

News Release | April 23, 2020

# Wells Fargo Asset Management Launches Retirement Income Solution for Defined Contribution Plans

The new retirement income option addresses longevity risk in retirement

**SAN FRANCISCO – April 23, 2020** – Wells Fargo Asset Management (WFAM) today announced the launch of the Wells Fargo Retirement Income Solution, a step forward in planning for income in retirement.

With increasing life expectancy, funding retirement has become much more challenging, given that many workers and retirees don't know how long their retirement savings will need to last. The Wells Fargo Retirement Income Solution, based on patent-pending research, is designed to provide participants with an option to seamlessly transition from investing for retirement to drawing income in retirement. The solution provides an option to pair a target date series with a deferred annuity,<sup>1</sup> with the goal of providing income for life. The solution is available to plan sponsors and recordkeeping platforms.

“We believe our suite of retirement-oriented solutions has the potential to help millions of Americans live more fulfilling lives,” said Nate Miles, head of Retirement at WFAM. “By providing an option for more consistent retirement income, we help retirees address their ‘fear of running out’ of retirement savings.”

The solution will feature four key differentiators:

- An innovative design based on patent-pending research.
- An insurance carrier selection service, through which Wells Capital Management leverages the SECURE Act safe harbor to provide 3(38) fiduciary services.<sup>2</sup>
- Collaboration with record-keeping experts to proactively improve simplicity and portability.
- A low-cost structure designed for the institutional defined contribution market.

According to a recent [Wells Fargo Retirement Study](#), the quality of retirement for younger generations will depend almost entirely on how much they save through vehicles such as a 401(k) or IRA, highlighting the importance of ensuring their savings lasts throughout their retirement years.

“Defined contribution plans are becoming the primary source of retirement income for many individuals,” said Sean Fullerton, retirement investment strategist at WFAM. “As an industry, we need to focus not only on helping people save while working but also on helping them spend sustainably once they retire.”

The launch of the solution reflects the commitment from WFAM to help solve issues facing America's workforce and better address the rapidly changing reality of retirement.

1. The Wells Fargo (WF) Retirement Income solution includes a "retirement income" component which is a qualified longevity annuity contract ("QLAC"), offered by a non-affiliated third-party insurance carrier, for which participants need to positively "opt-in" to purchase and which provides guaranteed income. QLAC payments can start at age 85 and the guarantee is subject to the claims-paying ability of the insurance carrier. The other components of the solution are not guaranteed and are subject to market risk; they may fluctuate and may lose value. These are Wells Fargo Bank collective investments trusts ("CITs")—a Wells Fargo Target Retirement CIT series and Wells Fargo Retirement Income CIT. The CITs are categorized as "asset allocation" CITs versus "income" CITs; however, systematic withdrawals can be selected by participants for the Retirement Income CIT for which any monthly payments would be subject to the value in the CIT. CITs are Wells Fargo Bank N.A. CITs that are subadvised by Wells Capital Management, which is a WFAM entity.

2. Wells Capital Management Incorporated (WellsCap) offers an Insurance Carrier Selection Service ("ICSS") - which is a service where WellsCap contracts with qualified retirement plans ("plans") to annually select for plans on a discretionary basis third-party insurance carriers ("carriers") and their qualified longevity annuity contracts ("QLACs"). In providing the ICSS, WellsCap acts as a Section 3(38) fiduciary, as defined in the Employee Retirement Income Security Act of 1974 as amended, and not as an investment adviser as defined under the Investment Advisers Act of 1940. WellsCap is actively working to engage an insurance carrier to provide QLACs, but an insurance carrier has not yet been selected.

In general, the target date of a target date CIT represents the year in which investors likely may begin withdrawing assets. Such CITs typically gradually seek to reduce market risk as the target date approaches and after it arrives by decreasing equity exposure and increasing fixed-income exposure. The principal value is not guaranteed at any time, including at the target date. Participants may outlive the Retirement Income CIT portion of their assets.

### **About Wells Fargo Asset Management**

At Wells Fargo Asset Management, we put the client at the center of everything we do. Our commitment: Help clients achieve what matters most to them on their path to financial well-being. We do this by channeling the collective wisdom of our specialized investment teams (backed by over 510 investment professionals) into solutions designed to help meet clients' goals.

We place a relentless focus on pursuing consistent and positive risk-adjusted returns, with the support of our independent risk management teams. Together, we strive to help our clients build portfolios aimed at generating successful outcomes and defending them against uncertainty.

With more than \$518 billion in assets under management\* and offices around the world, Wells Fargo Asset Management has the resources and reach to help clients across the globe—be it institutions or intermediaries whose focus on the client is akin to our own.

*\*AUM is as of March 31, 2020 and includes \$96 billion from Galliard Capital Management, an investment advisor that is not part of the WFAM trade name/GIPS firm.*

Wells Fargo Asset Management (WFAM) is the trade name for certain investment advisory/management firms owned by Wells Fargo & Company. These firms include but are not limited to Wells Capital Management Incorporated and Wells Fargo Funds Management, LLC. Certain products managed by WFAM entities are distributed by Wells Fargo Funds Distributor, LLC (a broker-dealer and Member



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