Find the funds that work for you

Choosing the right investment mix is one of the most important decisions you’ll make in the IBM 401(k) Plus Plan. Making that decision is about to get a little easier in response to your feedback.

IBMers said in a recent survey that the Plan’s investment options could use more descriptive names, and that greater focus on the Plan’s core investment options would be helpful. As a result, the Plan’s investment tiers will be renamed in the first half of 2016, to help you find the funds that best match your personal investing style, whether you’re an investing novice or a seasoned pro.

No funds will be removed. The Plan is simply streamlining the presentation of its funds to feature the All-in-One Life Cycle Funds and Core Building Block Funds.

Although you don’t need to take any action, or change your fund elections, now may be a good time to review your investment choices based on this new approach. Consider using Financial Engines Online Advice or MoneySmart to help you with a review of your retirement savings.
**All-in-One Life Cycle Funds (Formerly Tier 1 – Life Cycle Funds)**

This tier includes the Target Date Funds—which will be renamed the **Target Retirement Funds** (callout box) in 2016—and Life Strategy Funds, which will be renamed the Target Risk Funds. These funds require a minimum of time and effort to manage. In fact, you only need to choose one of these funds to build a complete portfolio. Just consider the Target Retirement Fund that most closely aligns with the approximate year you expect to retire or start withdrawing your retirement savings or the Target Risk Fund that most closely aligns with your investment risk preference.

Each All-in-One Life Cycle Fund invests in the Plan's Core Building Block Funds (formerly known as Tier 2 – Core Funds) to create a broadly diversified mix of U.S. and international stocks, bonds, real estate, and commodities for a low expense ratio.

Target Retirement Funds are designed to provide a self-adjusting investment mix that can serve you throughout your career and into retirement. For those beginning a career, the later-dated Target Retirement funds provide a relatively high allocation to growth-seeking assets, which are primarily U.S. and non-U.S. stocks and also include real estate stock, commodities, high-yield bonds, emerging market bonds, and the Balanced Exposure Fund. As you draw closer to retirement, the Target Retirement Fund will gradually and automatically become more conservative by reducing its allocation to growth-seeking assets. Each Target Retirement Fund's risk reduction continues through its “target retirement date” for another 10 years, until the fund's allocation and risk profile matches that of the Income Plus Fund. At that point, the Target Retirement Fund will be merged into the Income Plus Fund.

The year in a Target Retirement Fund's name represents the approximate year an investor in the fund plans to retire or start receiving distributions from their retirement savings.

Before you invest, be sure to read the individual fund flyers at [netbenefits.com/ibm](http://netbenefits.com/ibm). They provide information on each fund, such as the fund's objectives, risks, performance, and expense ratios.

**Core Building Block Funds (Formerly Tier 2 – Core Funds)**

This tier features broadly diversified funds that cover large portions of the market. For example, you'll find funds that provide access to the U.S. stock market, the U.S. bond market, international stocks, and real estate stocks. These funds offer away to build a diversified investment portfolio for investors who want to customize their own portfolio.

This tier also includes lower-risk funds, such as the Interest Income Fund, which is designed to help preserve your retirement savings; and moderate-risk funds such as the Inflation Protected Bond Fund, which can provide inflation protection with a focus on income rather than growth.

You can combine a few of these funds to create your own broadly diversified portfolio with access to thousands of individual securities and obtain diversification similar to the All-in-One Funds, but with an investment mix tailored to your own preferences.

A new **Global Real Estate Stock Index Fund** (callout box) will be added to the Building Block Funds in the first half of 2016. The stock fund will invest in both international and U.S. real estate companies.

**Expanded Choice Funds**

This tier contains specialized investments that focus on specific parts of the market. If you're interested in investing and enjoy researching your options, you can use these funds to fine-tune your portfolio.

