the money you save can generate earnings. Those earnings are reinvested and can generate more earnings, snowballing over time.

See the chart below for the impact compounding can have, especially when factoring in IBM's company matching contribution.



This is an example only. It doesn't represent a real investment, and the rate of return is not guaranteed. The account balances are before any taxes. They do not reflect the 10% federal penalty tax you may have to pay if you take money out before age 59½.\*\*

The example uses savings rates of 5%, 10%, and 20%.\* We've assumed a \$100,000 salary and a 6% annual return on your investments. Lastly, we've projected the impact to your future buying power of an annual 2.5% rate of inflation.\*\*\*

As you can see, inflation can have a major impact on your savings—and in light of that, it's very important to save as much as you're comfortable with to ensure you have the greatest possible buying power in your retirement.

### The power of the match

IBM offers a generous company matching contribution—but you need to contribute to the plan to receive it. Otherwise you're leaving free money on the table! Log in to [netbenefits.com/ibm](https://netbenefits.com/ibm) to see what matching contribution you're eligible to receive. Even if you don't contribute, IBM offers an automatic 1% contribution to all employees.

*Whenever you invest, there's a chance you could lose the money.*

\*A contribution rate of 20% may cause you to reach IRS pre-tax and/or Roth contribution limits. Catch-up contributions are allowed for participants age 50 and above. Also, the plan offers traditional after-tax contributions, which are subject to higher limits. Visit <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-401k-and-profit-sharing-plan-contribution-limits> to learn more.

\*\***Taxes:** The money you take from your retirement account will be taxed as income. You may also need to pay a 10% federal penalty tax if you're under age 59½. If required by law, Vanguard will withhold some taxes for you.

\*\*\*Projected buying power after inflation. The inflation calculation is a projection only. The average annual inflation rate over time may be higher or lower than 2.5%.

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## Changes to your IBM 401(k) Plus Plan



Your IBM 401(k) Plus Plan is continually making updates with you in mind. Here are some recent changes we'd like you to know about.

### Three new ESG funds

The following funds have been added to the plan's lineup:

- Fidelity International Sustainability Index Fund
- Vanguard Global ESG Select Stock Fund
- PIMCO Climate Bond Fund

### What is ESG?

It stands for Environmental/Social/Governance. It means that the companies that make up the funds can be screened for factors like their impact on the environment, the types of products they produce, how they're run, and more.

Your plan offers a total of eight ESG options, detailed below.



IBM 401(k) ESG Options					
Equity			Fixed Income		
<b>US Large Cap</b> <ul style="list-style-type: none"> <li>• Vanguard FTSE Social Index</li> <li>• AMF American Mutual Fund</li> <li>• AMF Washington Mutual</li> </ul>	<b>International Large Cap</b> <ul style="list-style-type: none"> <li>• Fidelity International Sustainability Index</li> </ul>	<b>World Large Cap</b> <ul style="list-style-type: none"> <li>• Vanguard Global ESG Select Stock</li> </ul>	<b>US Short Term</b> <ul style="list-style-type: none"> <li>• PIMCO Low Duration ESG</li> </ul>	<b>US Intermediate</b> <ul style="list-style-type: none"> <li>• PIMCO Total Return ESG</li> </ul>	<b>World Bond / Climate Thematic</b> <ul style="list-style-type: none"> <li>• PIMCO Climate Bond Fund</li> </ul>

### Learn more

You can learn even more about each fund by reading its prospectus. To access the prospectuses, log in to your account at [netbenefits.com/ibm](https://netbenefits.com/ibm).

### A change to the Total Bond Fund

The Total Bond Fund is an investment option in the plan, although it recently went through a change.

**Here's what changed:** The Total Bond Fund had been an index fund. It is now an actively managed fund with an index component. Four active investment managers (Baird, Loomis, PIMCO, WAMCO) are now managing portions of the fund. See the [fund flyer](#) for more detail.

**Here's what that means:** Index funds (also known as passively managed funds) can provide low-cost access to broad segments of the stock and bond markets. They generally use a buy-and-hold strategy to try to track the performance of a given market. This approach differs from that of actively managed funds, whose managers try to outperform the market.

