# DETAILED METHODOLOGY

Retirement Quick Check

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Fidelity INVESTMENTS®

# RETIREMENT QUICK CHECK METHODOLOGY

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## 1. OVERVIEW

### Objective

The primary objective of Fidelity's Retirement Quick Check ("the tool") is to help you identify a strategy for saving and to begin to create a plan to address the key risks you may face before and during retirement. The tool gathers information about your situation and roughly estimates how a portfolio similar to yours may grow over time. The tool allows you to explore changes and see the potential impact they may have on your retirement plan. The tool is only as good as the information you put into it. The tool is designed to gather a moderate amount of information, particularly for those users four or more years away from retirement. If you are less than four years from retirement, are already retired, or want to put more detail into your plan, such as detailed and varied expense amounts, consider using our Retirement Income Planner or Income Strategy Evaluator if it is available to you.

Throughout the tool, we suggest you make certain assumptions that are conservative, such as life expectancy and market performance. The tool is based on historical market performance, although the market's past performance does not predict how it will perform in the future. (See Historical Performance Analysis). While your decisions regarding concepts such as asset allocations, selection of investment products, etc., should be made with an assessment of the risk and return trade-offs if market returns continue at historical averages, you should also have an understanding of what your plan offers if markets perform significantly lower than they have in the past. By adopting more conservative assumptions, you build a plan that has a greater potential to succeed regardless of risks. We encourage you to control your own retirement planning situation and expectations by building a sound plan.

**IMPORTANT:** The projections or other information generated by Fidelity's planning tools regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary with each use and over time.

Any data and account information you have included in the tool may also be included in certain other Fidelity tools.

### Limitations of Tool

It is important to remember that the tool is not intended to project or predict the present or future value of actual investments or actual holdings in your portfolio (or a selected target asset mix), or actual lifetime income. Also, the tool should not be used as the primary basis for any investment or tax-planning decisions. All calculations and results generated by the tool are based on a historical performance analysis of certain asset mixes and are intended to provide you with a general idea of how a particular asset class mix similar to your portfolio (or selected target asset mix) has performed historically. The tool assumes a level of diversity within each asset class consistent with a specific market index; thus relatively large holdings of individual securities will result in a less accurate analysis. All calculations are purely hypothetical and will not affect your actual accounts. The historical performance analysis 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. Also, it is not possible to invest directly in an index. Performance returns for actual investments will generally be reduced by fees or expenses not reflected in these hypothetical illustrations. The hypothetical illustration does reflect mortality and expense fees for variable annuities. Returns also will generally be reduced by taxes. Certain income taxes have been assumed and estimated by the tool but may not reflect all taxes applicable to your specific situation. While reasonable efforts are made to use and maintain the most current actual rates, income tax brackets, and other tax rules for estimating taxes, there may be a time lag between when new actual tax rates, brackets, and other rules become effective and when the tool is updated to reflect them. See Tax Calculations and Assumptions for additional details on how the tool calculates estimated income taxes.

The tool is an educational tool developed by Strategic Advisers, Inc., a registered investment adviser and a Fidelity Investments company, and offered for use by:

- Fidelity Brokerage Services LLC, or
- Fidelity Investments Institutional Services Company, Inc.

Investment education provided by the tool regarding annuity and insurance products is provided by Fidelity Insurance Agency, Inc.

### Who Should Not Use the Tool

The tool takes into account certain tax rules that are based primarily on the assumption that a person has only a U.S. tax liability. It also assumes that information about any spousal relationship will continue until the death of that person. The tool assumes that you and the "spouse/planning partner" can file a federal tax return as "Married Filing Jointly." It also assumes that you and the "spouse/planning partner" qualify for certain Social Security benefits, transfer-tax marital deductions, and other benefits to which only individuals qualifying as "spouses" under federal tax or other law may be entitled. These assumptions may not be appropriate in the context of planning with "planning partners," and the tool results may not therefore be appropriate if "planning partner" rather than "spouse" information is entered. If you are in any of the following situations, you may want to consult your tax advisor or a Fidelity Representative before using the tool. The outputs may not be applicable if you:

- Have a foreign tax liability
- Are subject to alternative minimum tax (AMT)
- Are subject to the Medicare surtax on investment income
- Are in court/legal proceedings (divorce, probate, etc.) where final asset amounts are in question

### Household Retirement Status

For those people who indicate they are four or more years from retirement, based on subtracting their current age from their retirement age, the tool considers their status to be "Accumulators." For people less than four years away from retirement but not yet retired, the tool considers their status to be "Preretirees." People who are retired are considered "Retirees." Certain functionality is available based on the life stages of the people for whom the plan is designated. If a person is planning with a spouse/planning partner and the individuals are in different life stages (e.g., a Preretiree and an Accumulator), the tool assumes a collective household using the later life stage—in this example, a Preretiree. Expenses and budget reconciliation will begin with the first person entering retirement.

Note: If your spouse/planning partner is not retired, but not currently working, enter the age at which she or he plans to retire.

## 2. HISTORICAL PERFORMANCE ANALYSIS

### Asset Liability Modeling Engine

Your Retirement Plan results provide a numerical and graphical display of the results from our Asset Liability Modeling engine. You have the ability to change inputs and certain assumptions and have the engine recalculate your plan. Each time the engine recalculates your plan, the most recent information is stored and used when you revisit the tool or when using other planning tools at Fidelity.

Note that the information you enter and save in the tool may also update the stored information in other Fidelity tools.

The Asset Liability Modeling Engine is based on historical market data using Monte Carlo simulations to consider the probabilities your portfolio might experience under different market conditions. A straightforward deterministic model, where returns are assumed to be the same every year, does not usually yield the most reliable results. While over very long periods of time, markets have averages, it is often the case that the market performs both above and below these averages.

The analysis is performed in several steps. First, asset-class percentages of an asset allocation similar to your current holdings (or the selected target asset mix) are identified. Then, based on historical asset class performance data, a set of hypothetical financial market return scenarios or simulations (a minimum of 250) are run to determine how each of the identified asset allocation groups might have performed in a variety of market conditions over a specified time period. The simulations are designed to reflect historical market volatility.

The historical performance analysis is an illustration of how a mix of asset classes similar to your mix of asset classes would have fared under historical market conditions, given your stated financial goals and assumptions. You also have the opportunity to see an analysis illustrating a Fidelity model asset allocation given your stated financial goals and assumptions. It does not provide a prediction of your ability to meet your goals; rather, it provides a look at the effect of historical market conditions on your investment strategy and a rough estimate of your ability to satisfy your need for income in retirement based on that investment strategy.

### Market Condition Confidence Levels

The tool graphs results of the analysis based on how an asset allocation similar to your asset allocation (or the selected target asset mix) performed in a certain percentage of the simulated market scenarios. For example, we consider "Average" market performance at the 50% confidence level. This means that in 50% of the historical market scenarios run, an asset allocation similar to yours performed at least as well as the results shown. Conversely, in 50% or ½ of the historical market scenarios run, an asset allocation similar to yours failed to reach the results shown. Fidelity uses this 50% figure to provide education on how risk affects the returns of certain portfolios.

While considerations of risk may be made at the 50% level, you should also have an understanding of how your plan supports your goals prior to and during retirement if markets do not go your way. For this, we also present your plan under the "Poor" market assumption at the 90% confidence level. Under this scenario, markets perform significantly lower than historical averages. This means that in 90% of the historical market scenarios run, an asset allocation similar to yours performed at least as well as the results shown. It is important to know whether your plan can support the levels of income you indicated if an extended downturn in the markets occurs. If not, then you may still decide to make investment decisions based on averages, but maintain the option, if possible, to reduce your expenditure forecasts to have the necessary income for the duration of your retirement.

| Market Conditions | Performance Assumptions Fail | Performance Assumptions Meet or Exceed | Confidence Level |
|---|---|---|---|
| **Market Performs Poorly**<br>If markets perform ***significantly lower*** than historical averages, you will receive a very conservative analysis. | 1 out of 10 times | 9 out of 10 times | 90% |
| **Average Market**<br>If market ***averages continue***, you will receive an average analysis. | 1 out of 2 times | 1 out of 2 times | 50% |

**Likelihood of Success**

The likelihood of success is determined by running your plan through a minimum of 250 hypothetical market simulations and determining how many of the simulations provide you with assets until the end of your plan.

The objective of a solid plan is that it covers your anticipated expenses and tax needs, based on your anticipated income and assets, through the end of your planning time frame. This means that even in the most extreme down markets, your plan would seek to have sufficient assets to fund expected expenses.

Fidelity suggests this level of success be 90% or more, which means that 9 out of 10 times your plan achieves success. In the tool, we display both the 90% and 50% levels of market confidence so that you can better understand the results and impact of changes to your plan under various market conditions.

Note that the projected likelihood of success figures are hypothetical in nature and, while accurate based on all the assumptions made, many factors may and will change between now and the end of your plan, which may result in a different outcome.

Note that the projections do not reflect the impact of any transaction costs or management and servicing fees (except variable annuities); if these had been included, the projected account balances would have been lower.

**Understanding the Effect of Market Performance on Your Assets**

*Average Performance Simulation*—Retirement Quick Check (RQC) graphs results of the analysis based on how an asset allocation similar to your asset allocation (or the Fidelity-suggested target asset mix or the target asset mix you select) performed in 50% of the simulated market scenarios. Under average market performance simulations, half of the scenarios resulted in equal or higher amounts of assets (or length of time covering expenses) and half resulted in fewer assets (or a shorter period of time covering expenses). Basing your plan on 50% market confidence can show favorable results for some, but it comes with the risk that in 1 out of 2 times your plan failed to reach these results in the tested simulations.

Note: The average performance simulation does not mean that the tool uses a historical market average to model market performance at a steady rate of return each and every year. We use a probabilistic modeling approach to simulate market volatility over time.

*Poor Market Performance Simulation*—RQC graphs the results of your plan under unfavorable market conditions, selecting a level of market confidence where 90% of the simulated market scenarios result in equal or higher levels of assets or a longer amount of time that expenses are covered. Conversely, in only 10% of the historical market scenarios run, an asset allocation similar to yours failed to reach the results shown. Basing your plan on a 90% market confidence can show less favorable results for some, but it comes with the advantage that in only 1 out of 10 times your plan failed to reach these results in the tested simulations.

