Retirement Plan Proposal

Prepared for:

ABC Company
401(k) Plan

Prepared by:
Retirement used to describe a time when people slowed down, rested and generally did less.

Today, for many people, retirement has become a vital and exciting time in their lives, presenting an opportunity to “re-career”, to travel, and to explore new ways of working and living.

At the same time, fewer and fewer employees are covered by traditional defined benefit pension plans and Social Security appears to be increasingly vulnerable. That means that workers, now more than ever, must take responsibility for their financial lives in order to prepare themselves for this “new retirement”.

Employers who sponsor retirement plans play a critical role in this process and as Plan Fiduciaries, they have a responsibility to their employees to deliver a meaningful opportunity for them to financially prepare themselves for this brave new retirement world.
Recent Trends

Times are changing...

• People are living longer – much longer. Someone born in the 1990’s will live, according to the US CDC, nearly ten years longer than someone born in the 1960’s. That’s wonderful news but it also gives rise to a whole new set of financial challenges that previous generations didn’t have to grapple with.

• With the demise of the defined benefit pension plan, the burden has now fallen on the individual employee to fill the gap that will exist between their retirement income needs and what Social Security will provide. For example, a married couple in the 50th income percentile (around $62,000 annually) retiring at age 62 must accumulate more than $500,000 to achieve a level of income that is close to what they are earning now, according to the Congressional Budget Office.

• Unfortunately, today many retirement plan participants lack the financial experience and/or interest that is required for them to do the things that are necessary to adequately prepare for retirement.

While a well thought out and participant-friendly retirement plan is a valuable recruiting and retention tool, the trends identified above create a new set of challenges for sponsoring employers as well.

ERISA (the Employee Retirement Income Security Act) is a federal law established to protect the rights of employees and the security of their retirement funds. Under section 404(c) of ERISA, leaving employees to navigate the waters of retirement security on their own is not an option in that they must be given sufficient information to make informed investment choices.

For these reasons, partnering with a firm that completely understands the retirement plan landscape is an important first step towards creating a retirement plan that your employees will regard as a “benefit” in the truest sense of the word.
**Ladenburg Thalmann Asset Management**

Ladenburg Thalmann & Co. Inc is one of the oldest and most respected investment management firms on Wall Street. Since our establishment in 1876, we have maintained traditions based on the importance of long-term relationships, integrity and the highest level of service. These traditions emphasize Ladenburg Thalmann’s commitment to achieving outstanding results for our clients. Ladenburg Thalmann Asset Management (LTAM) is the affiliated registered investment advisor. LTAM professionally manages money for corporate, institutional, and individual clients.

**The Ladenburg Thalmann 401(k)**

The Ladenburg Thalmann 401(k), powered by recordkeeping and third-party administration services provided by Touchstone Retirement Group, gives Plan Sponsors and their participants access to a wide selection of cost effective investment products and strategies, state-of-the-art technology and cutting edge retirement plan design advice. We provide retirement solutions to companies of all sizes with a focus on making participation in the plan as user-friendly as possible, from start to finish.

**Ladenburg Thalmann 401(k) Strategic Allocation Portfolios**

LTAM has a unique offering for the participant who is looking for a packaged solution to simplify the whole investment decision making process. Using its extensive market experience and knowledge, LTAM has constructed five “pre-allocated” portfolios (Income, Income & Growth, Growth & Income, Growth and Aggressive Growth) using Exchange Traded Funds (ETFs). Our Investor Profile Questionnaire allows participants to easily determine which of the five investment portfolios best matches their investor “personality” and then automatically invests their accounts in the appropriate portfolio. From there, LTAM continually monitors the participant’s account and decides when to rebalance or re-allocate the portfolios on an ongoing basis.
Investment Recordkeeping

Investment recordkeeping can be described as the “engine” of the retirement plan because, as the name implies, it is here that all of the activity associated with tracking participant contributions, balances and investment allocations occurs on a daily basis.

It is the recordkeepers job to communicate with participants and plan sponsors through quarterly account statements and user-friendly websites and toll-free service lines that allow them to access up-to-date account and plan information as well as make changes to their investments, model loans and view other account related activity and information.

TOUCHSTONE is an independent recordkeeper in that 1) we are not affiliated with any mutual fund company, 2) we do not maintain any proprietary investments and, 3) we do not accept behind-the-scenes or un-disclosed revenue from any investment company. In other words, all of our dealings with investment companies are done at arms length and for the benefit of the Plan.