When a fund is actively managed, a portfolio manager hand-picks the fund's investments. The goal is to earn returns that beat a specific market benchmark. Actively managed funds provide something indexing can't—the chance to outperform the fund's benchmark. The benchmark is an unmanaged group of stocks or bonds whose overall performance is used to measure an investment's performance.

Keep in mind that actively managed funds generally cost more to run than index funds. So carefully consider costs, objectives, risks, and fees.

**A new U.S. bond market index fund (passively managed fund)**

To satisfy participants that want to continue to invest in a passively managed bond fund, the Vanguard Total Bond Market Index Fund has been added to your investment options. The fund seeks to track the performance of a broad, market-weighted bond index.

**A new option for withdrawals**

While the plan offers multiple options for when you take money out, a new one has been added. You can now withdraw a fixed percentage of your balance at intervals of your choosing. If you want to withdraw a percentage rather than a specific dollar amount, you may want to consider this approach.

**Example:** If you have a balance of \$500,000, you can choose to take out 4% of your balance once a year. This would be \$20,000 the first year. Then, if your balance the next year is \$480,000 and you take out 4%, you'd be withdrawing \$19,200.

To learn more about this option, [go here](#).

*Whenever you invest, there's a chance you could lose the money. Bond funds are made up of debt, primarily from companies or governments. These funds risk losing value if the debt isn't repaid on time. Also, bond prices can drop when interest rates rise or the issuer's reputation suffers.*

*ESG stands for Environmental/Social/Governance. ESG funds invest in companies that are screened for such things as their industries, business practices, "social responsibility," or other factors. But this approach comes with risks for investors. The set of investments tends to be subjective and narrow, so the fund may not perform as well as the market as a whole. It may also not perform as well as other ESG funds. Keep in mind that there's no standard for what makes a company ESG. Definitions can vary among funds, fund managers, and investors. This means the companies that make up a particular ESG fund may not reflect your values as an investor or even show favorable ESG qualities.*

*Before investing in any investment options of the IBM 401(k) Plus Plan, please carefully consider its investment objectives, risks, and fees and read the applicable fund flyer/prospectus available on [netbenefits.com/ibm](https://netbenefits.com/ibm) or by calling the IBM Benefits Center — Provided by Fidelity at 866-937-0720 (TTY 711). Representatives are*

*available Monday through Friday (excluding New York Stock Exchange holidays except Good Friday) from 8:30 a.m. to 8:30 p.m. Eastern time. Read all documents carefully before you invest.*



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Each year, IBMers reach out to Ayco MoneySmart Coaches, Financial Engines, and our call centers with questions about the 401(k) Plus Plan. Here are some of your top questions and their answers.

### Question: When will I receive the IBM match?

**Answer:** You will receive the match on December 31 (or last business day of the year) if you were an employee on active payroll as of December 15.

### Question: Where can I find more literature about my plan?

**Answer:** It's easy. Go to  
<https://w3.ibm.com/hr/web/us/benefits/401kplus#PLAN%20DETAILS>.

## **Question: I'm new to the 401(k). Where should I start?**

**Answer:** Start with the Alex 401(k) Engager, an interactive experience to help you optimize your 401(k) Plus Plan and direct you to available resources.

**For more info:** Log in to [netbenefits.com/ibm](https://netbenefits.com/ibm)

## **Question: What's the most conservative fund in the 401(k) that is closely correlated to cash or money market funds?**

**Answer:** The Interest Income Fund. This fund seeks to preserve your principal by investing in stable value insurance contracts to provide income similar to an intermediate-term bond fund. This means:

- It may be appropriate for those looking to balance out their portfolio with cash or bonds.
- Like a money market fund, there is little risk with the Interest Income Fund that you could lose your original investment.

Additionally, the expected return of the Interest Income Fund is higher than that of a money market fund.

**For more info:** See the [Fund Flyer](#).

## **Question: Is there a default investment election? If so, what is it?**

**Answer:** Yes, the default investment election is the Target Retirement Fund with the date closest to the year you'll turn 65. If you do not complete enrollment in the 401(k) plan or indicate that you do not want to participate in the 401(k) plan before the automatic enrollment date, you will be automatically enrolled and contributions will be deducted from each paycheck.

**For more info:** See the [Automatic Enrollment and Default Investment Notice](#).

## Question: How often should I rebalance my 401(k), and how do I make trades?

**Answer:** A good rule of thumb is to rebalance at least once a year, or when your mix is off by at least 5 percentage points.