*Retirement Expenses Supported by Assets & Income*—If according to the results, your assets are sufficient to cover your retirement expenses throughout your planning horizon, the tool presents an increased spending amount. If you choose to increase your monthly spending, then the assets at the end of your plan will decrease approximately to zero. If according to the results, your assets are not sufficient to cover your retirement expenses throughout your planning horizon, the tool presents a decreased spending amount. This decreased amount also anticipates that the assets at the end of your plan will be approximately zero.

*Increasing Your Probability of Success*—To increase your probability of success within the tool, consider changes such as increasing your savings, changing your asset allocation strategy, delaying retirement, or reducing your expenses. Note that some changes, such as a shift in your asset allocation may have a positive effect on one market performance confidence level and a negative effect on the other. For example, if your current retirement assets have a very low exposure to equity investments, increasing your equity allocation will show that high risk over time may result in scenarios that show increases in value under the 50% market conditions (Average Performance Simulations). Conversely, additional exposure to equities, in extended down markets, may demonstrate that additional risk exposure could result in simulations with even greater losses in portfolio values.

*Above 90%*—If your plan has illustrated a 90% or better probability of success, you have constructed what we believe to be a solid plan based on historical market returns. You might consider establishing other goals or increasing your expenses (e.g., give yourself a raise in retirement income by taking more money from your assets). Of course, if you divert retirement assets to other goals, such as estate planning or college funding, be sure to consider the effect on the amount of assets that are left at the end of your plan. In addition, consider how changes may impact your market performance confidence level. Note that assets at the end of the plan are assumed prior to distribution to beneficiaries and do not factor in any applicable estate taxes.

**Historical Performance Analysis Limitations**

Historical performance analysis figures do not represent the actual or hypothetical performance of your actual holdings, and exclude lifetime income amounts. They are based on the mix of asset classes currently in your Fidelity accounts and any account asset class information you manually entered (or a Fidelity model asset allocation). In addition, if you hold an investment for which Fidelity does not have asset allocation or underlying holdings information, this investment will be classified as "unknown." BrokerageLink® assets are also classified as "unknown." If you hold an investment for which Fidelity has information, but that cannot be classified as either a stock, bond, or short-term investment, that investment is classified as "other." Non-financial assets you have manually entered into the tool (such as a home or art collection) or assets imported by account aggregation are classified as "other." For the purposes of analysis in the tool, total assets classified as "unknown" or "other" are normalized to reflect your current asset allocation and are then included in the stock, bond, or short-term categories based on your current asset allocation percentages. However, these assets may or may not actually perform according to this allocation. If your holdings are nondiversified within an asset class (such as a single security like company stock), the historical performance analysis performed by the tool may not be applicable to your holdings.

Although past performance does not guarantee future results, it may be useful in comparing alternative investment strategies over the long term. Performance returns for actual investments will generally be reduced by fees or expenses not reflected in these hypothetical illustrations.

**Monte Carlo Simulations**

Monte Carlo simulations are mathematical methods used to estimate the likelihood of a particular outcome based on historical market performance analysis. The Monte Carlo approach has been around since the early half of the 20th century and is used across many fields, such as physics, chemistry, and biotechnology to solve complex science problems, particularly those that fall into a nonlinear category. The tool uses the Monte Carlo approach in which markets are assumed to change. Historical performance simulations are conducted to determine the probability that a portfolio may experience a certain minimum level of performance.

Monte Carlo simulations are analogous to rolling several pairs of dice. Each Monte Carlo simulation reproduces a random set of results by generating a random return for the scenario. When analyzed together, these results suggest a probability of occurrence. For example, if you repeatedly roll four dice at the same time, the probability of all sixes coming up in the same roll is very low; however, other results may be more probabilistic, such as one six occurring in any given roll. For the purposes of our Monte Carlo simulation, we randomly generate a series of hundreds of returns for a given scenario. Together, these scenarios provide a probability that a certain amount (or greater) of assets/income occurs at that level.

**Estimated Returns**

To project estimated income and assets over your stated planning time frame, the simulations utilize estimated returns for each asset class (stocks, bonds, and short-term investments) and an estimated inflation rate. Estimates are based on long-term historical average inflation-adjusted market return data and the Federal Reserve's longer-run inflation goal.

**Assumptions in Monte Carlo**

Volatility of the stocks (domestic and foreign), bonds, and short-term asset classes is based on the historical annual data from 1926 through the most recent year-end data available from Ibbotson Associates, Inc. Stocks (domestic and foreign), bonds, and short term are represented by the S&P 500® Index,* U.S. Intermediate Term Government Bonds, and the 30-day U.S. Treasury bill, respectively.

Annual returns assume the reinvestment of interest and dividends, no transaction costs, and no management or servicing fees, except for the mortality and expense fees applied to variable annuities and the rebalancing of the portfolio every year. The calculation does not include annual returns of individual portfolio securities or any securities you hold, so the tool's analysis is performed on asset classes, not individual securities. All investments within an asset class are treated the same for historical performance purposes. It is not possible to invest directly in an index. All indexes include reinvestment of dividends and interest income.

**Risk and Return**

A Monte Carlo simulation of capital market returns takes into account estimated returns from each asset class (e.g., cash, fixed income, equities), their volatility, correlations between them, and other factors, all based on historical statistics. Random rates of return are generated by sampling values from a probability distribution such as a bell curve (e.g., "lognormal" distribution). Returns from equity asset classes (such as Canadian, U.S., or international equities) are historically higher than returns from lower risk (such as fixed income) or risk-free investments (like cash or GICs). But higher equity returns also have greater risk associated with a wider range of outcomes—from complete loss of capital to appreciation many times over the initial purchase price. They also experience greater volatility.

Asset classes, when considered within a framework of historical performance conditions, have a clear correlation among each other and are not considered independently. These mathematical relationships can be quantified and fitted in the model.

**Varying Results**

Market swings can be risky, particularly when you depend on your assets to provide income. Using an average does not capture the highs of the late '90s technology boom, or when the bubble burst and markets fell in 2001 and 2002. When deciding on a portfolio asset allocation, it helps to understand the potential impact of risk that comes with more volatile investments. The more equity you have, the more uncertain your future returns might be. Monte Carlo approaches help you understand the risk reward trade-offs that come with investing.

**Data Used to Classify Assets**

Holdings data used to classify mutual funds and other financial assets are provided from a variety of independent sources. Holdings data (including asset allocation, equity industry sector, equity style, and foreign vs. domestic classifications) for publicly available mutual funds are obtained monthly from an independent third-party vendor, Morningstar, Inc.† Data is only as current as the holdings information supplied to Morningstar by third parties and may be up to 12 months old. In some cases (e.g., newer funds), the third-party vendor may not have holdings information and therefore such funds are classified as "unknown." In some other cases, the third-party vendor may not recognize all the holdings within a mutual fund. In these cases, the third-party vendor provides analysis only on the recognized portion of the fund. Therefore, the asset allocation and equity sector analysis may not be able to be fully classified. The unrecognized holdings are then classified as "unknown."

Note: Assets classified as "unknown" or "other" are included in the stock, bond, or short-term categories based on your current asset allocation percentages. A hypothetical asset allocation scenario is presented below:

Stocks 40%
Bonds 20%
Short Term 15%
Other 10%
Unknown 15%

*The S&P 500® Index, an unmanaged market capitalization–weighted index of common stocks, is a registered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates.

†Morningstar, Inc., is an independent provider of financial information. Morningstar does not endorse any broker-dealer, financial planner, insurance company, or mutual fund company.

The tool combines the percentages of other and unknown to calculate historical market performance figures. It then takes the percentage of each known classification (stocks, bonds, short term) and divides it by the total percentage of stocks, bonds, and short term. This calculation results in a normalized mix percentage adding up to 100%.

Other + Unknown = 25%
Stocks + Bonds + Short Term = 75% {or 100%—total for Other and Unknown (25%)}
Stocks % (40%) / 75% = 53%
Bonds % (20%) / 75% = 27%
Short Term (15%) / 75% = 20%

For proprietary mutual funds and other pooled investment options unique to certain retirement plans (e.g., commingled pools or separate accounts), the tool relies on underlying holdings provided quarterly by Fidelity affiliates, plan sponsors, and external money managers. In the event that current quarterly holdings are not available, the latest available data will be used.

In the case of individual securities held within an account, the tool's analysis determines the industry sector using the same parameters used by the third-party vendor providing underlying holdings data for publicly available mutual funds. Individual stock data are provided by Standard & Poor's® Compustat. In the rare instance where such data are not available from the third-party vendor, Strategic Advisers, Inc., a registered investment adviser and a Fidelity Investments company, will determine the industry sector using publicly available information. If not available, the holdings will be classified as "unknown." Investment information provided to Strategic Advisers, Inc., is not based on contemporaneous data, but rather third-party data. Strategic Advisers, Inc., is not responsible for the accuracy of data provided by third parties.

**Look-through Analysis**

Look-through analysis is the categorization of a portfolio based on the underlying value and type of assets held in each underlying investment (based on data from the third-party sources described above). Rather than simply classifying investments as stocks, bonds, or short-term investments, this approach analyzes the underlying holdings of the investments to discern a more accurate exposure to all asset classes, as well as specific industry sectors. For the tool, look-through analysis is applied to all accounts that have holdings information automatically updated in the tool, which includes all accounts except those that you have manually added.

**Dollar Values: Future vs. Current**

Future dollars and current dollars (also known as "today's dollars") are different ways of viewing values over time. Both ways are correct means of presenting values. Future dollar values illustrate how a current expense would grow over time taking into account the effects of projected inflation. This method is used to estimate the effects of inflation. Note that the tool always uses your stated retirement date, or the current year if you are already retired, as the date for which this valuation is made on your expected retirement expenses. If you indicated that you are already retired, the tool will provide a future dollar amount that is equal to today's value.

Current dollars represent the inverse, which is the cost of a future value at the current point in time. When calculating a value in current dollars, we remove the effects of projected inflation over time to determine the value in current terms. Some people have an easier time understanding a value if it's translated to the equivalent value today. In such a case, the reverse calculation is performed where we back out inflationary growth over time to determine the value in current terms. If you state a payment as occurring today or in the current year, there is no inflationary impact and the values will be the same. Note that if you indicated you are already retired, the first-year amounts the tool provides for each of current dollars and future dollars are equal.

