



# PayPal 401(k) Savings Plan



# Welcome PayPal U.S. Employees

PayPal encourages you to invest in yourself and your future by participating in the PayPal 401(k) Savings Plan (the “Plan”).

In order to help build toward financial stability in your retirement years, it is important to take action now.

Our retirement plan service provider, Schwab Retirement Plan Services, Inc., provides tools and resources to help you make informed choices about your retirement needs, investment alternatives, and the benefits of long-term saving. The Plan is designed to help you make pre-tax and/or Roth 401(k) contributions and invest them according to your personal level of risk tolerance and timeline to retirement. In addition, PayPal provides a matching contribution\* to help with your savings goals.

## This guide will assist you as you explore:

- What to consider as you build your retirement savings
- How to review your current financial objectives to help attain your retirement goals
- How to choose investments from those available in the Plan
- How to take action

Additionally, whether you are joining the Plan for the first time, currently participating in the Plan or approaching retirement and looking for guidance on retirement options, a Participant Services Representative is available to assist you every step of the way. PayPal considers this Plan a very important benefit. We sincerely hope you will take this opportunity to save and invest in your financial future.

\*The employer contribution is paid on a pre-tax basis and may be taxable at withdrawal.

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# Start Early. It's Important.

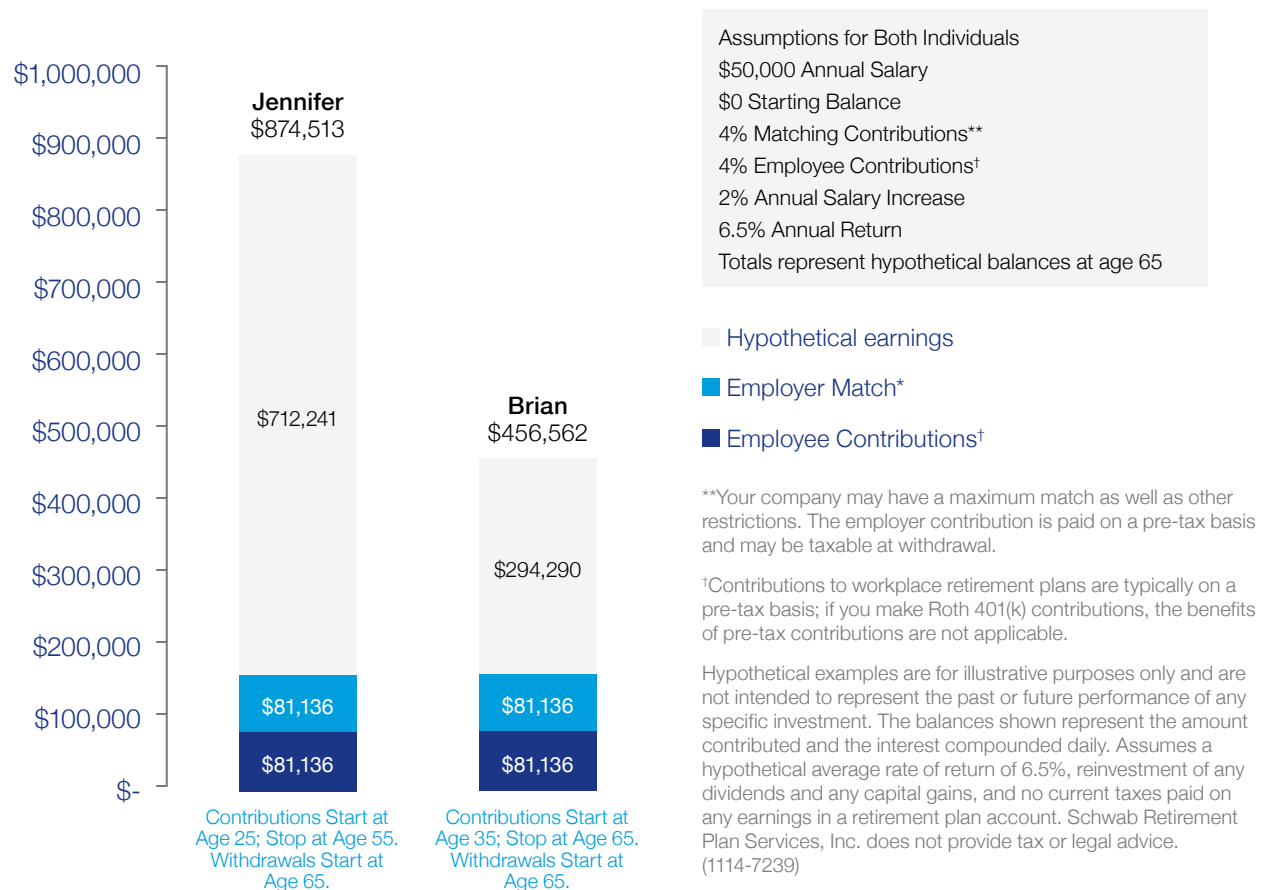
## The Power of Compounding

Although it is never too late to start saving for retirement, starting early is one of the best ways to help build retirement savings. The sooner you start saving, the more you may benefit from tax-deferred compounding.

## Start Early. It's Important!

Jennifer and Brian both saved the same amount over 30 years. However, she started at age 25; he started at age 35. Jennifer's savings earned 10 additional years, worth of compound interest by the time they both started withdrawals at age 65. Jennifer benefited from starting early. When will YOU start saving?

Time in the market is more important than timing the market.



## THE TIME TO BEGIN IS NOW.

The earlier you start, the longer your money has the opportunity to work for you.

