



EMPLOYEE FIDUCIARY

America's Low-Cost 401(k)SM

401(k) Vendor Comparison¹

Employee Fiduciary Corporation and XXXX XXXXXXXX

for XXX Company

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¹ This comparison is a good-faith estimate of plan services and costs offered by Employee Fiduciary and another retirement plan provider, based on Employee Fiduciary's analysis of the information provided. It is difficult for providers to state with authority another firm's prices and policies, and any analysis, including this one, is subject to error. Those considering purchase of a 401(k) plan should contact providers directly to ensure accuracy.

Executive Summary

□The XXXX XXXXXXXX plan is 200% more expensive than the plan proposed by Employee Fiduciary. As plan assets grow, the XXXX XXXXXXXX plan, with its asset-based charges, will become even more expensive than the Employee Fiduciary plan.

While the difference between the two plans today is only a few thousand dollars, because of compounding, the XXXX XXXXXXXX plan will likely cost participants much, much more over time.

The true cost difference to each individual upon retirement could be as much as \$188,000. Expressed in terms of net present value, selecting Employee Fiduciary instead of XXXX XXXXXXXX could save the 32 members of the plan \$1,156,613.²

□XXX Company is working with a broker on the XXXX XXXXXXXX plan. With Employee Fiduciary, XXX Company can work with a broker, a registered investment advisor (RIA) of its choice, or none at all.

□The XXXX XXXXXXXX plan limits investments to its group annuity products, which often carry higher expense ratios than their publicly traded counterparts. Employee Fiduciary offers 20,000+ publicly traded mutual funds at cost and gives plans the ability to change these funds anytime.

□XXXX XXXXXXXX's fees are contingent upon your plan making certain minimal annual contributions. Employee Fiduciary's fees are irrespective of funding. If XXX Company fails to meet these requires, XXXX XXXXXXXX will increase participant and asset charges and reserves the right to apply surrender fees.

² Net present value is calculated by taking the average savings of a participant using Employee Fiduciary and a diversified portfolio of index funds, with wages of \$30,000 per year, who contributes \$260 per month with a 3% employee match, assuming 9% annual growth in both plans, and multiplying the result by the expected number of participants (32) and compounding over 30 years, using a 5.5% discount factor.

Plan Comparison--Fees

“Although I’ve saved for years, my nest egg hasn’t grown fast enough.”

-common complaint

Background

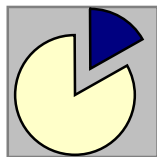
Participants in 401(k) plans often wonder why the balances in their retirement plans aren’t as large as expected. One culprit may be fees that automatically get deducted from every participant’s returns, year after year.

During times when investments may only provide single digit returns, these fees can easily strip away more than ½ of a participant’s annual earnings.

The charts below display total plan costs for **Employee Fiduciary** and **XXXX XXXXXXXX** as a percentage of a participant’s annual return, based on the fee structure outlined in the proposal you provided. ³

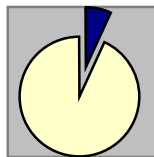
Comparison 1:How much of your employee’s 401(k) may be eaten by fees.

**At \$150,000
in plan assets**



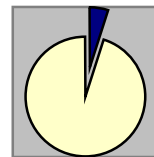
17%

**At \$450,000
in plan assets**



7%

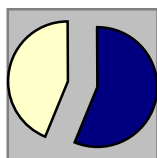
**At \$1-million
in plan assets**



5%

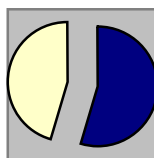
Employee Fiduciary with diversified index funds

**At \$150,000
in plan assets**



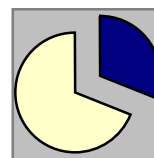
56%

**At \$450,000
in plan assets**

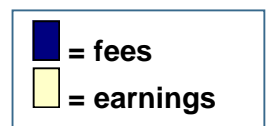


55%

**At \$1-million
in plan assets**



32%



XXXX XXXXXXXX with XXXX XXXXXXXX group annuity investments

³ Based on a 7% annual return for both plans. Investment performance will vary, and there is no assurance that any investment line-up will equal or exceed the performance of the other. This illustration is not predictive of future performance and is for fee-comparison purposes only.

Comparison 2: Which Plan Costs More Today?

Based on the proposal provided, XXXX XXXXXXXX's plan would cost 200% more than Employee Fiduciary today.