## 3. ASSETS INCLUDED IN THE TOOL

**Accounts at Fidelity**

Certain accounts maintained by or at Fidelity automatically display and are defaulted to be included in your plan, although you always have the option of de-selecting if you prefer not to include them. Accounts may include:

- Taxable Accounts
- Traditional IRAs
- Roth IRAs
- SIMPLE IRAs
- 401(k) Plans (Including Roth Sources)
- 403(b) Plans (Including Roth Sources)
- Deferred Annuities
- Income Annuities
- SAR-SEP IRAs
- SEP-IRAs
- Keogh Plans
- 457(b) Plans
- Employer Stock Ownership Plans
- 401(a) Qualified Plans
- Lump-Sum Defined Benefit Pension Plan Payments
- Nonqualified Deferred Compensation Plans

Note: Fidelity Advisor Fund assets held outside your employer-sponsored plan are not automatically displayed in the tool and must be entered manually. Health Savings Accounts are not included in the tool.

**Authorized Accounts**

Accounts that have been authorized to be associated with your Social Security number will also appear in the tool. An authorized account is an account for which you have been provided inquiry (or higher) authorization by the account owner. The person who has provided authorization to you is either an individual (not a corporation, trust, or other entity) or an owner, trustee, custodian, fiduciary, or a joint or beneficial owner of a Fidelity mutual fund or brokerage account otherwise accessible through Fidelity.

Note: It may not be appropriate to include an authorized account in your retirement income plan if you have no ownership in that account. For security purposes, Fidelity accounts held by a spouse are not automatically included.

**Annuities**

Any deferred or income annuity held at Fidelity is automatically imported into the tool. Information about annuities held outside Fidelity must be manually entered by you. Deferred annuities held as individual contracts or as positions within employer-sponsored plans are displayed under Assets. Income annuities appear as sources of retirement income.

**Workplace Savings Accounts**

For workplace savings plans that are recordkept at Fidelity (excluding nonqualified deferred compensation plans, Fidelity Retirement Plan (Keogh) and Self-Employed 401(k) plans, and SEP, SAR-SEP, and SIMPLE IRAs), your plan deferral information is automatically imported into the tool, including any employee pretax, Roth, non-Roth after-tax, and catch-up contributions. In some cases, the plan sponsor has also provided plan rule information, including matching, mandatory, and profit-sharing contributions, as well as plan minimum and maximum contribution limits, and these will be included in the tool's calculations. Check the Contribution Details page (which you can access from the Contribution Details link on the Accounts page) to see if your workplace savings plan has this information included. The tool does not take into consideration loans or loan payments from your current workplace savings account when assessing your retirement goal.

**Defined Benefit Pension Plans**

Any defined benefit pension plans recordkept by Fidelity that are not currently paying benefits are automatically included in the tool as lifetime income, provided you also have a Fidelity 401(k), 403(b), or 457(b) account. The benefit listed initially defaults to the amount you would receive if you were fully vested, worked at the company offering the benefit until full retirement age, and received a salary increase each year using the plan's default, typically 3%. You can edit that salary increase. For other purposes, the tool defaults salary growth to the general inflation rate, but that can also be edited to a rate of your choice. These updates do not impact the values used to calculate your defined benefit values, which are calculated outside the tool, and the data is used as is. Otherwise, you will need to enter information on your defined benefit plans manually. Defined benefit accounts recordkept at Fidelity that are currently paying benefits to you will not be listed in the Income section automatically. You will need to enter them manually.

If your pension is recordkept by Fidelity and if your plan offers options for distributions, you can model different options using the Add/Edit Details link. This information regarding the payments or streams of income and the options available is then imported to your plan and becomes the default amount for all the planning tools at Fidelity. Any lump-sum values reflected will be treated as an IRA for purposes of calculating your retirement income in the tool. Your target asset mix, if selected (or your current asset allocation, if applicable), will be applied to this hypothetical IRA, which may result in changes in represented value between lifetime income and investment income shown.

For Single Life Annuity and Joint and Survivor pension options, the tool assumes that the benefit will continue for you or your survivor's life. For Step Adjustment pension plans with Single Life Annuity and Joint and Survivor payment options, if the last step does not include an end date then it will continue for your or your survivor's life. For a Certain and Continuous pension option, the end date is the last payment date provided for under the specified time frame for the payment stream (e.g., five years). If you change the pension start age, the Social Security start age is not automatically changed and your data may be out of sync.

Note that changes to distributions are not made to your actual pension plan. If you are entering the distribution phase of retirement and wish to begin receiving payment(s), please contact your Fidelity Representative or your employee benefits department directly.

Please consult your tax advisor if you have any questions regarding the taxability of your pension benefit. See Tax Calculations and Assumptions for additional details on material tax assumptions related to pension benefits and how the tool calculates estimated income taxes on pension benefits.

**Nonqualified Deferred Compensation Plans**

If you participate in any nonqualified deferred compensation plans recordkept at Fidelity, the tool automatically includes any amounts or positions maintained for your benefit. Any contribution elections you have made in your plan are not automatically included for planning purposes. The tool uses any contribution amounts you enter in the tool for yourself and/or your employer. If you do not enter contributions, a value of $0 is used for contributions. No contribution limits are applied.

The tool assumes there are no predefined rules or elections for taking distributions from your nonqualified deferred compensation plans. The tool permits distributions from nonqualified plans at any time, and never forces distributions to occur. There are no minimum required distributions (MRDs) and no penalties for early withdrawal (i.e., before age 59½). All distributions from nonqualified plans are assumed to be fully taxable. The tool also assumes that FICA taxes are not due at retirement (or at any time of distribution) but are paid on an ongoing basis.

Your actual account value at any point in the future for your nonqualified plans will be determined by any plan activity and any investment increases or losses that might occur. Any plan amounts or positions reflect an unsecured promise your employer has made to you to pay a benefit sometime in the future. In the event your employer were to become insolvent, you may not receive any money from these plan(s). Please refer to your plan materials for more details, including any distribution elections you may have made.

For your nonqualified deferred compensation plans that are recordkept at Fidelity, your actual account value at any point in the future is determined by any plan activity and any investment increases or losses that may occur. Any plan amounts or positions reflect an unsecured promise your employer has made to you to pay a benefit sometime in the future. If your employer becomes insolvent, you may not receive any money from these plans. Please refer to your plan materials for more details, including any distribution elections you may have made that may not be reflected in the tool. (See Tax Calculations and Assumptions for additional details on how the tool calculates estimated income taxes on nonqualified plan account assets.)

**Updating Account Data**

In the tool, market values, account balances, and account positions for employer-sponsored savings plans (e.g., 401(k), 403(b), and 457(b) plans) and personal investing accounts you hold at Fidelity will be automatically updated. Non-Fidelity accounts that are aggregated using Full View® (if you have this service available to you) will also be automatically updated in accordance with the terms of that service. You are responsible for updating the account positions and market value of any other accounts. If you participate in a defined benefit pension plan that you have manually added, you may be able to make changes to your pension benefits. If you make changes outside the tool, the pension benefit information is not updated automatically.

**Manually Entered/Other Accounts**

If you previously used certain other Fidelity tools and manually entered accounts into them, those accounts will automatically appear in the tool. If you are using the tool for the first time, and did not previously use other Fidelity tools, you will be able to manually add accounts in a generic format or in a more detailed manner using the "Add Other Accounts" link. Please note that it is not possible to add Roth contribution sources to a manually added 401(k) or 403(b) account. We strongly encourage you to use the more detailed manner of adding accounts, as it will provide more information for the calculations and better approximate the asset classes of all your holdings. 529 plan, Coverdell, and UGMA/UTMA accounts can be manually added into the tool, although you may want to consider their appropriateness for your retirement plan. If they are added, 529 plan accounts and Coverdell savings accounts are treated as tax-free accounts, and UGMA/UTMA accounts are treated as taxable accounts.

If using the generic format for entering non-Fidelity assets, you will be asked to provide information about the overall asset allocation for the grouping of retirement accounts and for any taxable grouping you indicate. Retirement accounts entered under this format will be treated as tax-deferred accounts, so it is recommended that tax-free accounts, such as Roth IRAs and Roth 401(k)s, not be entered in this manner. You can choose the percentage of individual stocks or stocks in mutual funds as follows:

- 100% Stocks, 0% Bonds, 0% Short Term
- 85% Stocks, 15% Bonds, 0% Short Term
- 70% Stocks, 25% Bonds, 5% Short Term
- 50% Stocks, 40% Bonds, 10% Short Term
- 20% Stocks, 50% Bonds, 30% Short Term
- 0% Stocks, 0% Bonds, 100% Short Term

Because these accounts may or may not grow in value each time you use the tool, it is your responsibility to maintain their asset totals and allocations if they are part of your plan. The tool will not update these values for you.

**Detailed Non-Financial Assets and Income from Financial Events**

The tool allows for the entry of non-financial assets such as art collections, as well as for certain financial events such as the sale of a home or a business. The sale of a home or business and the taking of all or a portion of the cash surrender value of a life insurance policy can be entered in three different ways—(1) as an income source within the Income section of the tool, (2) as a financial event within the Asset section of the tool, or (3) as a detailed account/asset within the Asset section of the tool. From a tax standpoint, it may be more appropriate to enter these financial events the third way, as more detailed data can be entered to help the tool calculate the estimated taxable income from the sale of such assets. If you have entered one of these financial events using one method, do not reenter the data using another method as the tool will double-count the sale and resulting proceeds.

Regardless of where you enter the information, you are responsible for determining and/or estimating any basis, cost, expenses, proceeds, market value, or other values related to these items. Because these items may or may not grow in value, it is your responsibility to maintain their values if they are part of your plan. The tool, however, will assume that these items increase in value with the tool's general inflation rate or the rate you set in the detailed entry screens of the tool.

The tool assumes that the net proceeds (entered by you or calculated by the tool based on the data you entered) from an inheritance, the sale of a home, business or stock options, a lump-sum distribution of assets in tax-deferred accounts (except from a pension), and/or from taking all or a portion of the cash surrender value of a life insurance policy will be invested in a hypothetical taxable account to help cover retirement expenses. If you intend to purchase other assets with the proceeds, use some or all the proceeds for nonretirement expenses, and/or will incur new expenses as a result of the sale (for example, rental expense instead of mortgage expense), you might need to adjust the net proceeds you enter and/or also update your expenses with this additional information.