# Plan Highlights

Most of your retirement income will come from savings accumulated during your working years. The PayPal 401(k) Savings Plan can help you build your retirement savings and help you stay on track toward your retirement goals.

## Eligibility and Enrollment

PayPal employees are immediately eligible to participate in the Plan. Employees must be at least 18 years old to participate.

## Your Contributions

You can make pre-tax and/or Roth 401(k) contributions, up to 50% of your earned compensation per pay period.

- Federal law limits the amount you can contribute every year; the 2016 limit is \$18,000.
- If you will be age 50 years or older by December 31, 2016, you may make an additional catch-up contribution to the Plan. In 2016, the catch-up limit is \$6,000.
- The Plan includes a Roth 401(k) option. If you decide to make Roth 401(k) contributions, they will be deducted from your paycheck after taxes. Your contributions and any earnings may grow tax-free, and you will not pay taxes on the money when it's withdrawn—provided that any distribution from the Plan account occurs at least five years following the year you make your first Roth 401(k) contribution, and you have reached age 59½ or have become disabled.
- You may elect two separate 401(k) deferrals—one for your regular earnings and one for your bonus earnings. These deferrals can be made on a pre-tax basis, Roth 401(k) basis, or a combination of both. Currently, the deferral rate you have designated to your regular earnings also applies to your bonus unless you change it.

You can change your contribution rate at any time by calling Participant Services at **800-724-7526** or by visiting **workplace.schwab.com**. Changes will be made as soon as administratively feasible.

## Company Contributions

To help you save more for the future, PayPal will make a Safe Harbor Match of 100% of your earned compensation you contribute, up to 4% of your earned compensation.

The employer contribution is paid on a pre-tax basis and may be taxable at withdrawal.

## Vesting

Vesting is your ownership of your account. You are always 100% vested in your own contributions, any earnings on your own contributions, the Safe Harbor Match contribution and any earnings, and any rollovers you make to your account.

## Rollovers

You can roll over account balances from other employer-sponsored qualified 401(k) plans into your Plan account. You can obtain a copy of the Rollover Form online at **workplace.schwab.com** or by calling Participant Services at **800-724-7526**.

