Northwestern University Retirement Plans

Making Sense of (and Making the Most Of!) Your Benefits

NU – Sue Rutherford | Retirement Plans Manager
Fidelity – Michele Klanian | Workplace Financial Consultant
# Agenda

## How to Use the NU Retirement Plans
- Navigating the two NU Plans
- Contribution types
- How to enroll or make changes
- Ways to stay engaged with the NU Plans
- Keeping your accounts safe

## Investing for the Future
- Long-term benefits of saving and compounding
- Finding the right investment mix
- Investment options
- Retirement risk factors
- Nearing retirement
## NU’s Retirement Plans – navigating plan differences

<table>
<thead>
<tr>
<th></th>
<th>Retirement Plan</th>
<th>Voluntary Savings Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligibility</strong></td>
<td>1 Year of Benefits Eligible Service</td>
<td>Eligible on date of hire</td>
</tr>
<tr>
<td><strong>NU contributions</strong></td>
<td>5% automatic + up to 5% match</td>
<td>None</td>
</tr>
<tr>
<td><strong>Employee contributions</strong></td>
<td>Yes, up to 5% match</td>
<td>Yes, up to 75% of salary</td>
</tr>
</tbody>
</table>

Summary only; not intended as a substitute for the details provided in the legal Plan documents.
### NU’s Retirement Plans – the plans’ similar features

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRS contribution limits</td>
<td>2023 IRS limit of $22,500 ($30,000 with age 50+ catch-up) to all qualified plans</td>
</tr>
<tr>
<td>Investments</td>
<td>Choice of Fidelity and/or TIAA; similar investment categories</td>
</tr>
<tr>
<td>Distributions</td>
<td>When employment with NU ends (due to retirement or a job change); no requirement to distribute funds, assets can remain in the plans for life</td>
</tr>
<tr>
<td>Retirement</td>
<td>Must take Required Minimum Distributions upon meeting a certain age</td>
</tr>
<tr>
<td>Job Change</td>
<td>You can choose to consolidate your retirement balances with a rollover to an IRA or your new employer’s plan</td>
</tr>
<tr>
<td>Loan or Hardship</td>
<td>Available</td>
</tr>
</tbody>
</table>

Summary only; not intended as a substitute for the details provided in the legal Plan documents.
# Retirement Plan contributions

<table>
<thead>
<tr>
<th>Northwestern Unmatched</th>
<th>Employee Contribution</th>
<th>Northwestern Match</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>1%</td>
<td>1%</td>
<td>7%</td>
</tr>
<tr>
<td>5%</td>
<td>2%</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>5%</td>
<td>3%</td>
<td>3%</td>
<td>11%</td>
</tr>
<tr>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>13%</td>
</tr>
<tr>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Retirement Plan contributions

- Northwestern Unmatched
- Employee Contribution
- Northwestern Match
- Total

15%
Fidelity has developed a series of salary multipliers in order to provide participants with one measure of how their current retirement savings might be compared to potential income needs in retirement. The salary multiplier suggested is based solely on your current age. In developing the series of salary multipliers corresponding to age, Fidelity assumed age-based asset allocations consistent with the equity glide path of a typical target date retirement fund, a 15% savings rate, a 1.5% constant real wage growth, a retirement age of 67 and a planning age through 93. The replacement annual income target is defined as 45% of pre-retirement annual income and assumes no pension income. This target is based on Consumer Expenditure Survey 2011 (BLS), Statistics of Income 2011 Tax Stat, IRS 2014 tax brackets and Social Security Benefit Calculators. Fidelity developed the salary multipliers through multiple market simulations based on historical market data, assuming poor market conditions to support a 90% confidence level of success.

**Please refer to the final slide for additional 10X disclosure.**
## Pre-tax vs. Roth after-tax contributions

<table>
<thead>
<tr>
<th>Feature</th>
<th>Pre-tax</th>
<th>Roth after-tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax implication</td>
<td>Tax-free now, taxed later</td>
<td>Taxed now, tax-free later</td>
</tr>
<tr>
<td>Northwestern matching</td>
<td>Same whether you choose pre-tax contributions, Roth</td>
<td></td>
</tr>
<tr>
<td>contributions</td>
<td>contributions, or a combination of both: up to 5% of</td>
<td></td>
</tr>
<tr>
<td></td>
<td>eligible earnings</td>
<td></td>
</tr>
<tr>
<td>Contribution limits</td>
<td>The same IRS limits apply to combined pre-tax and Roth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>contributions: $22,500 ($30,000 with age 50+ catch-up) for</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2023</td>
<td></td>
</tr>
<tr>
<td>Investment earnings</td>
<td>Tax-deferred – you pay no taxes on investment earnings while</td>
<td>Tax-free – you pay no taxes on investment earnings while these earnings</td>
</tr>
<tr>
<td></td>
<td>these earnings remain in your account. You will pay taxes</td>
<td>remain in your account or upon distribution*.</td>
</tr>
<tr>
<td></td>
<td>upon distribution.</td>
<td></td>
</tr>
</tbody>
</table>

*A distribution from a Roth 403(b) is federally tax free and penalty free, provided the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death. State taxes may apply.*
How does Roth affect your paycheck?