#### Asset Allocation of Certain Proceeds and/or Income Assumed to be Invested in a Hypothetical Taxable Account

Whenever the tool assumes that proceeds or income are invested in a hypothetical taxable account, such account is assumed to have an asset allocation that is the same as the target asset mix you selected, or, if none was selected, an asset allocation mix based on current holdings in all the accounts you indicated were allocated to your retirement goal. If no accounts were allocated to your retirement goal, then the tool assumes an asset allocation is based on the current holding in all the accounts included in the tool. See the Tax Calculations and Assumptions section of this methodology for details of how the tool estimates the taxes on the proceeds and income from the sale of various kinds of assets.

#### Accounts Not Automatically Included in the Tool's Analysis

A Full View® account (if this service is available to you) is an online account held at another institution from which you have authorized Fidelity to import your account data electronically. However, while authorized accounts and chosen Full View accounts automatically display in the tool, these accounts are not automatically included in the tool's analysis. Assets in Fidelity Advisor Funds held outside your employer-sponsored plan are not automatically included in the tool and must be entered manually. Other accounts held at Fidelity such as UGMA, 529, corporate accounts, and certain trust accounts will be listed in the Account section but are not automatically included. Limited partnership accounts and certain non-prototype retirement accounts that are not held under your Social Security number at Fidelity will not be listed, and, if appropriate to include in your retirement plan, must be manually entered into the tool as well as manually updated.

#### Margin Balances

Margin balances are not considered in the tool. Asset allocation and the corresponding risk of your accounts is determined from the market value of all your positions (account holdings), excluding any margin debit balance. Because margin increases your risk, the exclusion of margin balances results in a determination of market risk that is less than your actual market risk—to the extent you have a margin debit. The exclusion of margin will also result in a determination of actual and projected hypothetical net worth that is greater than would be calculated if margin were included. You may want to consider the applicability of results in the tool if you have a margin debit balance. Margin debit balances do not apply to retirement plans or accounts.

#### Unsettled Transactions

Unsettled transactions pending in any of your selected accounts at the time of your tool interaction may materially impact the value of that account included in your analysis. For an unsettled equity purchase, the value may be materially overstated (and the investment risk understated) due to cash remaining in the account, and for an unsettled equity sale, the value may be materially understated (and the investment risk overstated). Depending on the size and scope of such unsettled transactions, you may want to exclude the affected account(s) from your analysis or, if included, consider the reliability of the tool's results.

## 4. TAX CALCULATIONS AND ASSUMPTIONS

Taxes can play an important role in how money grows over time. Given the same investments in the same proportions, assets in tax-advantaged accounts have the potential to grow faster than assets in taxable accounts, as the earnings in tax-advantaged accounts are not taxed until time of withdrawal, and in some cases not at all. However, while distributions from tax-advantaged accounts are often taxed at ordinary income tax rates, earnings on taxable accounts may be taxed at the more favorable rates applicable to long-term capital gains, qualified dividends, and certain other types of income.

The tool estimates federal, state, and local individual income taxes on, among other things, investment earnings, distributions from tax-free and tax-deferred retirement plans, Social Security, and any earned income or salary. It does not calculate actual tax liabilities or benefits and, therefore, should not be used for tax planning or tax reporting purposes. Rather, the tax calculations for any particular year are reasonable approximations based on information provided by you, tax rate data supplied by third parties, and projected inflation adjustments to tax brackets, among other things. Any tax estimates and tax information provided are not, and should not be construed as, legal or tax advice. While reasonable efforts are made to use and maintain the most current actual rates, income tax brackets, and other tax rules for estimating taxes, there may be a time lag between when new actual tax rates, brackets, and other rules become effective and when the tool is updated to reflect them. For tax reporting, you should rely on the official tax forms mailed to you each year and your or your tax advisor's calculations for tax reporting purposes. Consult your tax advisor regarding questions specific to your tax situation.

| Taxable Accounts | Tax-Deferred Accounts/Plans and Annuities | Tax-Free Accounts | Other Taxable Income or Events |
|---|---|---|---|
| Brokerage Account | 401(k) (including SIMPLE 401(k) and "BrokerageLink®" Accounts within Such Plans) | 529 College Savings Plan Account | Social Security Benefits |
| Mutual Fund Account | 403(b) | 529 Prepaid Tuition Plan Account | Part-Time Earnings |
| Checking Account | 457 | Coverdell Education Savings Account | Other Additional Earned Income |
| Savings Account | Thrift Plan | Roth IRAs[1] | Rental Income |
| UGMA/UTMA Account | Profit Sharing Plan | | Royalty Income |
| | Money Purchase Pension | Roth 401(k) source[2] | Distributions of the Cash Value of Life Insurance[3] |
| | Keogh Money Purchase | Roth 403(b) source[2] | Sale of Stock Acquired through Stock Options |
| | Keogh Profit Sharing | | Sale of Non-Financial Asset |
| | Traditional IRA | | Sale of Home/Residence |
| | Rollover IRA | | Sale of Other Real Estate |
| | SEP-IRA | | Sale of Business |
| | SAR-SEP IRA | | Inheritance |
| | SIMPLE IRA | | |
| | Defined Benefit Pension Plan | | |
| | Nonqualified Deferred Compensation Plan | | |
| | Qualified Annuity | | |
| | Nonqualified Annuity | | |
| | 401(a) Plans | | |
| | Employer Stock Ownership Plans | | |

[1] Qualified distributions include those that meet the IRS five-year aging requirement *and* are made on or after the attainment of age 59½, made to a beneficiary or estate of the original owner on or after the account owner's death, made if a client becomes disabled, or made for a first-time home purchase. Nonqualified distribution of earnings will be taxable and may also be subject to penalties.

[2] Roth 401(k) and Roth 403(b) sources are part of a 401(k) or 403(b) account, respectively. The tool assumes that the workplace savings plan rules allow for withdrawals by source.

[3] The savings from the cash value of life insurance accumulate tax deferred, which means gains are taxable only if and when earnings are withdrawn.

**Taxable Account Assumptions**

For federal, state, and local income tax purposes, the tool uses the following assumptions for taxable brokerage and mutual fund account assets [excluding accounts held within a tax-advantaged plan such as a 401(k)]:

- All capital investment gains (when realized) are long-term capital gains.
- The tool assumes a 20% turnover of assets each year pro rata across all asset classes, so that each year 20% of previously unrealized gains or losses become realized. This assumption will have the greatest impact on assets the tool classifies as stocks.
- Realized gains and losses, interest income, dividend income, and other investment income are taxed annually. See the subsection on Federal Income Tax Calculations for the federal tax rates assumed by the tool on these different types of income.
- The tool may overstate or understate the amount of after-tax proceeds available from sales of securities in taxable accounts, because it assumes that the tax basis for each security is the fair market value of the security on the date the tool is used. The actual adjusted tax basis of the securities in your taxable account often will be different from the fair market value of those securities on any given day. For example, if you have highly appreciated securities in your taxable account, the adjusted tax basis actually will be much lower than the fair market value, and you will be subject to capital gains tax on your net gain. Because the tool assumes that the adjusted tax basis is equal to fair market value, however, its calculations will show that there is no taxable gain and that 100% of the sale proceeds are available to you. Conversely, if your taxable account holds securities that are currently in a loss position, the tool will not take into account any tax benefit that may be generated upon a sale of those securities. The tool does not consider any cost basis on company stock held in employer-sponsored plans.
- The portion of assets classified as stocks by the tool are assumed to pay an annual dividend of 2% and are treated as qualified dividends.
- Potential applicability of five-year capital gains and foreign tax credit rules is not reflected.

UGMA/UTMA accounts may only be used for the benefit of the minor, so they should not be assigned to meet goals unrelated to the minor. For all years, the tool assumes that income below an annual inflation-adjusted amount determined by the Internal Revenue Code and related regulations is taxed at the minor's income tax rate and income above that amount at the parents' marginal income tax rate. If the minor is age 18 or older, the taxes estimated by the tool may, therefore, be overstated.

For checking and savings accounts, the tool assumes all income is interest income and taxes it annually at ordinary income tax rates.

**Tax-Deferred/Tax-Free Account Assumptions**

***Account Contributions***

- For workplace savings plans that are recordkept at Fidelity (excluding nonqualified deferred compensation plans, Fidelity Retirement Plan (Keogh) and Self-Employed 401(k) plans, and SEP, SAR-SEP and SIMPLE IRAs), your plan deferral information will be automatically imported into the tool, including any employee pretax, Roth, non-Roth after-tax, and catch-up contributions. The tool applies IRS annual employee elective deferral limits based on the type of account, and these will be included in the tool's calculations. In some cases, the plan sponsor has also provided plan rule information, including matching, mandatory, and profit sharing contributions, as well as plan minimum and maximum contribution limits, and these will be included in the tool's calculations. Check the Contribution Details page of the account to see if your workplace savings plan has this information included.
- For individuals who enter annual tax-advantaged account contributions using the approximate method, no annual contribution limits are applied by the tool. Calculations are made using the full annual contribution amount you indicate, regardless of whether the indicated amount exceeds applicable IRS annual contribution limitations.
- For individuals who enter annual tax-advantaged account contribution amounts using the Contribution Details method, the tool applies IRS annual contribution limitations based on the type of account (see below for applicable contribution limits). However, you are unable to add Roth contributions in a manually added account and so IRS limits will not apply. Limits are tested for each account individually as you enter data in the tool.
- Except as noted above, any amount you enter in excess of the applicable IRS limit is not included in the tool's calculations. The tool considers any IRS limits that may apply to amounts you indicated that your employer will contribute to the plan on your behalf (regardless of whether or not your plan is recordkept by Fidelity). IRS limits on after-tax employee contributions to employer-sponsored accounts are also considered by the tool. Employer-sponsored plan rules and limits are not considered by the tool when not provided by the plan sponsor; please contact your plan sponsor for details. Contributions are assumed to stop at the indicated retirement age.
- If you are age 50 or older, the tool considers catch-up contributions allowed under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) for applicable accounts. However, the tool does not consider the last three years' contributions to 457(b) plan accounts or 15+ years-of-service contributions to 403(b) plan accounts.

*401(k) plan, 403(b) plan, 457 plan, and SAR-SEP IRA contribution limits [employee elective deferral limits, including employee Roth 401(k) or 403(b) contributions]*

| Tax Year | If You're under Age 50 | If You're Age 50 or Older |
|---|---|---|
| 2015 | $18,000 | $24,000 |

- Employer/employee combined contribution limits cannot exceed the lesser of 100% of compensation or $53,000 in 2015 indexed for inflation thereafter. For purposes of the non-elective contribution, annual compensation for 401(k) and 403(b) plans is limited to $265,000 in 2015.
- Note that if your 401(k) or 401(a) plan includes a Retirement Medical Benefit Account (RMBA), the tool does not distinguish these assets and assumes all assets to be regular plan contributions.