## Withdrawals

The Plan is designed primarily to help you save for retirement; there are IRS restrictions on when money may be withdrawn from your account. The IRS does, however, recognize certain events may present a need for you to access your savings. Under the following circumstances, you may withdraw money from your account.

### Retirement

You can withdraw money from your Plan account when you reach the normal retirement age of 65.

### Loans

You may borrow from your vested account balance. Loan repayments are made through salary deductions each pay period.

- The minimum loan amount is \$1,000.
- The maximum loan amount is \$50,000 or 50% of your vested balance, whichever is less.
- The interest rate for the loan is the Prime Rate at the time the loan is taken.
- One outstanding loan is allowed at any time.
- The maximum term for a general loan is 5 years, and 10 years for a residential loan.



## In Service

You can withdraw money from your Plan account while you are still employed by PayPal if you are at least age 59½. These withdrawals are allowed under certain circumstances.

### Hardship Withdrawals

A “financial hardship” is defined as a heavy and immediate financial need that cannot be satisfied by other resources available to you, including taking a loan from the vested portion of your Plan account. You may be eligible to withdraw a portion of your account balance if you experience a financial hardship. Qualified reasons for a hardship withdrawal include:

- to prevent eviction from, or foreclosure of, your primary residence;
- to purchase a primary residence;
- to pay for post-secondary education for you or an immediate family member;
- to pay for uninsured medical expenses;
- to repair damage to your primary residence; and
- to cover funeral expenses.

Hardship withdrawals are subject to ordinary income tax and may be subject to a 10% federal penalty. Residents of certain states may also be subject to state penalties. You will be prohibited from making elective contributions to the Plan for at least six months after receipt of the hardship distribution. Safe Harbor Match dollars are not eligible for hardship withdrawals.

### Termination

You may receive all of your vested balance of your account upon termination of employment. Please note: If your vested account balance upon termination, or at any point thereafter, is \$1,000 or less, including rollovers, your account will be distributed to you as a single-sum cash distribution unless you select another distribution option within 90 days of termination. Taxes and penalties may apply.

If your vested account balance, including rollovers, is more than \$1,000 but less than \$5,000, and you fail to elect either a lump sum or rollover, the balance will be rolled over to a Rollover IRA administered by Charles Schwab Bank.<sup>‡</sup>

If your vested account balance, including rollovers, is greater than \$5,000, your balance will remain in the Plan until you request a distribution.

### Disability

If you terminate your employment with PayPal because you become permanently disabled, you are allowed to withdraw your money.

### Death

In the event of your death, your account balance will be paid to your beneficiary as you have designated on your account with Schwab Retirement Plan Services, Inc. If there is no beneficiary on file with Schwab Retirement Plan Services, Inc., your account balance will be paid per the terms specified in the Plan Document.

For more information about your withdrawal options, call Participant Services at **800-724-7526** to speak with a Participant Services Representative.

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<sup>‡</sup>Rollover funds in the Schwab Bank IRA are invested in an FDIC-insured money market deposit account at Charles Schwab Bank.

Any account balances in Roth 401(k) sources will be rolled over into a Roth IRA, and the five year qualification period will start over.

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. Where specific advice is necessary or appropriate, you should consult with a qualified tax advisor, CPA, Financial Planner or Investment Manager.

The above highlights section is only a brief overview of the Plan's features and does not constitute a legally binding document. A more detailed Summary Plan Description is available at [workplace.schwab.com](http://workplace.schwab.com). Please review it carefully for additional information about the specific provisions of the Plan. If you have further questions, call 800-724-7526 to speak with a Participant Services Representative.

# Three steps to enrollment

## Step 1 - Decide how much to save.

### Savings Advantages

Since Social Security may not provide enough income during your retirement years and inflation could reduce the spending power of your savings, it is important to develop a sound retirement plan. Saving through an employer-sponsored retirement plan is an important step in saving for retirement.

### First—Consider the Tax Advantages

**Pre-tax contributions:** The amount you put into the Plan is deducted from your paycheck before it is taxed. The net impact on your take-home pay will be less than the amount you are contributing to the Plan.