For example, maybe you're interested in the high potential growth of small companies and don't mind the increased volatility of their stock prices. You can start with an All-in-One Life Cycle Fund and add an Expanded Choice Fund to provide additional exposure to small company stocks.
The Expanded Choice Funds contain all of the institutional funds formerly in the Tier 3 – Expanded Choice Funds, as well as all of the mutual funds formerly found in the Mutual Fund Window. In addition, the Real Estate Investment Trust (REIT) Index and the International Real Estate Index funds formerly found in Tier 2, will join the Expanded Choice Funds.

**A note about risk**
Keep in mind that all investing is subject to risk, including the possible loss of the money you invest. Target Retirement Funds and Target Risk Funds are subject to the risks of their underlying funds. A Target Retirement Fund is not guaranteed at any time, including on or after the target date in the fund’s name. Investments in bonds are subject to the risk that bonds will lose value based on interest rate changes or negative perceptions of the issuers' ability to pay. High-yield bonds generally have medium- and lower-range credit quality ratings and are therefore subject to a higher level of credit risk than bonds with higher credit quality ratings. When investing in stocks, short-term losses (or gains) are common, largely as a result of sudden movements in stock prices. Investments in international stocks and bonds are also subject to country/regional risk and currency risk. These risks are especially high in emerging markets. Funds that concentrate on a relatively narrow market sector face the risk of higher share-price volatility. Real estate values can be affected by supply and demand for properties, the overall economic health of the country or particular region, and the financial health of companies that rent property. Commodity prices may be influenced by unpredictable factors, including changes in supply and demand relationships, weather, agricultural factors, and interest rate changes. Diversification does not ensure a profit or protect against a loss.

The Target Retirement and Target Risk Funds are not mutual funds. They are unitized funds available only to participants in the IBM 401(k) Plus Plan. Investment objectives, risks, charges, expenses, and other important information should be considered carefully before investing.

**Target Retirement Funds (callout box)**
**New names, same great funds**
To help make choosing investments in the IBM 401(k) Plan more intuitive, the various All-in-One Life Cycle Funds will be renamed in March. The Target Date Funds will become the Target Retirement Funds and the Life Strategy Funds will become the Target Risk Funds.

The new names more accurately describe how the All-in-One Life Cycle Funds work. Target Retirement better represents the meaning of the year in each fund's name: It corresponds to the year an investor plans to retire or begin to withdraw retirement savings. Target Risk refers directly to the investment mix of each fund: For example, an investor looking for an aggressive mix would consider the Aggressive Fund.

No other changes will be made to the All-in-One Life Cycle Funds. Investors will still get a complete portfolio designed around their time until retirement or risk tolerance. But communications about the funds will now be more clear and consistent.

**Global Real Estate Stock Index Fund (callout box)**
**Global Real Estate option is joining the Plan**
The Global Real Estate Stock Index Fund is expected to be added to the IBM 401(k) Plan in 2016. This fund, managed by BlackRock, is a fund of funds. It will invest 70% of its assets in the Real Estate Investment Trust Index Fund and 30% of its assets in the International Real Estate Index Fund. The investment universe of these two funds consists of publicly traded real estate companies in the U.S. and developed international markets.

**A core holding**
The Global Real Estate Stock Index Fund will be classified as one of the Plan's Core Building Block Fund offerings and will replace both the Real Estate Investment Trust Index and the International Real Estate Index funds as a component of the Plan's Target Retirement and Target Risk funds. Because the Global Real Estate Stock Index Fund will hold U.S. and international real estate in the same proportion as the Target Retirement and Target Risk funds, there will be no change to the Target Retirement and Target Risk funds' allocations to real estate.
Real estate investments can be an excellent diversifier in a portfolio. That's because real estate stocks tend to enjoy stronger performance at different times than other U.S. stocks, international stocks or bonds. Adding global real estate to your portfolio could therefore help reduce your portfolio's overall volatility. While the Fund can produce capital appreciation, most of its returns are likely to come in the form of investment income. All investing is subject to risk, including the possible loss of the money you invest. Diversification does not ensure a profit or protect against a loss.