- Note that if your 401(k) or 401(a) plan includes a Cash Balance plan, the tool does not distinguish these assets and assumes all assets to be regular plan contributions.

**Traditional and Roth IRA Annual Contribution Limits**

| Tax Year | If You're under Age 50 | If You're Age 50 or Older |
|---|---|---|
| 2015 | $5,500 | $6,500 |

- After 2008, the annual contribution limit is indexed for inflation in $500 increments.

**SIMPLE IRA Annual Contribution Limits**

| Tax Year | If You're under Age 50 | If You're Age 50 or Older |
|---|---|---|
| 2015 | $12,500 | $15,500 |

- Employer must match employee contribution dollar for dollar up to 3% of the employee's compensation (up to the maximum deferral amount) or provide a non-elective contribution equal to 2% of the employee's compensation. For purposes of the non-elective contribution, annual compensation is limited to $265,000 for 2015.
- **SEP-IRA**—Employer contributions may be tax deductible and have a limit of up to 25% of compensation, up to a maximum of $53,000 in 2015.
- **Keogh**—Employer contributions may be tax deductible and have a limit of up to 25% of compensation, up to a maximum of $53,000 in 2015.
- Contribution limits are inflation adjusted in accordance with specific rules outlined by the Internal Revenue Code assuming the tool's default inflation rate.
- **Warning:** While the tool allows you to enter your own annual contribution amounts and, where applicable, employer contribution limits (excluding pensions), please remember that the outcome of the tool is less meaningful if you enter unrealistic contribution amounts or amounts in excess of IRS or applicable plan limits for certain account types.
- **Contributions are assumed to continue until the person reaches retirement.** Each account's contributions must be accounted for as the tool does not perform any reconciliation of income and expenses prior to the commencement of retirement for the household. Once the household enters retirement (the first year of retirement for either person), reconciliation of income and expenses will occur. Be sure to enter any employer-sponsored plan contributions that result from earned income. It is your choice to enter other savings into non-employer-related accounts. The tool will perform a reconciliation of income and expenses, investing any excess income into a hypothetical taxable account that will match the overall asset mix of your other accounts or a selected target asset mix that you have chosen. Prior to retirement, all non-earned income (Other Preretirement Income) is invested into a hypothetical taxable account to be used toward meeting retirement expenses. This hypothetical taxable account will not appear as an individually listed account but will be part of the totals used. For distribution hierarchy, it is considered a taxable account.

**Distributions/Withdrawals from Defined Contribution Plans, IRAs, and Annuities**

- Distributions from tax-free retirement and education savings accounts (including Roth IRAs, Roth 401(k)/403(b) sources in a Workplace Savings Plan, Coverdell Education Savings Accounts, and 529 plan accounts) are assumed to have met all the requirements for tax-free distributions, and therefore, are assumed to be tax free at both the federal and state levels. Under current law, distributions from a Roth IRA and Roth 401(k)/403(b) sources in a workplace savings plan are tax free if they have met the five-year holding requirement and its owner is at least age 59½, disabled, or deceased. The tool assumes that the workplace savings plan rules allow for withdrawals by source. Distributions from Coverdell Education Savings Accounts and 529 plan accounts are federal income tax free if they are used for qualified educational expenses. Tax treatment of qualified distributions from 529 plan accounts varies by state and may depend on whether you are a resident of the state offering the plan. Distributions that do not qualify for tax-free treatment may be subject to income taxes and may also be subject to a 10% penalty.
- Tax-advantaged accounts, including tax-free accounts, entered under the "approximate" method are all assumed to be tax deferred, and the tool assumes that distributions from them are fully taxable as ordinary income. After-tax income from tax-free accounts entered under the "approximate" method may, therefore, be underestimated by the tool. Note also that if tax-deferred accounts contain significant amounts of nondeductible or after-tax contributions, the tax analysis performed by the tool may not be as meaningful as it would otherwise be. To the extent distributions from these accounts constitute a return of after-tax or nondeductible contributions, the tool will understate your after-tax income.
- Distributions from tax-deferred accounts and annuities (except for nonqualified annuities purchased and held through Fidelity) are assumed to be fully taxable as ordinary income. Note that if information relating to significant tax-deferred accounts or annuities to which nondeductible or after-tax contributions have previously been made is entered into the tool, the tax analysis performed by the tool may not be as meaningful as it would otherwise be. To the extent distributions constitute a return of after-tax or nondeductible contributions, the tool will understate your after-tax income. For example, an IRA may have an account value of $100,000, of which $50,000 constitutes nondeductible (or already-taxed) contributions. The tool will assume that any amount distributed from the IRA is taxable as ordinary income. This assumption is also true if the amount distributed from the IRA is then used to purchase a deferred annuity. For nonqualified annuities bought and held through Fidelity, the tool will calculate a cost basis recapture amount based on information recordkept by Fidelity.

- Distributions taken before age 59½ from annuities, traditional IRAs, Roth IRAs, SEP IRAs, SIMPLE IRAs, Keogh accounts, and employer-sponsored savings accounts (e.g., 401(k), 401(a), 403(b), and governmental 457(b) plans) may be subject to a 10% early withdrawal penalty. Withdrawals from certain employer-sponsored savings accounts are penalty-free when the account owner leaves the employer in the year she or he turns age 55 or older. This age 55 exception does not apply to any type of IRA. The tool assumes no early withdrawal penalty if you plan to separate from service with your current employer after age 55 or older. The tool assumes no early withdrawal penalty after age 59½ for all other workplace savings plan assets. Note that for Roth sources in a workplace savings plan, the early withdrawal penalty is applicable to the earnings only on any Roth IRA or any Roth sources. If you indicate you are retiring at age 55 or older and your current employer's plan is a 401(k), 401(a), 403(b), or 457(b) plan recordkept by Fidelity, the tool will not assume a 10% penalty on any distributions taken in the year in which you turn 55 or older. For all other plans and accounts, the tool assumes a 10% penalty unless the distribution is taken after you turn age 59½. Note that there are other applicable special exceptions to the 10% early withdrawal penalty that the tool does not consider in its calculations. Note that early withdrawals from a SIMPLE IRA may be subject to a 25% penalty that the tool does not take into account. You may want to consult a tax advisor to learn more about withdrawal requirements.
- For manually entered "generic" retirement accounts, the tool assumes no early withdrawal penalties.
- The tool assumes that after age 70½, you and your spouse will be required to withdraw the IRS minimum required distribution (MRD) annually from your traditional IRA, rollover IRA, SEP-IRA, SIMPLE IRA, Keogh, and employer-sponsored savings plan accounts (e.g., 401(k), 401(a), 403(b), and 457(b) plans) even though some plans may allow you to defer such MRDs until a later date. The tool does not apply any MRD rules to deferred annuities. Income annuities purchased with pretax money are assumed to automatically satisfy the MRD rules for the portion of your assets used to buy the income annuity.

  For current employer: MRDs from your current employer's plan, assuming you are not a greater than 5% owner, start the later of 1) December 31 of the year you reach age 70½ or 2) December 31 of the year you separate from service.

  For previous employer: MRDs from your previous employer's plan, assuming you are not a greater than 5% owner, start December 31 of the year you reach age 70½. In both cases we assume you are not a greater than 5% owner.
- If Roth assets within a 401(k) or 403(b) plan are entered, the tool assumes they are rolled over to a Roth IRA to avoid having to take minimum required distributions from them.
- For each year beginning in the year you or your spouse reach age 70½, the tool calculates an estimated MRD amount needed to comply with the IRS requirements (for applicable retirement accounts indicated, or those accounts for which you have entered data).
- In most cases, the tool calculates your MRD under the uniform distribution method relying on the Uniform Lifetime Table, which uses the joint life expectancy of you and a beneficiary deemed to be 10 years younger than you for each year until the end of your planning age.
- One exception to the above MRD calculation method occurs when you indicate that you are married and your spouse is more than 10 years younger than you. The tool then assumes that your spouse will be your sole beneficiary each year for the entire year and, as a result, it will then estimate your MRD under the spousal exception method, which uses the life expectancy of you and your spouse as reflected in the Joint and Last Survivor Table. If your spouse's planning age ends before your own, the uniform distribution method will then be used until the end of your planning age. The tool uses the same methodology to calculate MRDs on your spouse's retirement accounts, where applicable.
- For tax-advantaged accounts that are inherited, the tool estimates MRDs by assuming that you are eligible to take such distributions over your own life expectancy and using a distribution factor in the IRS's Single Life Expectancy Table based on your projected age each year. The calculation of MRDs for inherited accounts is highly specific to your individual situation. If you have such an account, you should consider consulting an advisor for more details.
- After MRD amounts are withdrawn from retirement accounts (excluding pension plans), the tool assumes that these savings are redeposited in a hypothetical taxable account and are available to meet retirement goal expenses. You should consult your tax or financial advisor for assistance with your specific circumstances. If you are a participant in a 403(b) plan and are under the age of 75, you may exclude from your MRD any amounts accumulated in your 403(b) plan account as of 12/31/86 [if your pre-1987 403(b) account balances were accounted for separately] by entering your pre-1987 account balance where indicated in the tool. The tool will exclude this balance only for years when you are/were under the age of 75. For plans recordkept at Fidelity, the tool does not automatically consider any pre-1987 balances.

**Taxation of Annuities**

For tax-deferred annuities that may hold both pretax and after-tax (deductible and nondeductible) contributions, the tool assumes the balances in such accounts at the beginning of the planning period consist of all pretax assets. Annuity distributions will be considered taxable by the tool and taxed at ordinary income tax rates.

Some states charge a state tax premium either on the purchase amount of a deferred annuity or on its value at the time it is annuitized (i.e., converted to an income annuity). The tool does not take those premium taxes into account.

For partial withdrawals from tax-deferred annuities that have not been annuitized, the tool assumes that such withdrawals are taken first from earnings and then from your after-tax investment in the contract (if any was assumed by the tool). For payments from an income annuity, the tool assumes that a portion of each withdrawal is a return of your after-tax investment in the contract (if any was assumed by the tool) and a portion is taxable income. Once all your investment in the contract is returned to you, the tool assumes all payments are taxable income. The breakdown of return between investment contract and income is done using an exclusion formula similar to that required by tax regulations.