TOUCHSTONE is a flexible recordkeeper. We’re not forced to “cookie cutter” your plan setup because of limitations to our service capabilities. In addition to the flexibility and breadth of our investment universe, we offer the convenience of features such as:

- “Paperless” online enrollments and enrollment educational material
- “Paperless” loan and distribution processing
- The ability for Ladenburg Thalmann to create pre-allocated model portfolios

TOUCHSTONE is an open-architecture recordkeeper in the truest sense in that we are your plan’s gateway to literally thousands of mutual funds, Collective Investment Funds (CIFs) and Exchange Traded Funds (ETFs). Unlike other so-called “open architecture” recordkeeping platforms, Touchstone does not place artificial restrictions on the mutual fund families or fund share classes that we make available to our plan sponsors. Subject only to the fund’s minimum requirements, Touchstone provides sponsors and their advisors access to the very best investments in each asset class. Add ETF’s to the mix, and the investment possibilities are almost endless.
• **Mutual Funds**
  The mutual fund has become the investment of choice for practically every participant-directed defined contribution retirement plan, and for a variety of good reasons. But not all mutual funds are created equal and oftentimes, funds find their way on to retirement recordkeeping platforms more for their willingness to share revenue with the recordkeeper than on the merits of the portfolio manager’s investment skills and performance.

As a true open-architecture recordkeeper, Touchstone provides plan sponsors access to thousands of mutual funds representing every conceivable asset class. From low-cost index funds to specialty sector funds, if it is open for trading and the plan can meet the fund’s minimum funding requirements, we can hold it in your plan.

• **Exchange Traded Funds (ETF’s)**
  An ETF is a security that tracks an index, a commodity or a basket of assets like an index mutual fund, but trades like a stock on an exchange, thus experiencing price changes throughout the day as it is bought and sold. By their nature, ETF’s are “un-managed” investments (unlike many mutual funds), which is why you can find an ETF for just about any kind of sector of the market.

For a variety of reasons (low cost being one of them), ETF’s are very popular with financial advisors and until now, they have been too operationally burdensome to use in participant-directed retirement plans on their own.
Third-Party Administration

Employer sponsored retirement plans are complex and require effective communication and accountability between the investment recordkeeper and the plan’s third-party administrator. Touchstone Retirement Group has decades of experience providing superior administration and compliance services to hundreds of retirement plans, with an emphasis on consistent, personalized customer service. Unlike many of the impersonal, “big-box” retirement plan providers, we understand how important it is to have a dedicated administrator assigned to your plan, someone with experience who you can count on to understand the nuances of your plan when you call.

Our TPA services include:

• Initial plan design.
• Document preparation and maintenance to keep the plan compliant with changing regulations.
• Interpretation of plan documents to perform services in accordance with the document provisions.
• Performing all required compliance tests
• Preparing the annual report and signature-ready 5500 in accordance with IRS regulations.
• Preparing the annual 1099-R, 1096 and 945 forms.
• Enhanced IRS or Department of Labor audit preparation & representation.
• Processing of all distributions (loans, hardships, termination etc.).
Investment Choice

Not all retirement plan participants are created equal when it comes to navigating the oftentimes confusing world of investing.

Unfortunately, many of today’s 401(k) participants are ill prepared to shoulder the responsibilities of disciplined saving and informed investment decision making that are both necessary ingredients for accumulating sufficient retirement savings.

In fact, studies show that a large percentage of retirement plan participants lack even a basic understanding of the investment fundamentals that are required to construct a diversified investment portfolio. As a result, it’s easy for participants to be intimidated by discussions involving subjects such as “compound interest”, “mutual funds” and “asset allocation”.

And yet, the typical retirement plan requires participants to construct their own investment portfolios by selecting from a list of pre-screened mutual fund options, regardless of their level of investment education or experience. For many people, this presents a serious challenge.

At Ladenburg Thalmann, we understand this inherent dilemma which is why we make two distinctly different investment alternatives available for plan participants to choose from.

• **The Freedom of Choice:**

  The first option is designed for the person who wants to pick their own investments in that it allows each participant to choose from a menu of mutual funds that have been researched and pre-screened by LTAM. Participants control their own asset allocation by deciding which funds to own and when to make changes. The mutual funds provided represent all major asset classes as prescribed by ERISA and each participant has access to detailed fund information that will allow them to make informed investment decisions.