**Tax-deferred earnings:** In addition to the advantage of having your pre-tax contributions go into the Plan before taxes on your pay are calculated, your money may grow tax-deferred. This means any current tax due on any earnings stays in the Plan and contributes to the compounding in your account. Of course, at retirement the withdrawals you make from your Plan account will be considered income and can be subject to regular income taxes, depending on your tax bracket at that time. You may be in a lower tax bracket during retirement and your tax burden may be less than it is today.

**Tax-free earnings:** You also have an opportunity to have your money grow tax-free with the Roth 401(k). This means you pay taxes at the time of the contribution. Assuming you meet the withdrawal qualifications, both your Roth 401(k) contributions and any associated investment earnings are distributed from the Plan tax-free. Some of the factors to consider include your current tax rate, anticipated tax rate at retirement, and how long you anticipate the money will stay in your retirement account.

### Plus, There Is the Company Contribution

When you ask the question, “**How much should I save for retirement?**,” invariably you will hear the answer, “As much as you can!” That may be true, but if you’re looking for a number, consider this: You can contribute from 1% to 50% of your eligible compensation to the Plan, up to \$18,000. If you are 50 years of age or older in 2016 and make the additional catch-up contribution of \$6,000, you can contribute a total of \$24,000 in 2016. So, save **as much as you can**, and remember, PayPal makes a 4% matching contribution as well.

### Quick Tip!

Go to **workplace.schwab.com** to access the Paycheck Calculator located under the **Calculators & Resources** section. This will help you run scenarios to see how different deferral percentages will impact your take-home pay. You’ll see that with pre-tax contributions, the net impact on your take-home pay is much less than the amount you contribute. There are also several worksheets available that you can use to help determine how much savings you may need when you retire. This will help you move from “**How much can you save?**” to “**How much do you need to save?**”

# Three steps to enrollment

## Step 2 - Decide which investments are right for you.

### Investment Options

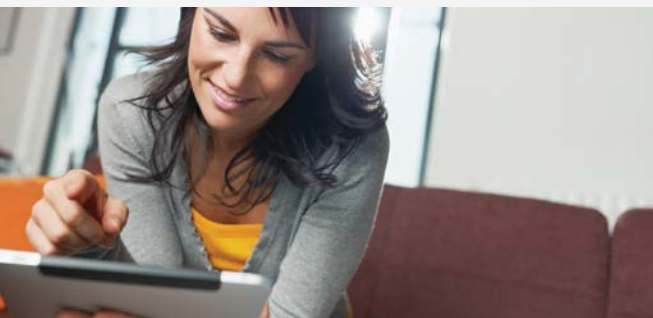
The following funds are the investment options available in the Plan. If you do not make investment choices, your account balance will be invested in an age-appropriate Schwab Managed Retirement Trust Fund<sup>TM2</sup> based on your expected retirement year, as determined by the Plan. For more information on choosing the investments that are right for you, review the Investment Strategies section of this guide.