### Substantially Equal Periodic Payments

The Internal Revenue Code states that the 10% premature distribution tax penalty generally applicable to withdrawals from tax-deferred assets in IRAs and qualified retirement plans before the individual reaches age 59½ will not apply to distributions that are part of a series of substantially equal periodic payments. The tool assumes that such distributions are subject to any applicable income taxes based on the type of tax-advantaged account from which they are taken and are not subject to the 10% penalty.

These payments must be made at least annually, based on the life or life expectancy of the individual or the joint lives or joint life expectancy of the individual and his or her designated beneficiary. The series of payments must continue for the longer of five years or until the individual reaches age 59½. There are also a number of other requirements not listed here that a substantially equal periodic payment program must meet each year; if not a 10% penalty will apply retroactively to all distributions made under the program. See your tax advisor for more details.

The IRS considers the following three methods to be acceptable for calculating substantially equal periodic payments. (Note that the IRS has approved other methods for calculating these types of payments through private letter rulings, and you should consult a tax professional if you wish to pursue other methods.)

- Minimum Required Distribution (MRD) method — uses the IRS-approved method for calculating MRDs. The account balance, life expectancy, and annual payments are redetermined each year and so may be subject to fluctuation.
- Amortization method — the annual payment is determined by amortizing the individual's account balance in level amounts over a specified number of years. The account balance, life expectancy, and resulting annual payment are determined once for the first distribution year, and the annual payment amount is the same amount in each succeeding year thereafter.
- Annuitization method — the annual payment is determined by dividing the individual's account balance by an annuity factor using the IRS mortality table. The account balance, annuity factor, interest rate, and resulting annual payment are all determined once for the first distribution year, and the annual payment amount is the same amount in each succeeding year thereafter.

Be sure to check your workplace savings plan for plan-specific substantially equal periodic payment options available. Note, however, that substantially equal periodic payments cannot be taken from an employer-sponsored retirement plan if you have not separated from service from that employer.

### Nonqualified Deferred Compensation Plans

For nonqualified deferred compensation plans, the tool assumes there are no predefined rules or elections for taking distributions. The tool permits distributions from nonqualified plans at any time, and never forces distributions to occur. There are no MRDs and no penalties for early withdrawal (i.e., before age 59½). All distributions from nonqualified plans are assumed to be fully taxable as ordinary income. The tool also assumes that FICA taxes are not due at retirement (or at any time of distribution) but are paid on an ongoing basis.

### Retirement Medical Benefit Account

If your plan offers Retirement Medical Benefit Accounts (RMBAs) within the workplace savings plan, the tool does not distinguish these assets from the other assets in the plan. The tool's tax assumptions for these accounts are, therefore, the same as for the workplace savings plan of which they are a part. For purposes of the tool, the limitations on withdrawals of RMBA assets are disregarded and such assets may be applied to any retirement expenses. Please check your plan rules for specific details of limitations on withdrawals of RMBA assets.

### Defined Benefit Pension Plan Assumptions

For federal, state, and local income tax purposes, the tool uses the following assumptions for qualified and nonqualified defined benefit pension plans:

- All pensions recordkept at Fidelity are assumed to be fully taxable upon distribution.
- FICA tax withholding on nonqualified pension plan payments is not reflected. FICA tax must normally be withheld on nonqualified pension plan payments received. If you are receiving or are set to receive payments from a nonqualified plan, the tool will overstate net amounts available to you to apply toward your retirement expenses.
- Any lump-sum values reflected will be treated as having been rolled over from a qualified plan to an IRA for purposes of calculating your retirement income in the tool, notwithstanding that the lump sum may come from a nonqualified pension plan. Payments from nonqualified pension plans cannot usually be rolled over to a tax-deferred account.
- Imposition of MRD rules are not reflected. MRD rules normally apply.
- Other pension payment amounts are based on information you enter about the annual benefit you expect to receive. You may want to contact your employer for a personalized pension projection. Be sure that the benefit amount reflects the provisions of any qualified domestic relations order that provides benefits to alternate payees.
- Estimates of future pension benefits are not adjusted for the tool's inflation rate. However, pension benefit amounts may include a salary growth rate. This growth rate will be provided by you or your company's pension plan (if Fidelity recordkeeps the pension). If applicable, the salary growth rate may be applied to the remaining years of service with an assumed retirement age of 65. Any lump-sum values reflected will be treated as an account in the Asset section for purposes of calculating your retirement income in the tool. This may account for any changes in represented value between lifetime income and investment income shown. Please consult your tax advisor if you have any questions regarding the taxability of your pension benefit.

The tool models distributions from your assets without consideration for any time period when assets may be frozen.

### Order of Withdrawals

For retirement expenses, the tool assumes withdrawals from accounts in the following order:

- Taxable Accounts
- Nonqualified Deferred Compensation Plans
- Traditional IRAs
- SIMPLE IRAs
- SIMPLE 401(k) Plans
- SAR-SEP IRAs
- SEP-IRAs
- Keogh Plans (Fidelity Retirement Plans)
- Manually Entered Retirement Accounts
- Tax-Deferred Annuities
- Employer Stock Ownership Plans
- 401(a) Qualified Plans (Other than 401(k) Plans)
- 457(b) Plans
- 403(b) Plans (non-Roth Source Balances)
- 401(k) Plans (non-Roth Source Balances)
- Money Purchase Plans
- Roth source in a 401(k)
- Roth source in a 403(b)
- Roth IRA

### Avoiding Penalties—Account Skip-Over Assumptions for Withdrawals

An account is skipped when making withdrawals if a withdrawal would result in a penalty and/or taxation that could be avoided if the withdrawal were made later. Skipping over means that for the year in question, the account is skipped on the first pass of making withdrawals. All accounts that don't have penalties or taxes to be avoided are depleted before accounts that do. The skip-over is a "first pass" only, meaning if more money is needed after depleting accounts without penalties or taxes to be avoided, the account will be used for withdrawals and penalties/taxes applied. The same rule also applies within accounts that have more than one type of balance, such as a 401(k) that has Roth and non-Roth balances. The withdrawal skip-over provision attempts to minimize penalties and unnecessary taxes on a source-by-source basis.

For tax-deferred accounts that may hold both pretax and after-tax (deductible or nondeductible) contributions, the tool assumes that balances in such accounts at the beginning of your planning period consist of all pretax assets. If you indicate that you intend to contribute after-tax (nondeductible) contributions to such accounts in the future, the tool will not tax such projected future after-tax contributions when they are distributed. Likewise, all annuities (except for nonqualified annuities purchased and held through Fidelity) are assumed to be pretax. As a result, the potential additional taxes calculated by the tool may make the outcome less meaningful. Notwithstanding the foregoing, Roth 401(k) and Roth 403(b) balances within 401(k) and 403(b) plans recordkept by Fidelity will be tracked separately and all withdrawals from them will be assumed to meet the requirements for tax-free distributions.

If your plan offers Retirement Medical Benefit Accounts (RMBAs) within the workplace savings plan, the tool does not distinguish these assets and applies them toward your overall retirement plan as pretax assets. For purposes of the tool, the limitations on withdrawals of RMBA assets are disregarded and such assets may be applied to any retirement expenses. Please check your plan rules for specific details of limitations on withdrawals of RMBA assets.

If you have multiple accounts of the same type, the tool withdraws from one account until it is exhausted, then withdraws from the next account based on the order you enter them into the tool. When assets in one account type are exhausted, the next set of accounts is used.

### Salary Growth Rate

The tool defaults to a salary growth rate that equals the tool's inflation rate plus 1.5%. This figure is derived from data from the Department of Labor and the U.S. Census Bureau. If you want to change the salary growth rate, use the Add/Edit Details link for each person's salary and update accordingly. If you change the rate, the tool no longer adds the 1.5% to the rate you select.

### Other Taxable Income or Events

- *Social Security Benefits:* Social Security benefits are not taxed at the state level. Note that up to 85% of your full Social Security benefits may be taxable or your payments may be reduced if your other income puts your total annual income over certain limits. The tool will estimate the portion of your Social Security benefit that is reduced and/or taxable as ordinary income at the federal level by following the guidelines issued by the IRS. This income, after estimated taxes are withheld, is assumed to be invested in a hypothetical taxable account and made available to pay retirement expenses.
- *Part-time Earnings and Other Additional Earned Income:* The tool assumes that all such income is taxed at ordinary income tax rates in the year it is earned. This income, after estimated taxes are withheld, is assumed to be invested in a hypothetical taxable account and made available to pay retirement expenses.
- *Rental Income and Royalty Income:* The tool assumes that all such income is taxed at ordinary income tax rates in the year it is earned. Different tax rules may apply depending on whether you receive rental income as part of a rental business, the expenses associated with your rental property, and/or the particulars of the type of royalty income you earn. You may wish to consult a tax advisor for further details. This income, after estimated taxes are withheld, is assumed to be invested in a hypothetical taxable account and made available to pay retirement expenses.
- *Distributions of the Cash Value of Life Insurance:* The tool assumes that any distribution of the cash value of an insurance policy is taxable as ordinary income, although any increase in the cash value of a life insurance policy will be tax deferred while it remains within the life insurance investment. The tool does not take into account loans that are taken against the cash value of a life insurance policy. The net proceeds are assumed to be invested in a hypothetical taxable account and made available to pay retirement expenses.
- *Sale of Stock Acquired through Stock Options:* The tool assumes that all income received on the sale of stock options is taxable as ordinary income and that the net proceeds are invested in a hypothetical taxable account and made available to pay retirement expenses. The taxation of stock options is highly specific to the particulars of the stock options you have—qualified vs. nonqualified, restricted vs. non-restricted, immediate vesting vs. a vesting schedule, etc. You may wish to consult a tax advisor regarding the specific tax rules that would apply to your stock options.