The Target Retirement and Target Risk Funds are not mutual funds. They are unitized funds available only to participants in the IBM 401(k) Plus Plan. Investment objectives, risks, charges, expenses, and other important information should be considered carefully before investing.
Long lifespans are now commonplace thanks to advances in medicine and healthcare. While long life is a great gift, it has important implications for retirement planning because longevity also contains a risk—the chance that you might outlive your money. The average life expectancy of a woman who reaches age 65 is 85.5. While the average life expectancy of a man who reaches age 65 is 82.9.

Reducing the risk of outliving your retirement savings
How can you make your money go the distance? Here are five suggestions to help maintain your income over a potentially long retirement:

1. Save more
Some financial experts suggest saving 12% to 15% of your pay to your retirement plan, figures that should include IBM's contributions. However, if you earn more than $118,500 (the 2016 FICA tax base) you may wish to save more because Social Security will replace a smaller percentage of your income in retirement.

You can sign up for automatic yearly savings increases at netbenefits.com/ibm. (Select IBM 401 (k) Plus Plan, then Contribution Amount from the Quick links menu). Or save the maximum allowed by signing up for the Deferral Maximizer. If you are 50 or older, consider using the Deferral Maximizer plus Catch Up.

What Is your outlook?
Use the Financial Engines Retirement Check to estimate how much income you may have in retirement. Log on at netbenefits.com/ibm and select the Financial Engines link.

2. Consider making Roth contributions
Your savings will go further in retirement if you don't owe taxes on withdrawals. Roth contributions are made on an after-tax basis, so qualified Roth withdrawals are tax-free on two conditions: you are at least age 59½ and it has been at least five years since your first Roth contribution.

New feature: The IBM 401 (k) Plus Plan now allows you to convert existing before or after-tax savings to Roth savings within your plan. (Because a conversion could increase your current year tax obligations, you should consult with your tax advisor beforehand.)

For more information, see Turn savings into tax-free income.

3. Delay filing for Social Security
You can file for Social Security retirement benefits as early as age 62. But each month you delay filing (up until age 70), the greater your monthly payments will be—for life. Waiting until age 70 can increase monthly benefits by as much as 75% compared to filing at age 62.

It's easy to see how much your benefits might increase between age 62 and 70 using Social Security's Retirement Estimator at ssa.gov.
4. Consider an Immediate annuity
Financial planners suggest retirees have enough guaranteed income-from sources that don't depend on market performance such as Social Security, a pension, or an annuity-to cover their fixed expenses: rent or mortgage, utilities, and taxes.

One way to secure lifetime "guaranteed income" for retirement is through an income annuity. Income annuities allow you to use a portion of your retirement assets to create a fixed monthly income payment, typically for your lifetime. They can also provide longevity protection and income stability during volatile market cycles, ensuring your ability to cover monthly expenses. You may want to consider an annuity if you are looking for consistent monthly income payments that you won't outlive. Guarantees are subject to the claims-paying ability of the issuing insurance company.

You can shop for immediate and deferred income annuities and longevity insurance using the Hueler Income Solutions® at netbenefits.com/ibm. Hueler can provide free quotes from multiple high-quality annuity providers so you can compare payment amounts, features, and fees.

5. Look into longevity protection
If longevity protection is a concern and you are looking to ensure a guaranteed stream of income starting at a later date, you may want to consider deferred income annuities.

These are annuities that you purchase now, then defer receiving payments until a date of your choosing, typically between ages 70 and 85. Deferred income annuities can be purchased with or without a death benefit that refunds the purchase price of the annuity if you die before payments begin or guarantees a certain amount of payments to your beneficiary if you die after payments begin.

For additional information on immediate income and deferred income annuities, as well as information on when you should buy, see Focus On: Income Annuities.

