



Moving to DC and yet Retain the Focus on Income Replacement

Jan Snippe
Dimensional SmartNest





Need for a better DC solution

Moving from DB to DC typically shifts the focus from income to investments

Yet, the needs of members do not change

- Income for life, protected for inflation
- Guidance as to whether they are likely to achieve it

And the members themselves do not change

- Not equipped for complexity of retirement investments



Criteria for a better DC solution

Target a satisfactory stream of retirement income

Manage shortfall risk – a very different risk

Provide custom investment strategies for each member

Do not rely on member engagement

Allow for meaningful interaction when they do engage



Member interaction

Do not rely on member engagement

When members do engage

- Do not require them to make investment choices
- Provide more meaningful information and choices



Meaningful choices

Allow members to

1. Set the income goal they like to achieve
2. Set their lowest acceptable income

Increase the chances of achieving their income goal by:

3. Saving more
4. Retiring later



This can be achieved

‘Managed Account’ solution, targeting income

Customised for each member at low cost

For both engaged and unengaged members

Using existing DC platforms



Disclosures and disclaimers

Dimensional Managed DC is a managed account solution available through Dimensional SmartNest (US) LLC. Dimensional SmartNest is not an authorised person for purposes of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA") and the distribution of this presentation in the United Kingdom is accordingly restricted by law.

This presentation is being distributed by Dimensional SmartNest (US) LLC to, and/or is directed at, only persons to whom it may lawfully be issued or directed under the FSMA 2000 (Financial Promotion) Order 2005, including persons who are authorised under FSMA, certain persons having professional experience in matters relating to investments, high net worth companies, high net worth unincorporated associations or partnerships, and trustees of high value trusts. The services described in this presentation are only available to such persons and this presentation must not be relied or acted upon by any other persons in the United Kingdom.

This presentation is exempt from the general restriction in Section 21 of FSMA on the communication of invitations or inducements to engage in investment activity on the grounds that it is being issued to and/or directed at only the types of person referred to above.

The underlying investments in Dimensional Managed DC are managed by Dimensional Fund Advisors Ltd, an affiliate of Dimensional Fund Advisors LP. All investments are subject to market risks and may fluctuate in value over time. There is no guarantee of achieving the targeted incomes. Income from retirement payout (annuity) contracts depends on the claims-paying ability and strength of the issuing insurance company.

Investing entails risks, including possible loss of principle. No assurances or guarantees are given regarding the performance of any investment or strategy customised for any individual participant.

Estimated probabilities are hypothetical, do not reflect actual investment results, and are not guaranteed. Results may vary each time a forecast is generated in the Dimensional Managed DC program.

If other sources of retirement income, such as State Pension benefits and Defined Benefit pensions, are reflected in a member's account characteristics, Dimensional Managed DC will include these other incomes in the member's income targets.

Both the Essential and Desired Income goals include income from expected sources like the estimated income you would need to acquire with the assets from this retirement account plus your anticipated State Benefit and any defined benefit pension income that you may be entitled to if that information is provided.