- *Sale of Non-Financial Asset:* The tool assumes that you sold the asset for cash, that all the proceeds are taxable as ordinary income, and that the net proceeds are invested in a hypothetical taxable account and made available to pay retirement expenses. If you entered basis information in the tool, the tool will not tax the basis. There may be special tax rules that apply to the sale of certain types of non-financial assets. You may wish to consult a tax advisor for more details.
- *Sale of Home:* If entered as a detailed account/asset within the Asset section of the tool, the tool assumes that the home was your principal residence for at least two tax years of the five tax years prior to the home sale and that you met all the other requirements for the capital gains tax home exclusion, which allows you to exclude the following amounts of net long-term capital gains from taxable income on your federal tax return: $250,000 if single (or $500,000 if married, filing jointly), as adjusted yearly for inflation. All other gain on the sale of your home is assumed by the tool to be ordinary income taxable in the year of the sale. If you entered basis information in the tool, the tool will not tax the basis. For more details on this income exclusion and its requirements, you may wish to consult a tax advisor. If a home sale is entered as an income source within the Income section of the tool or as a one-time financial event within the Asset section of the tool, the tool assumes no home exclusion and taxes all the proceeds as ordinary income in the year of the sale. The tool assumes that the net proceeds of the sale are invested in a hypothetical taxable account and made available to pay retirement expenses.
- *Sale of Other Real Property:* The tool assumes that you sold the property for cash, that all the proceeds are taxable as ordinary income, and that the net proceeds are invested in a hypothetical taxable account and made available to pay retirement expenses. If you entered basis information in the tool, the tool will not tax the basis. There may be special tax rules that apply to the sale of real property that is not your home/principal residence. You may wish to consult a tax advisor for more details.
- *Sale of Business:* The tool assumes that you sold the business for cash, that all the proceeds are taxable as ordinary income, and that the net proceeds are invested in a hypothetical taxable account and made available to pay retirement expenses. If you entered basis information in the tool, the tool will not tax the basis. There are many ways to structure the transfer of a business or the assets owned by a business with various tax consequences. You may wish to consult a legal and/or tax professional if you are considering selling a business.
- *Inheritance:* The tool assumes that the entire amount of the inherited assets you enter is sold for cash and that such proceeds are invested in a hypothetical taxable account and made available to pay retirement expenses. The tool assumes that the amount you enter is the after-tax amount, and therefore does not assume any taxes on it.
- See the "Asset Allocation of Certain Proceeds and/or Income Assumed to be Invested in a Hypothetical Taxable Account" section of this methodology for more details on the hypothetical taxable account.

**Federal Income Tax Calculations**

Estimated federal income taxes are automatically calculated for you by the tool, based on the information you provide and hypothetical account activity in each simulation. An estimate of taxable income is calculated for a given year and is then taxed based on federal income tax rates and certain other items, such as those listed below, projected to then be in effect at that time. The tool assumes that the tax rates, tax credits, and other limits set forth below will be in effect to the end of your plan. If this assumption is incorrect, it may result in understated estimated tax liabilities and, therefore, overstated after-tax income available for future expenses.

- Tax rates—ordinary income: The tool assumes ordinary income tax rates of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%.
- Tax rates—long-term capital gains: The tool assumes that long-term capital gains tax rates of 0% and 20%. Depending on your marginal income tax rate, you may be subject to the 15% long-term capital gains tax rate, which is not included in the tool. Consequently, this assumption could overstate estimated tax liabilities and thus understate your available after-tax income.
- Tax rates—qualified dividend income: The tool assumes qualified dividend income is taxed at the applicable long-term capital gains tax rates described above.
- Standard deduction and tax bracket "marriage penalties": The tool assumes that married joint filers can take a standard deduction twice that of the standard deduction available to a single filer, and that their 10% and 15% brackets are also twice that of a single filer.
- Itemized deduction and personal exemption phaseouts (by income level): The tool assumes that higher-income taxpayers are subject to limitations on available itemized deductions and that their personal exemptions are subject to phaseouts.
- Child tax credit amounts: The tool assumes that the child tax credit is $1,000 per eligible child.

**State and Local Income Tax Calculations**

You will need to enter your state of residence and local income tax rate information (if applicable). The tool is updated annually with the tax rates for each state, but local taxes are your responsibility to enter. Once the local income tax rate is entered, local taxes are calculated based on state taxable income. If no local income tax rate is entered, the tool assumes that there is no local income tax. State tax calculations are intended to provide a reasonable approximation of state taxes for any given year. State taxes are calculated based on assumed identical state tax rules subject to the following exceptions where state-specific rules are reflected:

- Income tax rates and income tax brackets
- Deductibility of federal taxes paid
- Exemption amounts
- Standard deduction amounts
- Ability to itemize deductions
- Inclusion (taxation) of only certain types of income (such as interest and dividends)

Note that each state has specific rules and special deductions, credits, and additional taxes and adjustments. The tool does not reflect all such state-specific rules and should not therefore be used for purposes of calculating actual state tax liabilities or benefits.

#### Other Tax Assumptions

For federal, state, and local income tax purposes, the tool uses the following other assumptions:

- Tax brackets, standard deduction amounts, and personal exemption amounts are indexed each year for inflation.
- Potential applicability of alternative minimum tax (AMT) rules is not reflected.
- Potential applicability of the Medicare surtax on investment income is not reflected.
- Potential applicability of transfer (estate, gift, and generation-skipping transfer) tax rules is not reflected.
- Assets at end of plan have not been reduced by applicable federal and/or state transfer or inheritance taxes that may be due at death or upon transfer.
- Assets at end of plan have not been reduced by applicable income taxes that may be due at a later date.
- Future earnings on assets at end of plan are reduced by applicable income taxes.

## 5. SOCIAL SECURITY BENEFITS

The Social Security retirement benefit estimated by the tool is based on your date of birth, your most recent earned income amount, and the retirement age you enter (the Supplemental Security Income program [SSI] retirement benefits commencement age may be no earlier than age 62 or no later than age 70). Surviving spouses can start taking early Social Security by the age of 60 years. Surviving spouses who are also disabled can begin taking early Social Security by the age of 50, but only if the recipient qualifies for disability payments.

Social Security retirement benefits are adjusted by the application of a cost-of-living adjustment (COLA) increase defined in a federal legislative enactment. The tool estimates increasing future Social Security retirement benefits using the tool's default inflation rate, which is updated from time to time. When the retirement age you enter is the same as your full retirement age, as defined by the Social Security Administration (SSA), a default benefit amount is retrieved from a table provided annually by Fidelity Actuarial Services.

If the defined retirement age you enter is **younger** than the full retirement age as defined by the SSA, the full retirement benefit is adjusted down to acknowledge an early benefit start date. Benefits can start as early as age 62 for individuals with a full retirement age of 65, 66, or 67. The earlier a benefit start date is from the full retirement age, the greater the reduction will be; the reduction currently can reach a maximum of approximately 30%.

Notes:

- Early commencement benefit reductions are permanent.
- An SSA reduction table is used to calculate the adjustment.

If the defined retirement age you enter is **older** than the full retirement age as defined by the SSA, the full retirement benefit is adjusted upward to acknowledge a delayed benefit start date. Benefits can be deferred up to age 70 for individuals with a full retirement age of 65, 66, or 67. The later a benefit start date is from the full retirement age, the greater the premium is. Deferring benefits beyond age 70, however, will not increase the benefit any more. The deferral can result in a premium currently reaching a maximum of approximately 37%.

Notes:

- Deferred commencement benefit premiums are permanent.
- An SSA premium table is used to calculate the adjustment.

If you earn income while receiving Social Security benefits and you are under your full retirement age, your benefits may be reduced. After you reach your full retirement age, earned income should not reduce your benefits. The tool estimates the reduction in benefits up to the month before you reach your full retirement age. In the month you reach your full retirement age, and thereafter, the tool assumes no reduction in your benefits.

Social Security is assumed to be received until your death or the death of your spouse. The tool assumes that your spouse qualifies for Social Security survivor benefits. If both you and your spouse receive individual Social Security benefits, the tool assumes that the higher of the two benefits will be received by the surviving spouse.

If you have obtained an estimate of benefits directly from the Social Security Administration, you may prefer to enter that amount. If you do not expect to receive Social Security or want to calculate a retirement income plan based on other sources alone, enter $0 for the amount.

For more information, see the Social Security Administration Web site at http://ssa.gov/retire. Please consult your tax advisor if you have any questions regarding the taxability of Social Security income. See also Tax Calculations and Assumptions for additional details on material tax assumptions related to Social Security income and how the tool calculates estimated income taxes on Social Security income.

#### Estimated Expense

To estimate your expenses in retirement, we default to 85% of your last working year's salary. We take your current income (which includes salary, commission, and bonus, as applicable) and grow it at a rate of 1.5% over inflation from now until retirement. If you indicate a different salary growth rate from the default, the 1.5% inflation does not apply.

The value at retirement is multiplied by 85% and taxes are subtracted (based on details outlined in Tax Calculations and Assumptions). Then this value is reverted to today's dollars and divided by 12 to get the monthly value of estimated expenses at retirement.

Example:

Years until retirement = 20
Current Income = $50,000
Tax Rate = 28%
Salary growth rate = 4.0%
Inflation rate = 2.5%

| | |
|---|---|
| Calculate income at retirement | $50,000 for 20 years at 4.0% = $109,556 |
| Use default of 85% of preretirement salary | $109,556 × 85% = $93,123 |
| Subtract taxes | $93,123 – 28% = $67,048 |
| Revert to today's dollars | $67,048 becomes $40,918 |
| Divide the annual value by 12 | $40,918 ÷ 12 = $3,410 per month |

## 6. FIDELITY-SUGGESTED ASSET ALLOCATION

**Preretirees (Less than Four Years from Retirement) and Retirees**

If you are less than four years away from retirement or already retired, the tool may suggest a target asset mix (TAM) for you to consider. The Fidelity-suggested TAM is based on a careful evaluation of the information you have provided: your risk tolerance, your current age, the number of years until you plan to retire, your indicated income and expenses in retirement, and how long your retirement assets need to last. In general, the tool excludes the Short-Term and Most Aggressive TAMs, as they are typically not suitable for a long-term retirement plan.

The tool identifies the Fidelity-suggested TAM by first determining the difference between your sources of income (e.g., Social Security, pensions, annuities) and your indicated expenses. That is, we calculate the yearly difference between all specified expenses and all specified sources of income.

The tool then considers your retirement savings. Applying up to four different TAMs to your savings (Conservative, Balanced, Growth, and Aggressive Growth), the tool executes a historical performance analysis (using a 90% confidence level and an estimate of the long-term inflation rate) to determine the likelihood of your retirement savings covering your expenses. Based on the outcome of this analysis, the tool will then suggest a TAM (Conservative, Balanced, Growth, or Aggressive Growth).

In order to determine whether any of our four TAMs are inappropriate for you (and therefore excluded from the historical performance analysis), the tool uses two filters based on the information you provided. The first filter considers your age and that of your spouse (if any). For households with an average age between 80 and 85, we do not include the Aggressive Growth target. The most aggressive TAM assigned to a plan with an average household age between 85 and 95 will be Balanced, and for a plan with an average household age over 95, only the Conservative TAM will be assigned.