Fund Name	Ticker	Asset Category
Vanguard Prime Money Market Instl	VMRXX	Money Market
Galliard Stable Value Fund - PayPal <sup>1</sup>	N/A	Stable Value
Metropolitan West Total Return Bond I	MWTIX	Intermediate-Term Bond
Vanguard Total Bond Market Index I	VBTIX	Intermediate-Term Bond
Dodge & Cox Balanced	DODBX	Moderate Allocation
Dodge & Cox Stock	DODGX	Large Value
Harbor Capital Appreciation Fund	HACAX	Large Growth
Artisan Mid Cap Value Investor	ARTQX	Mid-Cap Value
Fidelity Spartan Extended Mkt Index Inv	FSEMXX	Mid-Cap Blend
AMG TimesSquare Mid Cap Growth Instl	TMDIX	Mid-Cap Growth
Boston Partners Small Cap Value II Instl	BPSIX	Small Value
Morgan Stanley Instl Small Co. Growth IS	MFLIX	Small Growth
American Funds EuroPacific Growth R6	RERGX	Foreign Large Blend
BlackRock EAFE Equity Index Collective T <sup>1</sup>	N/A	Foreign Large Blend
American Funds Capital World G/I R6	RWIGX	World Stock
Schwab Managed Retirement Trust CI IV 2010 <sup>2</sup>	N/A	Target Retirement
Schwab Managed Retirement Trust CI IV 2015 <sup>2</sup>	N/A	Target Retirement
Schwab Managed Retirement Trust CI IV 2020 <sup>2</sup>	N/A	Target Retirement
Schwab Managed Retirement Trust CI IV 2025 <sup>2</sup>	N/A	Target Retirement
Schwab Managed Retirement Trust CI IV 2030 <sup>2</sup>	N/A	Target Retirement
Schwab Managed Retirement Trust CI IV 2035 <sup>2</sup>	N/A	Target Retirement
Schwab Managed Retirement Trust CI IV 2040 <sup>2</sup>	N/A	Target Retirement
Schwab Managed Retirement Trust CI IV 2045 <sup>2</sup>	N/A	Target Retirement
Schwab Managed Retirement Trust CI IV 2050 <sup>2</sup>	N/A	Target Retirement
Schwab Managed Retirement Trust CI IV 2055 <sup>2</sup>	N/A	Target Retirement
Schwab Managed Retirement Trust CI IV Income <sup>2</sup>	N/A	Target Retirement

**A note about risk:** PayPal has made available different investments in the hope of meeting the various savings and investment goals for all participants. As you make your investment choices, keep in mind that there is risk involved. The funds differ in growth potential and risk. Pursuant to Department of Labor Regulation 2550.404c-(b)(2)(i)(B)(1)(i), this Plan is intended to qualify as an ERISA 404(c) Plan that relieves plan fiduciaries of liability for any investment losses that result from investment directions made by Plan participants.

**The values of the target funds will fluctuate up to and after the target date. There is no guarantee the funds will provide adequate income at or through retirement.** Diversification and asset allocation strategies do not ensure a profit and cannot protect against losses in a declining market. The Funds are subject to market volatility and risks associated with the underlying investments. Risks include exposure to international and emerging markets, small company and sector equity securities, and fixed income securities subject to changes in inflation, market valuations, liquidity, prepayments, and early redemption. The funds are built for investors who expect to start gradual withdrawals of fund assets on the target date to begin covering expenses in retirement. The principal value of the funds is not guaranteed at any time.





## Investment Options – Continued

### Changing Your Investments

Your contributions will be deducted automatically from your paycheck and deposited into your account according to your investment instructions. You may change your investment elections for future contributions or rebalance your investments at any time, subject to prospectus requirements.

### Need More Information?

Visit **workplace.schwab.com** or call and speak with a Participant Services Representative at **800-724-7526**.

### Investment Strategies

We offer different options based on the kind of investor you may be to help you choose your investments. Based on your answer to the question below, choose one of the following strategies.

**Do you have the time or expertise to make investment decisions for your retirement account on your own?**

**“No, I prefer to do my retirement investing with some help.”**

#### Target Date Retirement Funds

If you are looking for a single strategy within the Plan's retirement savings options, target date retirement funds may be right for you.

These funds provide an asset allocation glidepath, are managed by investment professionals, and are adjusted to become more conservative over time.

By choosing the fund that most closely matches your expected retirement date, as well as other factors important to your planning objectives and retirement goals, you set your retirement plan in motion.

##### To Select the Target Date Retirement Funds:

Go to **workplace.schwab.com** or call Participant Services at **800-724-7526** to access your account or enroll.

We suggest you review your investments at least annually or whenever there is a change in life events.

**“Yes, I prefer to do my retirement investing on my own.”**

#### Plan-Selected Funds

If you like making your own investment decisions, the Plan has a pre-screened group of funds known as Plan-Selected Funds from which to choose.