• **Ladenburg Thalmann 401(k) Strategic Allocation Portfolios**

  The second option is designed for the participant who is looking for a packaged solution to simplify the whole investment decision making process. Using its extensive market experience and knowledge, LTAM has constructed five “pre-allocated” portfolios (Income, Income & Growth, Growth & Income, Growth and Aggressive Growth) using Exchange Traded Funds (ETFs). Our Investor Profile Questionnaire allows participants to easily determine which of the five investment portfolios best matches their investor “personality” and then automatically invests their accounts in the appropriate portfolio. From there, LTAM continually monitors the participant’s account and decides when to rebalance or re-allocate the portfolios on an ongoing basis.
Ladenburg Thalmann
Discretionary – Professionally Managed Portfolios

- Underlying internal expense ratio for the model portfolios range from 0.30% to 0.55%
- Ladenburg Thalmann asset management fee for all models is 0.15%
# Freedom of Choice
## Investment Options

### Fixed Income

<table>
<thead>
<tr>
<th>Investment</th>
<th>Type</th>
<th>Internal Exp Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanguard Prime Money Market</td>
<td>Money Market</td>
<td>VMMXX 0.20%</td>
</tr>
<tr>
<td>iShares Barclays 1-3 Treasury Bond</td>
<td>Short-Term</td>
<td>SHY 0.15%</td>
</tr>
<tr>
<td>iShares Barclays 1-3 Year Credit Bond Fund</td>
<td>Short-Term</td>
<td>CSJ 0.20%</td>
</tr>
<tr>
<td>Vanguard Mortgage-Backed Sec Index</td>
<td>Intermediate-Term Government</td>
<td>VMBS 0.15%</td>
</tr>
<tr>
<td>iShares Barclays Intermediate Credit Bond Fund</td>
<td>Intermediate-Term</td>
<td>CIU 0.20%</td>
</tr>
<tr>
<td>Vanguard Total Bond Market</td>
<td>Intermediate-Term</td>
<td>BND 0.10%</td>
</tr>
<tr>
<td>iShares Barclays 7-10 Year Treasury Bond Fund</td>
<td>Long-Term Government</td>
<td>IEF 0.15%</td>
</tr>
<tr>
<td>iShares Barclays 10-20 Year Treasury Bond Fund</td>
<td>Long-Term Government</td>
<td>TLH 0.15%</td>
</tr>
<tr>
<td>SPDR Barclays Capital High Yield Bond</td>
<td>High Yield</td>
<td>JNK 0.40%</td>
</tr>
<tr>
<td>SPDR Barclays Capital International Treasury Bond</td>
<td>International</td>
<td>BWX 0.50%</td>
</tr>
<tr>
<td>PowerShares Emerging Markets Sovereign Debt Portfolio</td>
<td>International</td>
<td>PCY 0.50%</td>
</tr>
</tbody>
</table>

### Balanced

<table>
<thead>
<tr>
<th>Investment</th>
<th>Allocation</th>
<th>Internal Exp Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>iShares S&amp;P Moderate Allocation</td>
<td>Moderate Allocation</td>
<td>AOM 0.31%</td>
</tr>
</tbody>
</table>

### Equity

<table>
<thead>
<tr>
<th>Investment</th>
<th>Style</th>
<th>Internal Exp Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanguard S&amp;P 500</td>
<td>Large-Cap Blend</td>
<td>VOO 0.05%</td>
</tr>
<tr>
<td>iShares Russell 1000 Value Index Fund</td>
<td>Large-Cap Value</td>
<td>IWD 0.20%</td>
</tr>
<tr>
<td>iShares Russell 1000 Growth Index Fund</td>
<td>Large-Cap Growth</td>
<td>IWF 0.20%</td>
</tr>
<tr>
<td>iShares Russell Midcap Value Index Fund</td>
<td>Mid-Cap Value</td>
<td>IWS 0.25%</td>
</tr>
<tr>
<td>iShares Russell Midcap Growth Index Fund</td>
<td>Mid-Cap Growth</td>
<td>IWP 0.26%</td>
</tr>
<tr>
<td>iShares Russell 2000 Value Index Fund</td>
<td>Small-Cap Value</td>
<td>IWN 0.25%</td>
</tr>
<tr>
<td>iShares Russell 2000 Growth Index Fund</td>
<td>Small-Cap Growth</td>
<td>IWO 0.40%</td>
</tr>
<tr>
<td>WisdomTree DEFA Fund</td>
<td>Developed International Equity</td>
<td>DWM 0.48%</td>
</tr>
<tr>
<td>Wisdom Tree Emerging Markets Equity Income Fund</td>
<td>Diversified Emerging Markets</td>
<td>DEM 0.63%</td>
</tr>
</tbody>
</table>

