

# Delivering Retirement Security For Your Participants

2021



 retirement  
loan eraser™  
Keep Your Balance!™

YOUR LOGO HERE

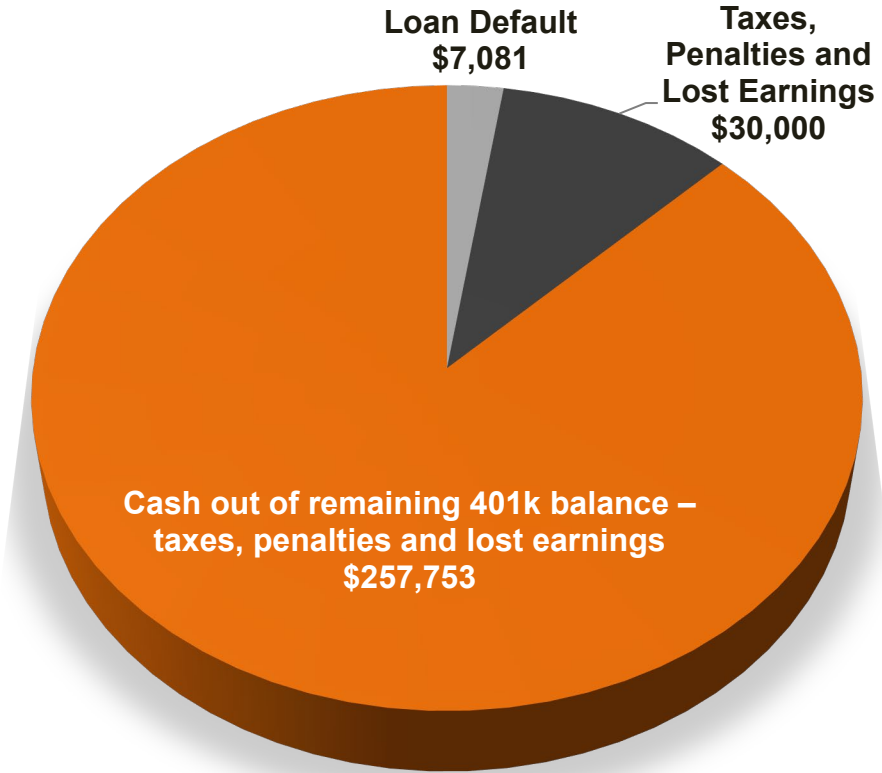
# Executive summary

- Retirement security is destroyed when hundreds of billions of dollars are unnecessarily lost each year to 401(k) loan defaults.
- Custodia Financial was founded as a purpose driven enterprise that protects the retirement savings of American Workers.
- A recent AON study showed that African American and Hispanic workers borrow at higher levels - placing those workers at greater risk than the average borrower.
  - COVID job losses have worsened the problem.
- Employees are financially stressed and value loan protection as a necessary plan feature.
- Current measures don't solve the problem—another “auto” solution is needed.

**Retirement Loan Eraser™ provides an automatic “safety net”  
protecting borrowers against 401(k) loan defaults**

# Loan defaults pose a real threat to retirement

Illustration of the financial impact when a loan defaults followed by account cash out



A defaulting borrower can lose  
**\$300,000**  
**IN RETIREMENT**  
**SAVINGS**

# About Retirement Loan Eraser “RLE”

RLE is automated insurance coverage that protects employees’ 401(k) loans from default in the event of a lay-off, death or disability

- **Simple** updates through loan policy and your plan administrator
- **Paid** by employer or borrowing participant
- **Cover** all borrowers or allow opt out
- **Flexible, low-cost options** - plan sponsor selects specific coverage
  - ✓ Loan Payment Continuance: 6, 9 or 12 months of loan repayments following separation
  - ✓ Immediate lump sum loan repayment for death and disability

# Retirement Loan Eraser Pricing

Benefits Level*	Employee Paid		Employer Cost
	Standard Rate (covers all borrowers)	Opt Out Rate	
	Monthly per \$1,000 Initial Loan Value		Annual cost for \$1.8M loan portfolio
<b>6 Month Loan Continuance</b>	\$1.61	\$2.07	\$34.7K
<b>9 Month Loan Continuance</b>	\$1.74	\$2.24	\$37.5K
<b>12 Month Loan Continuance</b>	\$1.85	\$2.39	\$39.9K

\* Each level includes lump sum for death and disability

## How RLE Fees Work

- Example: \$7,000 loan with 9 Months Continuance and Death/Disability Lump Sum
- Cost of RLE would be  $\$7,000 \times \$1.74 = \$146$  annually (\$12.18 per month) for the life of the loan
- Cost of RLE with opt out would be  $\$7,000 \times \$2.24 = \$188$  annually (\$15.68 per month) for borrowers who maintain their coverage

# Supporting workers during their time of need

## Unemployment Insurance

- **Compensates** separated workers while they search for a job.
- **Administered** by the states
- **Eligible** involuntary termination
- **Coverage** lasts 6-8 months
- **Funded** by state and federal payroll taxes on employers



## Health Insurance

- **Allows** separated workers to continue employer health plan.
- **Administered** by plan sponsors
- **Eligible** involuntary termination, divorce, death, dependent reaching adulthood
- **Coverage** lasts 18 months
- **Funded** by former employees (COBRA)



## Retirement Loan Insurance

- **Repays** the 401(k) loans of separated workers.
- **Administered** by Custodia
- **Eligible** involuntary termination, death, disability
- **Coverage** lasts 6 -12 months
- **Funded** by employer or employees as loans are taken

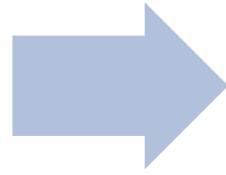


Retirement assets are held in trust *except* for outstanding loans.

# Summary and next steps to adoption

## RLE Summary

- Provides critical assistance to employees during financial emergencies
- Retains plan assets
- Reduces financial stress
- Reinforces financial well-being as a key priority
- Simple and automated for employers and employees



## Next Steps

- Determine payment model
- Sign NDA
- Systems demonstration/ Integration discussion
- Financial proposal