After you review these funds, you can select the funds in which you'd like to invest and determine the percentage you want to allocate to each fund.

You manage your own portfolio.

For help, complete the Investor Profile Questionnaire at **workplace.schwab.com**.

##### To Select Your Own Investments:

Go to **workplace.schwab.com** or call **800-724-7526** to access your account.

Review/change your contribution rate.

Select your investments from the Plan-Selected Funds list.

Re-evaluate your financial plan and investment risk regularly to meet your retirement goals.



# Three steps to enrollment

## Step 3 - Act now! Enroll.

### Enroll Online at [workplace.schwab.com](http://workplace.schwab.com).

- Go to the **Plan Participant Login** box and click on **New User**.
- Enter your Social Security number as your Login ID (no dashes).
- Enter your default password, which is your four-digit month and day of birth (e.g., if your birthday is November 30, your default password is 1130).
- Click **Login**.

Once you are logged in, you'll be asked to create a new Login ID and password.

### Enroll by Phone at 800-724-7526.

- Enter your Social Security number, then hit the “#” key.
- You'll be asked to enter your password. Press “\*1” and you will bypass this step and be transferred to a Participant Services Representative.
- The Representative will ask you some questions to verify your identity.
- Once your identity has been verified, tell them you would like to enroll in the PayPal 401(k) Savings Plan.

### Enroll on Your Mobile Device

The Schwab Workplace Retirement app is available for iPad®, iPhone®, Android™ or Kindle Fire.

Get on-the-go access to your retirement savings account:

- Enroll in your plan.
- Check your progress—see how much you're saving and how your balance may be changing.
- Monitor your personal performance.
- Make contribution elections.
- Set up investment instructions for future contributions.
- Securely access the full website without logging in again.
- Read the latest market news.

Visit [workplace.schwab.com/mobile](http://workplace.schwab.com/mobile) today to download the Schwab Workplace Retirement app.

### Don't Forget to Complete Your Beneficiary Designation Online.

- It is important and only takes a minute to go online and designate the beneficiary for your Plan account.
- You may also designate your beneficiary via phone by speaking to a Participant Services Representative at **800-724-7526**.

This lets Schwab Retirement Plan Services, Inc. and PayPal know who should receive your account balance in the event of your death.

Feature availability depends on both plan and participant settings.

Requires a wireless signal or mobile connection.

System availability and response times are subject to market conditions and mobile connection limitations.

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Access to electronic services may be limited or unavailable during periods of peak demand, market volatility, systems upgrades, maintenance, or for other reasons.

## Notes

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## Notes

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<sup>1</sup> This investment option is a collective trust and is not a registered investment company product.

<sup>2</sup> The Schwab Managed Retirement Trust Funds™ and Schwab Institutional Trust Funds® are collective trust funds maintained by Charles Schwab Bank ("Schwab Bank"), as trustee of the Funds. They are available for investment only by eligible retirement plans and entities. Schwab Bank Collective Trust Funds ("Funds") are not insured by FDIC or any other type of deposit insurance; are not deposits or other obligations of, and are not guaranteed by Schwab Bank or any of its affiliates; and involve investment risks, including possible loss of principal invested. The Funds are not mutual funds and are exempt from registration and regulation under the Investment Company Act of 1940 ("1940 Act"), and their units are not registered under the Securities Act of 1933, or applicable securities laws of any state or other jurisdiction. Unit holders of the Funds are not entitled to the protections of the 1940 Act. The decision to invest in the Funds should be carefully considered. The Funds' unit values will fluctuate and may be worth more or less when redeemed, so unit holders may lose money. The Funds are not sold by prospectus and are not available for investment by the public; Fund prices are not quoted in newspapers.

Schwab Retirement Plan Services, Inc. provides recordkeeping and related services with respect to retirement plans and has provided this communication to you as part of the recordkeeping services it provides to the Plan.

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