### Alternative

<table>
<thead>
<tr>
<th>Investment</th>
<th>Asset Class</th>
<th>Internal Exp Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPDR Gold Shares Trust</td>
<td>Commodities Precious Metals</td>
<td>GLD 0.40%</td>
</tr>
<tr>
<td>Vanguard REIT Index ETF</td>
<td>US Real Estate</td>
<td>VNQ 0.10%</td>
</tr>
</tbody>
</table>

### Average

| Average | 0.27% |
Plan Sponsor Access

If you need information about your plan, you should be able to find that information without a lot of effort. Our Plan Sponsor dashboard allows you to do exactly that. All of your plan information is available to you in one, convenient on-line site.
Participant Account Access

Many participants are content to wait for their quarterly account statements but from time-to-time, it may be necessary to access information about their accounts, download a form, make changes to their investments or check their personal rate of return. It can all be done from one convenient website.

SmartPlan Enterprise™

Interactive Video Education and Enrollment
SmartPlan is designed to educate, entertain and engage employees. Video hosts discuss plan features and the benefits of participation and then guide users through an interactive process that helps them discover their individual retirement needs and risk profile, as well as choose plan investments (including pre-allocated models or custom choices) and contribution amounts. And, SmartPlan Enterprise is fully integrated with the provider database, facilitating automated user enrollment updates. The SmartPlan environment features a familiar interface that makes it easy to navigate, even for novice users, and allows a participant to go at his or her own pace.
## Getting Started...

### Plan Implementation

- Your Financial Advisor will finalize your proposal and a “Welcome to Plan Set-Up” email will be generated to you by Touchstone.
- Touchstone Retirement Group, LLC along with your Financial Advisor will assist you in the design of your retirement plan.
- Call our dedicated retirement specialists with any questions that might arise.

### Plan Enrollment

- Enroll your employees online.
- Provide your employees with a downloadable enrollment guide & other important documents.
- Employees select the investments & amount to contribute.
- Call our dedicated retirement specialists with any questions that might arise.

### Plan Maintenance

- Reference the plan sponsor guide for day to day administrative tasks and forms.
- Streamline processing & funding of payroll contributions utilizing ACH-debit or wire.
- Use the online email utility to send mass distribution notices or more selective communication alerts to employees.
- Call our dedicated retirement specialists with any questions that might arise.
Fee Disclosure, Transparency and Revenue Offsets

Plan sponsors are fiduciaries under Department Of Labor regulations and one of their primary duties as fiduciaries is to deliver the retirement plan to participants as efficiently as possible. An important part of efficient delivery is the responsibility to ensure that participants pay only “reasonable” plan fees and expenses. Unfortunately, much of the information that is necessary for fiduciaries to be able to determine if plan fees are indeed “reasonable” is extremely difficult, if not at times impossible, to obtain without a significant amount of effort.

FEE TRANSPARENCY & REVENUE OFFSETS
Touchstone has adopted a policy of complete fee transparency that is designed to provide plan fiduciaries sufficient information for them to carry out their duties with regards to the reasonableness of fees and expenses. Our pricing reflects that policy by openly disclosing the cost of each component of service that we provide. We believe this to be a prudent policy, especially in today’s environment where increasing pressure is being brought to bear on plan fiduciaries to better understand the true costs of running their plans.

It is also Touchstone’s policy to reduce our recordkeeping and other service fees by using any revenue sharing (shareholder servicing fees, 12b-1 commissions etc.) that we might receive from the plan’s investment options to offset our service fees. For example: Touchstone’s gross recordkeeping fee on a $1 million plan is 0.30% (30 basis points).

Therefore,
If mutual fund ‘A’ pays Touchstone 15 bps of revenue sharing, Touchstone would charge 15 bps (30 – 15) as a net recordkeeping fee against the assets invested in that fund.