Lisa
$80,000 Annual Income

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Amount</th>
<th>Reduction in Take Home Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>6%</td>
<td>$400</td>
<td>$312</td>
</tr>
</tbody>
</table>

* This hypothetical example is based solely on an assumed 22% income tax withholding rate. No other payroll deductions are taken into account. Actual taxes and take-home pay will depend on your individual tax situation. Pre-tax contributions and any related earnings will be taxed at the time of withdrawal. Any earnings on after-tax Roth contributions are income tax-free if certain conditions are met.
Pre-tax vs. Roth benefits and considerations

- What is your expected tax bracket in retirement?
- How long is your retirement horizon?
- Are you eligible to contribute to a Roth IRA?
How to enroll or make changes

- Choice of two investment providers

- Choice of 25+ investment funds, including the option to select a single fund where the target asset mix changes based on retirement date

Contribution amounts are made online through myHR

Click the Benefits tile and then My Savings Plan Elections

Click on "My Health Benefits Elections" on the left sidebar to enroll in or make changes to:
- Health, Dental, Vision
- Health Care Flexible Spending Account
- Health Savings Account
- Dependent Care Flexible Spending Account
- Life Insurance
- Long-Term Disability Insurance

Click on "My Savings Plan Elections" on the left sidebar to enroll in or make changes to:
- Retirement Plan
- Voluntary Savings Plan
Using both Plans to maximize the IRS contribution limit

403(b) Retirement Voluntary Contributions Calculator
Updated for new 2023 IRS contribution limits
Use this calculator to determine the amount of the voluntary contribution per payroll period that will enable you to make the maximum retirement contribution permitted by law.

ENTER INFORMATION REQUESTED IN BOXES BELOW

Enter your base salary
Faculty enter anticipated summer salary

Total Earnings $ -

Enter your age as of December 31, 2023

Maximum contribution $ 22,500

Total 403(b)/401(k) Contributions in Non-NU Plan

Total Supplemental $ -

Total 403(b)/401(k) Contributions YTD NU Voluntary Plan

Total Supplemental $ -

Enter your remaining pay periods in the year**

Annual Retirement Voluntary $ 22,500

*For Jan-Dec participation use 12 if you are faculty, exempt staff or paid on a monthly basis or 26 if you are non-exempt staff paid on a bi-weekly basis.

Your per pay period Voluntary Plan contribution is:

Enter this amount in Voluntary Retirement

Send questions to askHR@northwestern.edu

Northwestern HUMAN RESOURCES
Ways to stay engaged with your Retirement Plans

- Read all communications from NU-HR and your investment provider
- Review your account statements
- Go online to review your account details on a regular basis
- Bookmark the NU benefits/retirement website
- Take advantage of educational opportunities – webinars, one-on-one meetings, website resources
- Protect yourself from cyber threats
Protect your retirement accounts from cyber threats

Set up online access using a strong and unique password and routinely monitor your accounts.

Use multi-factor authentication.

Keep personal contact information, such as your phone number and email address, current.
Compounding growth potential

COMPOUNDING GROWTH POTENTIAL

Contributions

Account earnings
PERSON A
Balance without annual increase in contributions

PERSON B
Balance with annual increase in contributions

The power of annual contribution increases

Age: 25
Salary: $80,000
Starting balance: $0
Annual rate of return: 7%

This is a hypothetical example. Assumptions: Person A and Person B both started contributing at 25 years old. Person A contributed 3%/year through age 65. Person B increased contributions 1%/year for 10 years, then stayed at 13% contributions through age 65. Both started out earning $80,000 per year and began with an account balance of $0. This hypothetical example uses a 4% annual salary increase and is based on monthly contributions made at the beginning of the month to a tax-deferred retirement plan and a 7% annual rate of return compounded monthly. Your own plan account may earn more or less than this example, and income taxes will be due when you withdraw from the account. Investing in this manner does not ensure a profit or guarantee against loss in declining markets. Past performance is no guarantee of future results.
This is a hypothetical example. Assumptions: Person A and Person B were both contributing at 45 years old. Person A contributed 3%/year through age 65. Person B increased contributions 1%/year for 10 years, then stayed at 13% contributions through age 65. Both started out earning $80,000 per year and began with an account balance of $100,000. This hypothetical example uses a 4% annual salary increase and is based on monthly contributions made at the beginning of the month to a tax-deferred retirement plan and a 7% annual rate of return compounded monthly. Your own plan account may earn more or less than this example, and income taxes will be due when you withdraw from the account. Investing in this manner does not ensure a profit or guarantee against loss in declining markets. Past performance is no guarantee of future results.
Finding the right investment mix

- Tolerance for risk
- Financial situation
- Time horizon
For illustrative purposes only.
Asset allocation does not ensure a profit or guarantee against loss.

