



DAP

A lifelong retirement plan

Heads Up

Directed Account Plan (DAP) 401K Quarterly Newsletter

July 2021

DAP - Best in Class 401(k) Plan



As a two-time winner of *PlanSponsor.com*'s Best in Class 401(k) Plans, the Directed Account Plan has consistently ranked highly in the 401(k) world. The TWA Pilots that created this plan were ahead of their time when they established the foundation for the DAP in 1993.

They included one of the first Stable Value investment options and invented a set of Target Risk Funds because the pilots wanted all of the state of the art 401(k) investments and retirement savings tools in their new plan. For twenty-eight years, the DAP Board of Directors and its service providers have continued to fine-tune and enhance the original framework.

Here is a list of some of the reasons why the DAP is Best in Class:

- **Plan Design and Investment Options** - You have access to a wide array of investment choices that are simplified into a tiered menu structure. Most plans offer a small, plain vanilla menu of investments but at the DAP you have many options available to you. Your investment menu is listed at dapretirement.com/resources-planning.
- **Plan Governance, Monitoring and Oversight** - You have a Board of Directors that is active and knowledgeable in their role as trustees of the DAP. The board members are listed at dapretirement.com/about/board-of-directors. There are two former TWA pilots and three CommunityAmerica Credit Union and TruHome Solution employees meeting regularly.
- **Retirement Savings Benefit** - Employees are automatically enrolled into the DAP at a 6% savings rate, unless action is taken to elect a different savings rate. Your company offers a 100% match on up to a 6% savings rate. You have the option to save through Roth, Non-Roth or combination of both Roth/Non-Roth contributions. Page two includes an overview of these two savings options. There is an auto-escalation of 1% each year unless you take control of your savings rate. Most financial professionals recommend a double-digit savings rate. By not doing anything, you are saving at least 12% each year.
- **The Retirement/Distribution Phase Benefit** - The TWA pilots and their beneficiaries have been in the retirement and distribution phase for many years. The DAP makes the final phase of retirement savings easy to manage. There is the flexibility to make changes to payment amounts, tax withholdings, bank accounts, and timing of distributions. The DAP helps you manage your IRS required minimum distribution (RMD) in conjunction with the distributions needed to pay for living expenses.
- **Retirement Outcomes** - The majority of the former TWA pilots have been retired for over twenty years. There is evidence of many successful retirement outcomes in the DAP. Not only have the pilots been able to stay invested through retirement, but most are able to pass on an inherited DAP account to their loved ones when they have flown west. The DAP has an established personal process in place to take care of the DAP widows and beneficiaries.
- **Plan Fees** - As a large 401(k) plan with \$700 million in plan assets, the annual participant account maintenance fee is 0.15%. The DAP Board of Directors reviews investment managers and manager fees quarterly. If there is a way to obtain a lower fee for an investment, then an exchange will be made as soon as possible to provide the lowest cost investment vehicle to the participants. For example, the DAP made the change to the Vanguard Target Retirement Funds institutional share class when it became available. Another example is the Fidelity Growth Fund. Our participants have access to this closed fund at the lowest cost through the K share class. The median net manager fee expense ratio for the DAP funds is 0.41% which compares favorably to 0.55% for peer plans.

Pretax 401(k) versus Roth 401(k) Contributions

Factor	Pretax 401(k)	Roth 401(k)
Contributions	Money is taken out of your paycheck before you pay taxes. Your money grows on a tax-deferred basis.	Money is taken out of your paycheck after you pay taxes.
Your taxable income and take-home pay	You lower your current taxable income during the year the contributions are made. You have more take-home pay than you would if you had made Roth 401(k) contributions.	You do not lower your current taxable income during the year the contributions are made. Your take-home pay is lower compared with making pretax 401(k) contributions.
Taxation at time of distribution	Contributions and earnings are taxed as ordinary income at distribution.	Contributions have already been taxed, so those will be distributed tax-free. Earnings are also distributed tax-free when you take a qualified distribution.
Consider this before making a decision	This option may be for you if you plan to be in a lower income tax bracket during retirement and want to take advantage of the tax break on current income.	This option may be for you if you plan to be in the same or higher tax bracket during retirement and can afford to pay taxes on contributions now to get tax-free earnings in the future.
Investments	You can invest in any of the funds in the plan regardless of which contribution option(s) you choose.	
What about rollovers?	You may roll them over to an IRA or another employer's plan that accepts rollover contributions.	You may roll them over to a Roth IRA or another employer's plan that accepts and accounts for Roth after-tax 401(k) contributions.

Want to see how a Roth could impact your savings approach?

Check out the **Pretax vs Roth Analyzer** to model different scenarios, and see what may work for your situation. After you login to www.dap401k.com, click on the **My Financial Path** link at the top of the page. Next, under the **Learning Center** section, click on the find answers box. Click on the navy blue Savings Box. Under, the "Explore More" section, click on the **Pretax vs Roth Analyzer** link.

Want to change your savings approach?

After you login to www.dap401k.com, click on the **Account, Overview** link at the top of the page. You can make adjustments to your contribution type (Roth/Pretax/Split) and savings rate under the **My Contributions** link. You can change your investment options under the **My Investments** link.

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Contact Information

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The intent of this communication is to provide useful information, not investment advice. Each participant in the Directed Account Plan is ultimately responsible to make his or her own investment decisions.

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Informational Web Site:
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