If mutual fund ‘B’ pays Touchstone 0 bps of revenue sharing, Touchstone would charge the full 30 bps to the assets invested in that particular fund.

In both of these examples, Touchstone receives 30 bps for its services (but no more) and in both situations, those fees are paid by plan participants, either as a part of the fund’s internal fees and expenses or as a direct charge by Touchstone to the plan assets.

While revenue sharing is not uncommon in the financial services industry, it can also be a driver for significant conflicts of interest if not fully disclosed.

FEE DISCLOSURES:
Plan Sponsor Disclosures:
Pricing for our Recordkeeping services in the pages that follow is presented in a “Gross to Net” format. The example above shows that our Gross recordkeeping fee is the maximum fee that Touchstone will receive for its services, either as a direct charge to the plan assets and/or indirectly in the form of shareholder servicing fees paid to us by the investment companies. As previously stated, our policy is to fully disclose the amount of revenue sharing that we receive from the plan’s investments and to then subtract that revenue from our Gross recordkeeping fee. What remains is our Net recordkeeping fee which is the amount that we “sweep” from the plan assets as compensation for our services.
1. Assumptions:

Pricing for this plan is based on the following assumptions:

- **Plan Size:** $1,500,000
- **Participants with balances:** 50

2. Plan Establishment Fees:

<table>
<thead>
<tr>
<th>Service</th>
<th>Description</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Set up &amp; Takeover Fee</strong></td>
<td>Reconcile plan level and individual account balances from prior vendor</td>
<td>$750</td>
</tr>
<tr>
<td></td>
<td>Establish individual participant accounts by allocation and investment source</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Establish participant access to Voice Response Unit (VRU) and internet site</td>
<td></td>
</tr>
<tr>
<td><strong>Document Fee</strong></td>
<td>Draft a new Plan &amp; Trust Document to meet the design objectives of the trustees</td>
<td>$650 (prototype)</td>
</tr>
</tbody>
</table>

3. Annual Third-Party Administration (TPA) Fees:

<table>
<thead>
<tr>
<th>Service</th>
<th>Description</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Administration</strong></td>
<td>Initial plan design and interpret plan documents</td>
<td>$1,250</td>
</tr>
<tr>
<td></td>
<td>Perform all required discrimination tests</td>
<td>-plus-</td>
</tr>
<tr>
<td></td>
<td>Prepare annual report and signature-ready 5500 in accordance with IRS regulations</td>
<td>$24 Per Participant</td>
</tr>
</tbody>
</table>

4. Recordkeeping & Custody Fees:

<table>
<thead>
<tr>
<th>Service</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recordkeeping &amp; Custody of Plan Assets</strong></td>
<td>Daily valuation of participant account balances.</td>
</tr>
<tr>
<td></td>
<td>Daily transaction processing</td>
</tr>
<tr>
<td></td>
<td>Plan Sponsor and participant Internet account access</td>
</tr>
<tr>
<td></td>
<td>vWise SmartPlan software</td>
</tr>
</tbody>
</table>
|                                      | Custody and trading through Mid Atlantic Trust Company                      | 0.30%
5. Annual Advisory Fees:

- **Investment Advisory and Fiduciary Services**
  - Ensure Plan Sponsor’s overall satisfaction and understanding of the retirement plan
  - Education to plan participants with respect to the benefits of the retirement plan
  - Investment advice to plan participants
  - Selection of investment options available in the retirement plan by Ladenburg Thalmann, a professional money manager
  - Ongoing performance monitoring of investment options by Ladenburg Thalmann, including recommendations to remove/replace underperforming investments
  - 3(21) co-fiduciary status of investment selection and full 3(38) fiduciary status on discretionary model portfolios
  - 0.65%

6. Ancillary Fees:

- On-line Enrollment Material: Included
- On-line Loan Processing (annual): $50
- On-line Distribution Processing: $50 (includes 1099 & 945)
- Qualified Domestic Relations Order: $150
- Annual Custodial Reports: Included
- Directed Trustee Services: $1,000 through Premier Trust
- Self-Directed Brokerage: $150 per account / year plus applicable transaction fee(s)
- Enrollment Support: $500/day (4 meetings/day) plus travel expenses (air, car rental, hotel & meals)
- Plan Termination/Electronic Exit File: $500