You do this to make sure your portfolio stays in line with the target allocation you chose from the get-go. Once you choose your target allocation, you can sign up to be alerted if your allocation slips from that target. (This is called Rebalance Notification.) Fidelity will send you an email alert with a link to NetBenefits to update your allocation.

Alternately, you can choose to have your account automatically reset to your desired allocation (this is called Automatic Rebalance) on a regular basis—quarterly, semiannually, or annually.

If you want to exchange funds in your portfolio, you can do so anytime you wish, once daily per fund and subject to the Excessive Trading Policy. To do so, log in to your account at [netbenefits.com/ibm](https://netbenefits.com/ibm) or call the IBM Benefits Center—Provided by Fidelity at 866-937-0720 (TTY 711).

You can also get daily quotes and performance information for your investments at [netbenefits.com/ibm](https://netbenefits.com/ibm).

## Question: How do I withdraw money in retirement?

**Answer:** The IBM 401(k) Plus Plan offers several ways to withdraw from the plan, including two ways to convert your plan savings into steady income while making sure your savings last through your retirement.

- You can take withdrawals directly from the plan through installments.
- You can use a portion of your retirement savings to buy a lifetime income annuity outside of your plan account.

**Reminder:** A new withdrawal option has been added. If you'd like, you can now withdraw a fixed percentage of your balance at intervals of your choosing.

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## Would you like to consolidate your retirement assets?



Your IBM 401(k) Plus Plan is a great place to save for the future. It can also be a great place for other retirement savings that you've built over the years. That's because you can roll over money from a former employer's retirement plan or an IRA into the IBM 401(k) Plus Plan.

## Why you may want to consider rolling over your savings to the plan?

- Consolidating your savings makes it easier to keep track of your savings and to monitor your investments' progress.
- Your plan has a wide variety of low-cost investments. Because of the plan's size, it has access to many investments at institutional pricing, which may not be available in another employer-sponsored plan or IRA.

Everyone's situation is different, so review your options. You may



also want to speak with a tax or financial advisor.

## Keep this in mind for the future

Whenever you leave IBM, you will have the option to keep your money in the IBM 401(k) Plus Plan. In addition to the advantages above, your plan offers a variety of advice services and other features that can help you.

## Get rolling

To initiate a rollover into the IBM 401(k) Plus Plan, log in to your account at [netbenefits.com/ibm](https://netbenefits.com/ibm).

*Whenever you invest, there's a chance you could lose the money.*

*Whether you keep your money where it is, move it to an IRA, or move it to another employer's plan depends on your situation and preferences. Some things to consider are available investments and services, fees and expenses, and protection from creditors. Also consider withdrawal penalties, required distributions, and the tax effects of moving company stock to an IRA. There are other factors too. Weigh the pros and cons before you make your decision.*



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## It's a digital world. Is your beneficiary information still on paper?



Your retirement plan beneficiaries will inherit your retirement savings when you pass. Naming them and ensuring they're up to date means that your account balance will go where you want it to, not where some court decides it should go. If you don't have one on file, it could mean your assets will be tied up in probate court for a long time.

If you've already updated your beneficiary information online, congratulations! If not, read on.

When you first joined IBM, you may have designated beneficiaries on a paper form. That information is safe, but it's still important that you update your information online. There are many reasons for this—chief among them is you can easily check your beneficiary details with a few clicks. Once you update online, you'll know for sure that your plan savings will go where you wish.

You can quickly and easily name beneficiaries or change your beneficiary information online. To do so, log in to your account at

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## How can we help?

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### Website

24/7

[netbenefits.com/ibm](https://netbenefits.com/ibm)

### Voice response system

24/7

866-937-0720  
(U.S.)

### Benefits Center representatives

M-F, 8:30 a.m.

to 8:30 p.m.,

ET

866-937-0720  
(TTY 711)

### IBM MoneySmart

Ayco coaches

available M-F,

9 a.m. to

8 p.m., ET

877-543-7678

(TTY 711)

### Fidelity

coaches

available M-F

8 a.m. to

8 p.m., ET

800-976-1054

(TTY 711)

### NetBenefits App

24/7



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