Annuity guarantees are subject to the claims-paying ability of the issuing insurance company. The underlying risks, financial obligations, and support functions associated with the products are the responsibility of the issuing insurance company. The issuing insurance company is responsible for its own financial condition and contractual obligations.

Income Solutions is a registered trademark of Hueler Investment Services, Inc. and used under license. United States Patent No. 7,653,560.
Can I afford to retire?

If you have $700,000 in your 401(k) Plus Plan account, can you retire? What about $1 million? How much is enough? There are some rules of thumb. Some experts recommend saving 10 to 12 times your final income by retirement. But the better answer is to retire when you can afford to, when your savings can produce enough income to cover your expenses.

What will retirement cost?
It can be hard to say how much income will cover your expenses, but there are some good ways to estimate. Research shows that many retirees, on average, live on 75% to 85% of their preretirement income.

Why might your cost of living go down in retirement? Well for starters, you won't need to save for retirement anymore. The average IBMer saves about 10% of their eligible salary.

If you don't have taxable income you also won't have to pay payroll taxes for Social Security and Medicare anymore. That's another 7.65% of your pay.

So you may already be living on about 82% or less of your income.

How much income will I have?
When you use the Online Advice or Managed Accounts advisory services offered through the IBM 401(k) Plus Plan by Financial Engines, you can also access a personalized estimate of your retirement income.*

Financial Engines indicates what your estimated annual income in retirement may be and includes income from your 401(k) Plus Plan portfolio, Social Security, and other sources of income you've told Financial Engines about. By personalizing your account to include outside assets, you can get a more complete view of how much income you may have in retirement. The estimated annual income you will see is based on average market performance and will fluctuate with market conditions.**

In the sample Online Advice account overview page below, you can see an easy-to-understand view of how your finances are coming together for retirement, whether you are on track to meet your goal, as well as suggestions for how to improve your retirement picture. For more information or to access your Online Advice or Managed Accounts information, log on to netbenefits.com/ibm and select the Financial Engines Get Advice link.
Managed Accounts is also known as Professional Management. The enhanced income estimate view and corresponding content is available today for Online Advice users and is expected to be available to Managed Accounts members by early 2016.

To learn about the methodology and assumptions used to generate your Retirement Paycheck, please refer to the information on the Online Advice site or the Managed Accounts site.

Automate your retirement income
The IBM 401(k) Plus Plan's flexible systematic withdrawal options allow you to automate your income in retirement. You can elect to receive regular installments from your account on a monthly, quarterly, or annual schedule.

The Plan offers two methods to calculate your installment amounts:

- Flat dollar installments allow you to choose a dollar amount you will receive every month, quarter, or year as long as your savings last.
- Fixed time period installments allow you to receive your entire account balance over a time period you select.

Installments are available when you leave IBM and have either completed at least 30 years of service, are age 55 or older when you begin receiving installments, or qualify for long-term disability.

You can set up or change installments by calling the Employee Services Center. If you are 70½ or older, your total annual withdrawals must meet your required minimum distribution.
Turn savings into tax-free income

The IBM 401 (k) Plus Plan offers three ways to save on taxes:

- **Before-tax** contributions reduce your taxes today, and you pay taxes on your contributions and earnings when you withdraw.*
- **Roth contributions** are made with after-tax money, but withdrawals are tax free (including earnings) if you are over age 59½ and have had the Roth account for at least five years.
- **After-tax** contributions don't offer an immediate tax break. But when you withdraw, you only need to pay taxes on the earnings. Remember - after-tax contributions are not eligible for IBM matching contributions, so you may want to make the maximum before-tax and/or Roth contributions before making after-tax contributions.

Because before-tax contributions have been around a lot longer, you may have much more before-tax money than Roth money in your account. A new feature of the Plan allows you to convert your before-tax and after-tax money to Roth.