As a possible starting point for either your retirement or nonretirement goals, the target asset mix (TAM) is based on a measure of your time horizon. The measure of time horizon and the available default TAMs will vary by goal type. Time horizon for retirement goal type is defined as the difference between Current Year and Retirement (Goal Start) Year. Please note that these time horizon-based default TAMs are just a starting point for you to begin consideration of the appropriate asset allocation. For a more in-depth look, be sure to take your risk tolerance, financial situation, and time horizon into consideration before choosing an allocation.

Invest for the long term

- **Aggressive**
  - Retiring in 13+ years
  - Stocks: 85%
  - Bonds: 15%

- **Growth**
  - Retiring in 9–12 years
  - Stocks: 70%
  - Bonds: 25%
  - Short-term investments: 5%

- **Growth with Income**
  - Retiring in 1–8 years
  - Stocks: 60%
  - Bonds: 35%
  - Short-term investments: 5%

- **Balanced**
  - Retired 0–5 years
  - Stocks: 50%
  - Bonds: 40%
  - Short-term investments: 10%
### Investment options

<table>
<thead>
<tr>
<th>Target Date Funds</th>
<th>Money Market (or Short Term)*</th>
<th>Domestic Equity</th>
<th>International/Global Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 funds with allocations</td>
<td>Government</td>
<td>Large Value</td>
<td>Diversified</td>
</tr>
<tr>
<td>designed for early career</td>
<td></td>
<td>Mid Value</td>
<td>Emerging Markets</td>
</tr>
<tr>
<td>('2060 Fund') to in or</td>
<td>Managed Income (or Stable</td>
<td>Small Value</td>
<td></td>
</tr>
<tr>
<td>near retirement ('Retirement</td>
<td>Value)</td>
<td>Large Blend</td>
<td></td>
</tr>
<tr>
<td>Fund')</td>
<td>Bond</td>
<td>Large Growth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Diversified</td>
<td>Mid Growth</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Small Growth</td>
<td></td>
</tr>
</tbody>
</table>

### Other Options - Self-Directed Brokerage

A self-directed brokerage account may entail greater risk and is not appropriate for everyone. Additional fees apply to a BrokerageLink account.

*You could lose money by investing in a money market fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund’s sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.
A single-fund approach to investing

Simplicity

Diversification

Ongoing Management

Lifetime Strategy

Target Date Funds are an asset mix of stocks, bonds and other investments that automatically becomes more conservative as the fund approaches its target retirement date and beyond. Principal invested is not guaranteed.

517681.33.0
Five key risks that could impact a comfortable retirement

- Longevity
- Health care expenses
- Inflation
- Excess withdrawals
- Asset allocation
Why the five key risks are so important

There are many elements you cannot control...

...yet you’ll need steady, reliable income to replace your paycheck.
More about inflation

Starting value

$50,000

Purchasing power after 25 years of inflation

$30,477

2% inflation

$23,880

3% inflation

$18,756

4% inflation

All numbers were calculated based on hypothetical rates of inflation of 2%, 3%, and 4% (historical average from 1968 to 2017 was 4.1%) to show the effects of inflation over time; actual inflation rates may be more or less and will vary.
Building and maintaining a portfolio

STEP 1
Define your goals

STEP 2
Build an investment plan

STEP 3
Continuously manage your plan
Your retirement income planning roadmap

- Make good plans
- “Super save”
- Review your current investment mix

Design your plan
50s

- Determine Social Security strategies
- Reassess risk and investment mix
- Build a detailed financial assessment

Refine your plan
60s

- Begin Medicare eligibility
- Make decisions about a work/life balance
- Prepare for required minimum distributions*

Execute your plan
65+

*The change in the RMDs age requirement from 72 to 73 applies only to individuals who turn 73 on or after January 1, 2023. After you reach age 73, the IRS generally requires you to withdraw an RMD annually from your tax-advantaged retirement accounts (excluding Roth IRAs, and Roth accounts in employer retirement plans accounts after December 31, 2023). Please speak with your tax advisor regarding the impact of this change on future RMDs.

Set up an initial planning session with your investment provider.
Call for help
Fidelity – 800-343-0860
TIAA – 800-842-2776

Go online
TIAA – www.tiaa.org/northwestern

Set up a one-on-one appointment
Fidelity – www.Fidelity.com/schedule or call 800-642-7131
TIAA – www.tiaa.org/northwestern and select Contact Us or call 800-732-8353
Investing involves risk, including risk of loss.

** The 10X savings rule of thumb is developed assuming age-based allocations, a 15% savings rate beginning at age 25, a 1.5% constant real wage growth, a retirement age of 67 and a planning age of 92. The intended goal is to help build retirement savings sufficient to replace approximately 45% of preretirement income to augment Social Security throughout retirement. All calculations are purely hypothetical, and a suggested salary multiplier is not a guarantee of future results; it does not reflect the return of any particular investment or take into consideration the composition of a participant’s particular account. The salary multiplier is intended only to be one source of information that may help you assess your retirement income needs. Remember, past performance is no guarantee of future results. Performance returns for actual investments will generally be reduced by fees or expenses not reflected in these hypothetical calculations. Returns also will generally be reduced by taxes.

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