Employee Fiduciary

XXXX XXXXXXXX

Set-up (one time cost)



\$500



\$850

Annual Fees:

Recordkeeping & Administration



\$1,500



\$1,690

Participant Fees

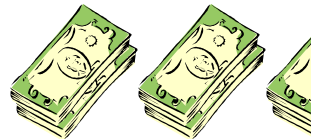
\$0



\$768

Asset-Based Wrap

\$0



\$1,676

Investment-Based Fees *



\$285



\$1,715

Total Annual Fees: \$1,785

\$5,849

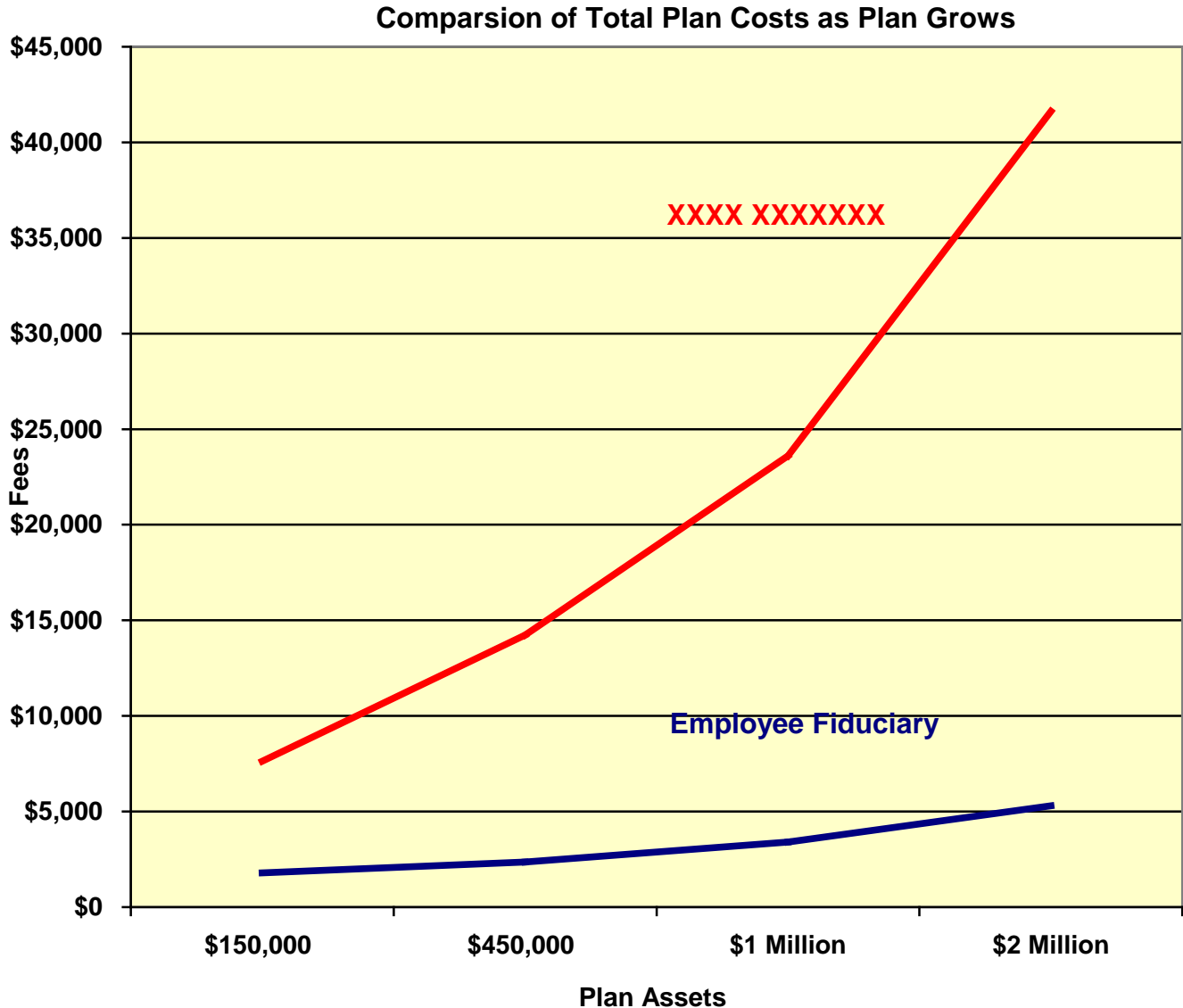
% of Total Assets: 1.19%

3.90%

* Based on the average expense ratios of a diversified portfolio of index funds available through Employee Fiduciary (0.19%) and the average investment charge for available funds listed in the XXXX XXXXXXXX plan (1.14%).