**How Roth In-plan conversion works**

When you convert before-tax or after-tax money to Roth, you pay the income tax you would have owed on the converted money if you had withdrawn it. However, you don't pay the 10% penalty tax that applies to withdrawals before age 59½. You can choose to convert all or only part of your before-tax and after-tax money.

Your new Roth money stays in the plan and taxes remain deferred on any additional earnings. When you retire, you can withdraw the money tax-free as long as you meet the conditions. Remember that if you don't qualify for tax-free withdrawals, you'll owe regular income tax and potentially a 10% penalty on any earnings you withdraw.

**Who might benefit from Roth?**

A Roth in-plan conversion basically means you're paying your taxes up front. So if you expect to be in a higher tax bracket during retirement, you could save money by paying a lower rate now.

Of course, no one knows what their tax rate will be in retirement. But, if you believe your tax rate will be higher, consider making at least some of your contributions on a Roth basis. That way you'd pay taxes at your current rate, rather than a the rate that will be in place when you make withdrawals. Just as you would diversify your investment holdings, this allows you to diversify tax outcomes too. Diversification does not ensure a profit or protect against a loss.

**How to start a conversion**

Call the Employee Services Center at 800-796-9876 to find out the details.

*Withdrawals from a tax-deferred plan before age 59½ may be subject to ordinary income tax and a 10% federal penalty tax.
Have investing professionals on your side

A little investing help can go a long way. If you’re a novice investor, it can save you time and stress. If you’ve got some experience, it can help confirm your investment selections. And if you want nothing to do with investing decisions, you can put experts in charge of your portfolio.

The IBM 401(k) Plus Plan offers three forms of professional assistance.

**Managed Accounts - For "do it for me" investors who want to fully outsource account management**

Managed Accounts puts Financial Engines in charge of your 401(k) Plus Plan portfolio. With Managed Accounts, Financial Engines will:

- **Create a personalized Retirement Plan** for your 401(k) Plus Plan account. Financial Engines can consider assets outside of the Plan you tell them about. You can also personalize your plan by making adjustments to your desired retirement age or your risk profile.
- **Select your funds** and work with the Plan's service provider, Fidelity Investments, to handle investment transactions.
- **Keep you on track** and appropriately allocated and diversified over time, adjusting your investment mix as you approach retirement. You'll receive a Retirement Update every quarter showing your progress.

Investor Advisor Representatives are available to answer your questions and provide guidance. The fee for Managed Accounts is 0.30% per year for the first $375,000 in assets and 0.20% per year for assets over $375,000. The fee is deducted directly from your account each quarter.*
Online Advice and MoneySmart - For investors who want help making their own investing decisions

Online Advice from Financial Engines is for "help me do it" investors and may be right for you if you enjoy managing your 401(k) Plus Plan account.

With Online Advice, you can:

- **Use powerful online tools** to build your strategy, project your retirement income and explore ways to improve your outlook. The forecasts and recommendations used by Online Advice and Managed Accounts are powered by the same objective, disciplined methodology.
- **Receive independent, personalized investment recommendations** for your 401(k) Plus Plan account which can consider assets you have outside of the Plan. Online Advice can also help you evaluate changes before you make them.
- **Log in anytime** to see if you are on track; note that you are responsible for requesting transactions for your account, including rebalancing.

Investor Advisor Representatives are available to answer your questions and provide guidance. All 401(k) Plus Plan participants can access Online Advice at no additional cost.

Who is Financial Engines?
Financial Engines is America's largest independent investment advisor,** providing unbiased and objective professional investment management and advice, co-founded by Nobel Prize-winning economist Bill Sharpe. The company was founded on the belief that technology could make it possible to offer sophisticated retirement help to individuals, regardless of wealth or investment experience. To learn more about the Managed Accounts and Online advice service available to you from Financial Engines through the IBM 401(k) Plus Plan, visit [financialengines.com/foribm](http://financialengines.com/foribm).