The second filter evaluates your responses to the risk tolerance questions. Any TAMs that are more aggressive (having higher equity exposure) than your indicated tolerance for risk will be excluded from consideration.

**Accumulators (Four or More Years from Retirement)**

If you are more than four years away from retirement, you can receive a suggested TAM by completing our Investor Profile Questionnaire (IPQ). The questionnaire suggests a TAM that may help you meet your goal. In order to suggest a TAM to you, we must evaluate what type of investor you are, how long you have until you need to begin withdrawing the money, your overall financial situation, and how much investment risk you are willing to take. We do this through an IPQ.

The IPQ is composed of a series of questions, which are categorized into three IPQ components. Most of these questions are multiple choice. Each question is given a score and a weight. The three components that make up your IPQ score are: 1) Time Horizon, 2) Financial Tolerance, and 3) Risk Tolerance, as detailed in the table below.

Each of the three IPQ components is made up of several factors:

| 1) Time Horizon | 2) Financial Tolerance | 3) Risk Tolerance |
|---|---|---|
| • Number of years prior to goal start<br>• Chance of early withdrawal for your goal<br>• Annual contribution | • Amount in your emergency fund<br>• Overall financial situation<br>• Current asset allocation for both assets in the goal and out of the goal, but in your portfolio<br>• Essential expense/discretionary expense<br>• Age and income | • Investment knowledge<br>• Investment experience/years in the market<br>• Level of risk tolerance<br>• "*Bail out*" likelihood, or, in other words, your tendency to want to sell your investment if the market takes a downturn |

A TAM is generated by an algorithm, which evaluates your responses and scores. The scoring algorithm is sensitive to the specific combination of answers you might give in each of the three sections.

Of these components, your IPQ score is most dependent upon Time Horizon; specifically, the number of years prior to the year in which you will begin to withdraw the money for your goal. While Financial Tolerance gives us an overall estimate of your financial flexibility and ability to withstand any losses in your portfolio, and Risk Tolerance gives us an estimate of your personal attitudes toward investment risk, these estimates also have an impact on your final score. They indicate how likely you are to liquidate your investments before your planned time horizon, whether due to other financial needs or due to your discomfort with market volatility. Generally, the more time we believe you will stay invested, the more our target asset mix suggestion will be weighted toward stock investments.

Overall, your final IPQ score is based on the lowest (most conservative) of the three subscores. The higher the final score, the more aggressive the suggested target asset mix will be.

## 7. EXPLANATION OF CONCEPTS REPRESENTED IN THE PLAN RESULTS

- **Your Total Goal** is an estimate of the assets required at retirement—in combination with other income sources—to cover projected expenses throughout your retirement. The projection is based on a 90% confidence level ("poor market" scenario). If your plan is successful, the value presented represents the On Track to Have Assets at Retirement under a "poor market" scenario.
- **Your Monthly Goal** is the value you indicated on the Income and Expenses page. This value may have been entered by you or estimated if you utilized the "Use Fidelity's Estimate" button. This value is in today's dollars and it is assumed it will grow each year from now until the end of your plan by either a default of the most current rate of inflation plus 1.5%, or the specified rate of your choice.
- **On Track to Have** is the monthly amount of retirement expense estimated by RQC you may be able to cover from a combination of your indicated retirement incomes and through systematic withdrawals from your retirement goal assets. RQC estimates this amount by performing multiple calculations by projecting a value that covers an expense level through retirement, with a target of $0 left at the end of the plan. Please note that the calculation process may leave a small residual amount at the end of the plan, as a result of rounding and/or the way the tool estimates taxes.
- **Additional Savings Needed** is the estimated savings level that is projected to generate "Your Total Goal." "Additional Monthly Savings" are assumed to be pretax and made to a hypothetical tax-deferred account. "Your Total Goal" and "Additional Savings Needed" are estimates of after-tax values. No contribution limitations are assumed on the savings amount.
- **Retirement Assets** are the assets you indicated are currently assigned to your retirement goal.
- **Your Monthly Expenses** is the value you indicated on the Income and Expenses page. This value is in today's dollars and will grow each year from now until the end of your plan by either a default of the most current rate of inflation plus 1.5%, or the specified rate of your choice. It does not include income taxes as those are estimated by the tool.
- **On Track to Support** is the monthly amount of retirement that RQC estimates you are able to cover from a combination of your indicated retirement incomes and through systematic withdrawals from your retirement goal assets. RQC estimates this amount by performing multiple calculations to project an estimated value that covers the expected expense level through retirement with a target of $0 left at the end of the plan. Please note that this calculation process may leave a small residual amount at the end of the plan, as a result of rounding and/or the way the tool estimates taxes.
- Remember, RQC is intended to provide only a rough assessment of the likelihood of success of your proposed retirement plan. The level of precision discussed in RQC's explanations above should not be considered an indication that the results provided are more than a rough indication of your preparedness for retirement.

## 8. INVESTMENT STRATEGIES IN ACTION PLAN

If you selected a target asset mix for your plan, to help you focus on your investment strategy, the asset mix displays in your Action Plan. To help you identify how you can adjust your portfolio, we examine your asset allocation, concentration among individual stock positions, stock style diversification, and bond style diversification.

The tool uses a color-coding system of red (significant concern), yellow (concern), and green (acceptable). A red icon indicates an aspect of your portfolio that we believe departs significantly from your target. A yellow icon indicates an aspect of your portfolio that we believe departs less significantly from your target. A green icon indicates an aspect of your portfolio that is relatively close to your target and that we believe does not require immediate attention. If more than one area of your portfolio is red or yellow, we suggest you consider addressing them in the following order:

1) Asset allocation

2) Concentration

3) Stock style

4) Bond style

Below are the specific rules for how we conduct the analysis:

### Asset Allocation

Green—If your asset allocation among domestic and foreign stocks is within 10% of your target asset mix, we believe you are close to the target. Check the other aspects of the analysis, but continue to monitor your asset allocation on an ongoing basis.

Yellow—If your asset allocation among domestic and foreign stocks is within 10% to 25% of your target asset mix, we believe you are off target. Consider rebalancing your portfolio to bring it closer to your target asset mix.

Red — If your asset allocation among domestic and foreign stocks is off by more than 25% from your target asset mix, we believe you are significantly off target. We suggest you consider rebalancing your portfolio soon to bring it closer to your target asset mix.

**Concentration**

Please note that for manually entered accounts specifically, the proposed analysis depends on the level of detail you provide. Fidelity encourages you to provide position level detail for a more comprehensive assessment of your account. If you have significant net worth concentrated in a single stock, please consult your financial or tax advisor.

Green — If you own no individual stocks or bonds from a single issuer (except Treasury or municipal general obligation bonds, or GO bonds) that represent 5% or more of your assets assigned to this goal, we believe your portfolio is not concentrated in any one position. The tool, however, is not designed to check for security concentrations that are the result of overlapping holdings in mutual funds you own. Check the other aspects of the analysis, but continue to monitor your concentration on an ongoing basis.

Yellow —

- If you hold only one individual stock or bonds from a single issuer that represent from 5% to 10% of your goal assets, or
- You hold two of these and that total represents ≤15% of your mix, or
- You hold three of these and that total represents ≤20% of the mix, we consider your portfolio to be concentrated in those positions.

Red —

- If you hold only one individual stock or bond from a single issuer that represents more than 10% of your total investment mix, or
- You hold two of these and that total represents >15% of the mix, or
- You hold three of these and that total represents >20% of the mix, or
- You hold more than four concentrated positions, we consider your portfolio to be significantly concentrated in those positions.

If any of these conditions exist, consider rebalancing your portfolio soon to avoid concentrating too much of your portfolio's risk in these securities.

**Stock Style**

Green — We believe you are close to your target because your current portfolio's stock style diversification tracks reasonably closely to the Dow Jones U.S. Total Stock Market Index. Check the other aspects of the analysis, but continue to monitor your stock style diversification on an ongoing basis.

Yellow — We believe you are off your target because your current portfolio's stock style diversification does not closely track the Dow Jones U.S. Total Stock Market Index. We suggest you consider diversifying your stock investments to bring your portfolio closer to your target.

Red — We believe you are significantly off your target because your current portfolio's stock style tracks significantly differently from the Dow Jones U.S. Total Stock Market Index. We suggest you consider diversifying your stock investments soon to bring your portfolio closer to your target.

**Why the Dow Jones U.S. Total Stock Market Index?**

The Fidelity analysis uses the Dow Jones U.S. Total Stock Market Index because a well-diversified portfolio tends to mirror the style of the broad market. The Dow Jones U.S. Total Stock Market Index is an unmanaged index that includes all companies that are traded on the active markets and represents the broadest index for the U.S. equity market, measuring the performance of all U.S.-headquartered equity securities with readily available price data. Fidelity feels no other index comes close to offering its comprehensiveness. The closer your portfolio is to the gray circle on the chart, the closer your portfolio is to the style of the U.S. broad market.

**Bond Style**

Green — We believe you are close to your target if the bond style diversification of your current portfolio lies within either the Investment-Grade–Short-Term or Investment-Grade–Intermediate-Term box. Check the other aspects of the analysis, but continue to monitor your bond style diversification on an ongoing basis.

Yellow — We believe you are off your target if the bond style diversification of your current portfolio lies within the Investment-Grade–Long-Term, Non-Investment-Grade–Short-Term, or Non-Investment-Grade–Intermediate-Term box. We suggest you consider diversifying your bond investments to bring your portfolio closer
to your target.

Red — We believe you are significantly off your target if the bond style diversification of your current portfolio lies within the Non-Investment-Grade–Long-Term box. We suggest you consider diversifying your bond investments soon to bring your portfolio closer to your target.

**What Is the Barclays U.S. Aggregate Bond Index and Why Use It?**

Our analysis uses the Barclays U.S. Aggregate Bond Index as a proxy representation for the broad domestic bond market. The Barclays U.S. Aggregate Bond Index is a market value–weighted index of taxable investment grade fixed rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of one year or more. This index is designed to represent the performance of the U.S. investment-grade fixed-rate bond market. The closer your portfolio is to the gray square on the chart in the tool, the closer your portfolio is to the style of the U.S. bond market. In general, a well-diversified portfolio tends to mirror the style of the broad market.