Comparison 3: Which Plan Costs More Tomorrow?

Although it costs about the same to service a retirement plan as assets increases, many providers charge escalating amounts for the same amount of service as plans grow. Not only does the plan pay more, but also employees who save the most are hit the hardest.



At \$150,000 in plan assets, **XXXX XXXXXXXX** is 200% more expensive than **Employee Fiduciary**.

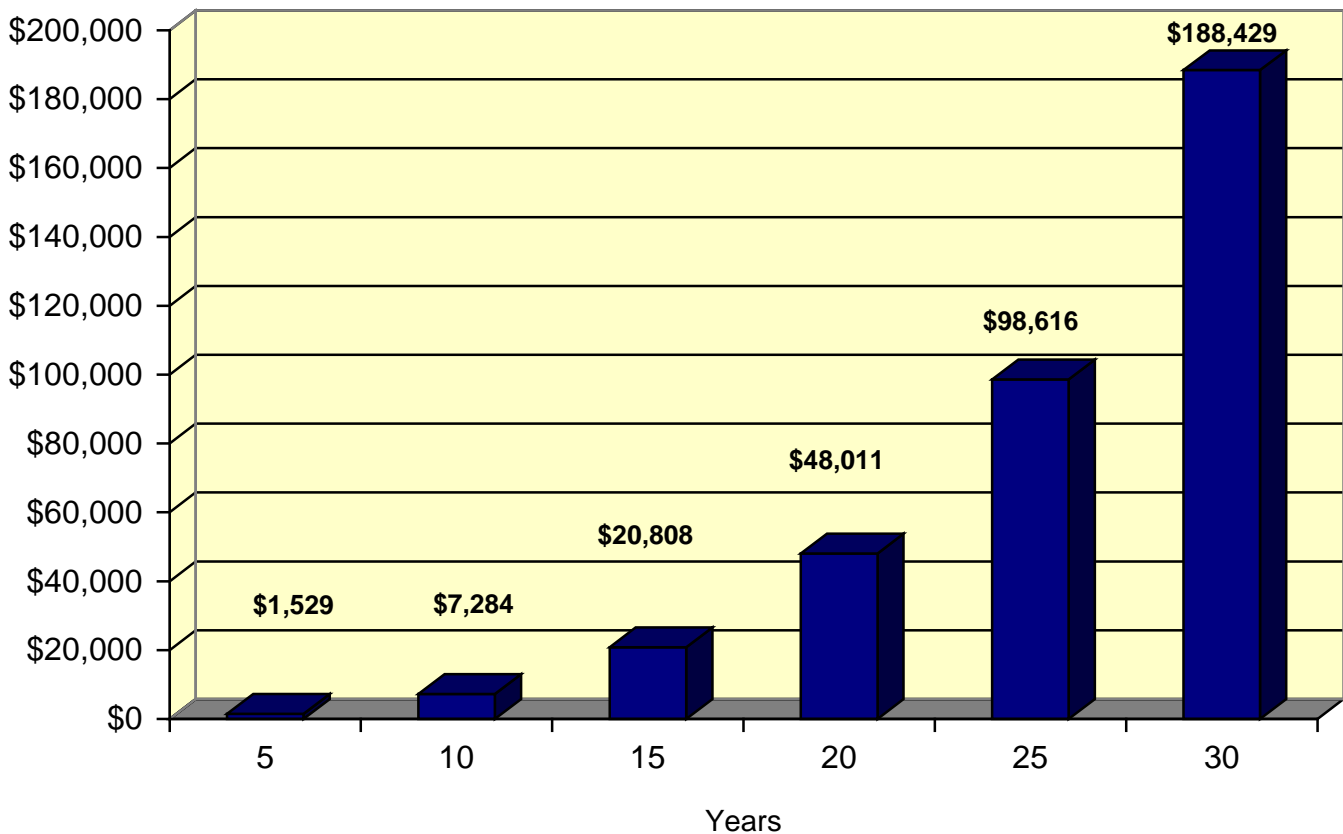
At \$2 million in plan assets, **XXXX XXXXXXXX** is 690% more expensive than **Employee Fiduciary**.