IBM MoneySmart, the innovative financial education and planning program designed to help U.S. IBMers 'get smart' about personal finance, is offered at no cost to active IBMers in the U.S. MoneySmart Coaches, with their broad-based financial experience, are available for confidential, one-on-one planning sessions to provide guidance on IBM benefits, such as your 401(k) Plus Plan or health benefits. Coaches also can help with saving for college, a house, or retirement.

MoneySmart offers IBMers a highly personalized experience. Every IBMer, from novice to savvy investors, will find something of value in the program's offerings. In addition to individual sessions, there are MoneySmart educational webinars on a variety of topics throughout the year.

**MoneySmart Coaches are available to discuss topics such as:**

- Prioritizing your financial concerns
- General financial planning and wellness
- Cash flow and personal goal setting
- Insurance
- Estate planning
- Income taxes
- Investment planning
- IBM benefit plans

**MoneySmart Coaches can also help you with retirement planning tasks including:**

- Determining when you can retire
- Minimizing key risks
- Determining expenses, income, and any potential gaps
- Developing an investment, income, and withdrawal strategy
- Staying on track to live the retirement you want
There is no preparation required for your first call with a MoneySmart Coach. We encourage you to get started by scheduling an initial consultation today.

To schedule a personal phone consultation with a Coach, register on the MoneySmart portal at https://w3.ibm.com/hr/us/moneysmart. You can also find additional information, tools, and resources, and register for an Ayco webinar. Or call 877-543-7678 (TTY:866-217-8694). If you are nearing retirement, call 800-976-1054 (TTY: 800-544-0118).

**Note:** To access the MoneySmart site, you’ll be asked to authenticate, using your IBM intranet user name and password. During your first visit, you’ll also need to accept a users’ agreement of terms and conditions for the program before proceeding.

*Managed Account fees are charged in the frequency and manner detailed in the Terms and Conditions; fee examples are for illustrative purposes only.

**For independence methodology and ranking, see Investment News Center (http://data.investmentnews.com/ria/).

Fidelity NetBenefits® is a registered service mark of FMR Corp. Advisory services, including Managed Accounts and Online Advice, are provided by Financial Engines Advisors L.L.C., a federally registered investment advisor and wholly owned subs diary of Financial Engines, Inc. Future results are not guaranteed by Financial Engines or any other party. Financial Engines is not affiliated with Fidelity Investments or its affiliates.
The low, low cost of investing in your Plan’s funds

The expense ratios associated With the funds in the IBM 401(k) Plus Plan are among the lowest available anywhere. Although investment returns are uncertain, investment costs are not. Because costs are subtracted from returns, keeping costs low will tend to increase your effective investment return.

<table>
<thead>
<tr>
<th>Plan Weighted Average Fund Annual Expense Ratio</th>
<th>Mutual Fund Industry Weighted Average Annual Expense Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.17% ($17 a year per $10,000 invested)</td>
<td>0.64% ($64 a year per $10,000 invested)</td>
</tr>
</tbody>
</table>

The All-in-One Life Cycle funds’ expense ratios are low, ranging from 0.12% to 0.16%. The Core Building Block Funds and Expanded Choice Institutional Funds range from an ultra-low 0.03% to a modest 0.43%. On average, these funds cost just over a quarter of the industry average. And depending on which funds you've selected, you could be paying even less.

The expense ratio is the annual cost of investing in a fund, expressed as a percentage of the fund's assets. The fund expense ratios include all cost for investing in the Plan, such as investment management fees, administrative cost, and record keeping fees. If you use the Managed Accounts service, you will incur additional fees. Remember that low cost don’t prevent your investments from losing value.

You can find the most up-to-date expense ratio information by reviewing the Fund Flyers on NetBenefits. Select IBM 401 (k) Plus Plan, then Plan Information & Documents, then Fund Flyers. If you're considering rolling your Plan balance over to an IRA after leaving IBM, make sure to compare the IRA's investing costs to the Plan's.

