

State of Michigan 401(k) / 457 Self-Directed Brokerage Account Option



FREQUENTLY ASKED QUESTIONS

Q. Can you give me an overview of the investment options within my State of Michigan 401(k) / 457?

A. As a participant in the State of Michigan 401(k) / 457 plan, you have a broad range of investment options available to you. These options fit into three basic categories: passively managed funds, actively managed funds, and a Self-Directed Brokerage Account. Each of the passively managed funds mirror a broad-based market index. Actively managed funds have managers who choose a combination of securities in an attempt to outperform an index or benchmark. The combination of the passively and actively managed funds, including the target date funds, account for a couple dozen investment options within the State of Michigan 401(k) / 457. These are collectively referred to as the “core” options in the plan.

Q. What is the Self-Directed Brokerage Account option?

A. In addition to the core options available in your State of Michigan 401(k) / 457, the Self-Directed Brokerage Account provides you access to thousands of additional investment options, including mutual funds, ETF’s, bonds, and individual stocks. The Self-Directed Brokerage Account is an account within your State of Michigan 401(k) / 457 and is held at TD Ameritrade.

Q. Why should I utilize this option within my State of Michigan 401(k) / 457 plan?

A. More choice is better. Your retirement account has become the most critical element of your retirement income sources. The Self-Directed Brokerage Account provides the added investment flexibility and the opportunity to build a foundation for wealth and a secure retirement. Through our portfolio development and management process, Mainstay Capital Management takes full advantage of the investment options available in your Self-Directed Brokerage Account to meet your long-term goals and tolerance for risk

Q. How do I get started using the Self-Directed Brokerage Account?

A. It’s easy. To open an account, simply complete the two forms we have provided from TD Ameritrade; the “Account Agreement Form for Self-Directed Brokerage Accounts” and the “Limited Power of Attorney”. The first form opens the account, and the second form allows Mainstay Capital Management trading authority.

Q. How much can I move over to the Self-Directed Brokerage Account?

A. You are not limited on the amount you may transfer to the Self-Directed Brokerage Account. We recommend maximizing this amount to take advantage of the flexibility and diversity of options available within this account.

Q. Are there additional costs or fees when I use the Self-Directed Brokerage Account?

A. Among the thousands of options, there are over 1,300 fund choices offered to you for no additional cost, meaning there are no transaction fees and no loads on these investments. Other investment options within the Self-Directed Brokerage Account may apply transaction fees and loads. These are fully disclosed in each investment options’ prospectus. Also, note that your plan provider will access a quarterly maintenance fee of \$12.50.

Q. Does Mainstay charge an additional fee to manage my retirement savings within the Self-Directed Brokerage Account?

A. No. As part of our portfolio management service for your State of Michigan 401(k) / 457 plan, Mainstay will invest your assets using the investment options available in the Self-Directed Brokerage Account. We seek out fund options that are offered with no transaction fees and no loads to minimize any excess cost to you.

State of Michigan 401(k) / 457 Self-Directed Brokerage Account Option



FREQUENTLY ASKED QUESTIONS (continued)

Q. Will I be taxed on the assets that I move from my core account to the Self-Directed Brokerage Account?

A. No. Remember, this is a transfer within your State of Michigan 401(k) / 457 plan. You are simply moving from one option to another. This is not a taxable event and you are not withdrawing the assets from your plan.

Q. How will I know what is happening in my Self-Directed Brokerage Account?

A. You will continue to receive trade confirmations directly from your 401(k) / 457 plan provider as you do now when a trade is made in your account. You will also continue to receive regular account statements from your plan provider. In addition, we will send you a detailed, easy-to-read quarterly statement showing your asset allocation, account balances, and growth. We will also include a quarterly review of the markets, our strategy, and an outlook for the months ahead. Furthermore, you still have access to your account balances and other account information at anytime using your plan provider's toll-free number or website access.