Comparison 4: How Much Will Employee Fiduciary Save Plan Participants?

Because of compounding, a small difference in fees, especially asset-based fees, can have a large impact on the size of an individual's retirement account when participants reach retirement age.

The chart below displays the impact of this savings (by selecting Employee Fiduciary instead of XXXX XXXXXXXX) upon a typical participant in a 401(k) plan, who makes \$30,000 a year, sets aside \$260 a month and receives a 3% match.

Amount Typical Individual Can Save Using Employee Fiduciary Instead of XXXX XXXXXXXX*



* Reflects XXXX XXXXXXXX and Employee Fiduciary's total plan costs (3.9% and 1.19% respectively), assuming 9% annual growth for both plans.

Plan Comparison—Details

Fees

- While recordkeeping fees between XX and EFC appear similar, total costs are much different. The XX plan costs participants approximately 200% more. This gap increases over time.
- XX charges an asset based wrap of 1.17%.
 - EFC charges none.
- With XX, the average expense ratio is 1.14%.
 - With EFC, the average expense ratio can be as low as 0.19% (with a diversified portfolio index funds).
- XX Lifestyle Funds are chosen by 60% of participants in the XX plans. These have an average expense ratio of 1.17%.
 - Lifestyle Funds are a popular choice in EFC plans. Those available in EFC plans have an average expense ratio of 0.21%
- With XX, if you fail to meet certain funding requirements (average annual account in-flows of \$3,000 and transfers of \$2,500) your plan will be subject to increase participant charges and assets-based charges. Failure to meet proscribed minimums may also trigger surrender charges.
 - EFC has no minimum funding requirements or conditional charges.

Fund Selection

- XX only offers limited investments (75 proprietary investments).
 - EFC offers unlimited investments (20,000+ choices).
- XX does not offer any publicly traded mutual funds. XX only offers private labeled group-annuity products. (For example, XX offers the **XX PIMCO Total Return Fund** not the **Pimco Total Return Fund [PTRAX]**, which is the publicly traded fund available on the NYSE). Many of these XX funds have higher expense than their publicly traded counterparts.
 - EFC offers publicly traded funds.
- XX requires plans to use its stable value fund as the default fund for all unallocated investments. By contract, sponsors are not permitted to even offer an alternative money market or stable value fund. XX's default fund has an expense ratio of 0.95%. (Morningstar recently described a similar default "sweep" fund with an expense ratio of 0.70% as "unreasonably expensive").
 - EFC doesn't require any default funds and offers money market and stable value funds with the lowest expense ratios on the market.
- XX requires plan trustees to certify that "the plan will not make available any competing investment options"
 - EFC gives trustees the ability to switch out of any funds at any time, especially if fees or performance grow divergent from expectations.

Broker/RIA Option

- EFC gives a plan the flexibility to use:
 - o a) a broker of its choice
 - o b) a registered investment advisor (RIA) or fee-only advisor, who has no financial incentive to steer participants into expensive investments or plans.
 - o c) no broker/advisor at all.

Plan Sponsor Support

- Both providers provide fiduciary support, plan design consulting, plan documents, daily recordkeeping, testing, compliance services, and Form 5500 preparation.
- Both providers offer optional corporate trustee service.
- Both providers offer multiple plan sponsor reports.
- XX out sources plan administration to a third-party vendor.
- EFC provides plan administration in-house.

Participant Support

- Both providers offer customized enrollment kits and support.
- Both providers toll-free help line.
- Both providers offer 24/7 web account information.
- Both providers create participant account statements.
- XX offers voice-response recordings. EFC does not.
- EFC offers Morningstar independent fund analysis for free. XX does not.
- Because XX funds are not publicly traded, investors cannot look-up fund performance and fee information in the newspaper or business press
- Participants in the EFC plan can review their investments daily in the popular press.

Next Steps

We make it easy: Work with a team that has put together and administered more than 2,000 plans, from 2 to 2,000 employees.

Here's what to do next:

- 1) Call Employee Fiduciary at (877) 401-5100 to request a contract and schedule a start-up date.
- 2) Discuss plan design options (vesting, eligibility requirements, safe harbor, etc.) with an experienced member of Employee Fiduciary's design team. Time: 1 hour. No experience required.
- 3) Have employees select the investments they want. Start your new plan.