The Expanded Choice mutual funds' expense ratios are generally higher than other funds in the Plan, in part, because most of the mutual funds offered are actively managed. However, due to the Plan's purchasing power, some of the mutual funds' share classes have lower fees and expenses than individuals can obtain outside the Plan and some fees may be rebated.

Details can be found in each fund's prospectus, which is available on NetBenefits. In addition to each fund's own fees, a proportionate share of the Plan's monthly administrative fees are deducted from participant balances invested in the Expanded Choice mutual funds.

All investing is subject to risk, including the possible loss of the money you invest.

*Source: IBM as of June 30, 2015.
**Source: Morningstar, Inc. as of March 12, 2015.
You can save $18,000 in 2016

IRS limits unchanged for 2016
You can save up to $18,000 in the IBM 401 (k) Plus Plan in 2016. If you are 50 or older at the end of the year, you can save an additional $6,000 in catch-up contributions, for a total of $24,000. You can use the Deferral Maximizer at netbenefits.com/ibm to automatically save the maximum amount you are eligible for. If you will turn 50 in 2016, make sure to change your deferral option to Deferral Maximizer Plus Catch-Up.
Focus On: Income Annuities

There are many types of annuities. This article focuses on income annuities that can be purchased using the Hueler Income Solutions tool.

In exchange for a one-time lump sum deposit, income annuities can provide you with monthly payments that you can't outlive and are not affected by market losses. Annuities are issued by insurance companies which provide the income guarantee. An income annuity can be a good way to cover your fixed expenses, such as rent or mortgage payments, utilities, and taxes.

What are the two basic types of income annuities?
There are two basic types of income annuities: immediate income and deferred income annuities. Which type might be right for you depends on when you would like to start receiving payments.

For both types of annuities, the amount of monthly income payments you receive depends on many factors including your age, the size of your upfront payment, your gender, prevailing interest rates, whether you purchase inflation protection, when you start receiving payments, and whether you purchase a joint annuity which continues to pay your spouse or partner after your death. Income annuities can also be purchased with or without a death benefit that refunds the purchase price if you die before payments begin or guarantees a certain number of payments to your beneficiary if you die after payments begin. The purchase of a death benefit will reduce the monthly income received. (Examples of how payments may vary due to some of these factors are provided below.)

Immediate Income Annuities
With an immediate income annuity you begin to receive payments within 12 months after making your initial investment. You might consider purchasing an immediate annuity as you approach or reach retirement in order to start receiving monthly payments to cover your fixed expenses.

Deferred Income Annuities
Deferred income annuities enable you to defer receiving income payments for as little as 13 months to as late as your 85th birthday, or any date in between. By deferring the start date, you will receive a higher amount of income when payments begin.

Examples - Recent market pricing of annuities
The three examples below represent the monthly income that can be generated by types of annuities available on the Hueler Income Solutions tool. Income Solutions can be accessed through netbenefits.com/ibm. All quotes were for an initial upfront payment of $100,000, and were obtained from Income Solutions on November 17, 2015. Joint quotes assume the purchaser and spouse/partner (joint annuitant) are the same age.
Example 1 - Immediate Income Annuity

<table>
<thead>
<tr>
<th>Age at Purchase</th>
<th>Monthly Income*</th>
</tr>
</thead>
<tbody>
<tr>
<td>65</td>
<td>Male: $591</td>
</tr>
<tr>
<td></td>
<td>Female: $558</td>
</tr>
<tr>
<td></td>
<td>Joint: $497</td>
</tr>
<tr>
<td>70</td>
<td>Male: $686</td>
</tr>
<tr>
<td></td>
<td>Female: $630</td>
</tr>
<tr>
<td></td>
<td>Joint: $551</td>
</tr>
<tr>
<td>75</td>
<td>Male: $814</td>
</tr>
<tr>
<td></td>
<td>Female: $750</td>
</tr>
<tr>
<td></td>
<td>Joint: $625</td>
</tr>
</tbody>
</table>

Example 2 - Deferred Income Annuity with Death Benefit Purchased at Age 65

<table>
<thead>
<tr>
<th>Age at Income Start</th>
<th>Monthly Income*</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>Male: $776</td>
</tr>
<tr>
<td></td>
<td>Female: $734</td>
</tr>
<tr>
<td></td>
<td>Joint: $649</td>
</tr>
<tr>
<td>75</td>
<td>Male: $1,116</td>
</tr>
<tr>
<td></td>
<td>Female: $1,049</td>
</tr>
<tr>
<td></td>
<td>Joint: $895</td>
</tr>
<tr>
<td>85</td>
<td>Male: $3,009</td>
</tr>
<tr>
<td></td>
<td>Female: $2,693</td>
</tr>
<tr>
<td></td>
<td>Joint: $2,229</td>
</tr>
</tbody>
</table>

(1) The annuity purchase price is refunded to your beneficiary if you die before payments begin.

Example 3- Deferred Income Annuity without Death Benefit Purchased at Age 65

<table>
<thead>
<tr>
<th>Age at Income Start</th>
<th>Monthly Income*</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td>Male: $4,456</td>
</tr>
<tr>
<td></td>
<td>Female: $3,768</td>
</tr>
<tr>
<td></td>
<td>Joint: $2,573</td>
</tr>
</tbody>
</table>

When Should You Buy an Annuity?

Income annuities may be a good fit if you are concerned about securing income for retirement, or the risk of outliving your savings. There are several factors to think about when considering an annuity including your current income sources (Social Security, pension, etc.), health profile, family history (do members of your family typically live long?), and financial risk tolerance. Guarantees are subject to the claims-paying ability of the issuing insurance company.

Deciding when to receive income, and how much is needed, depends on your personal goals and needs in retirement. No annuity contract is “one size fits all” as annuity products offer a wide range of features and costs. You should shop around before making a decision on which type will best suit your needs. Through the IBM 401 (k) Plus Plan, you can use the Hueler Income Solutions tool to request free annuity quotes with only the features you need, and receive responses from several insurance companies at once. If you have questions concerning annuities or need help using the Income Solutions tool, talk with a Hueler annuities specialist at 866-297-9835.

The underlying risks, financial obligations, and support functions associated with the products are the responsibility of the issuing insurance company. The issuing insurance company is responsible for its own financial condition and contractual obligations.

*Actual quotes from insurance companies will be based upon each individual’s quote information, current market conditions, and the sponsoring organization at the time a quote is requested.

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(1) The annuity purchase price is refunded to your beneficiary if you die before payments begin.
How can we help?

Website
24/7
netbenefits.com/ibm

Voice response system
24/7
800-796-9876 (U.S.)

Service Center Representatives
M-F, 8:30 a.m. to 8:30 p.m., ET
800-796-9876 (Translators available)
800-426-6537 (TTY)

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Before investing in any investment option of the IBM 401(k) Plus Plan, please carefully consider its investment objectives, risks, charges, and expenses. For this and other important information, or to obtain a free copy of the fund flyers for the All-in-One Life Cycle/Core Building Block/Expanded Choice Institutional funds or a mutual fund prospectus, or if available a summary prospectus, call the IBM Employee Services Center at 800-796-9876. Service Center representatives are available Monday through Friday (excluding New York Stock Exchange holidays) from 8:30 a.m. to 8:30 p.m., Eastern time. Read and consider all fund flyer and prospectus information carefully before you invest.

The Target Retirement and Target Risk Funds are not mutual funds. They are unitized funds available only to participants in the IBM 401(k) Plus Plan. Investment objectives, risks, charges, expenses, and other important information should be considered carefully before investing.

Participation in the Plan is offered only by means of the Prospectus. The intent of this newsletter is to provide useful investment information, not investment, tax or legal advice. Each participant is ultimately responsible for making his or her own investment decisions.

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