**Important: The projections or other information shown in this analysis regarding the likelihood of various investment outcomes are hypothetical in nature, pre-tax (do not account or adjust for the deduction of any taxes), and do not reflect actual investment results. The projections or other information shown are not guarantees of future results or guarantees that sufficient income will be achieved to provide adequate income throughout retirement. Results may vary with each use and over time. These projections are based on capital market assumptions for asset classes like equities and fixed income and cash (as applicable) and do not reflect performance expectations for any specific investment or portfolio of investments.**

## Hypothetical projections: Methodology, key assumptions and limitations

### Overview

The presentation of hypothetical projections is educational in nature and is intended to provide you with information to help you understand how a mix of certain asset classes designed for an investment approach that seeks to use (or withdraw) assets for retirement needs while investing over a defined time period for income might perform. The presentation of hypothetical projections is intended to be an additional resource to you in evaluating the potential risks and returns of investment choices and one of the services provided as part of the Merrill Guided Investing Programs (Merrill Guided Investing and Merrill Guided Investing with Advisor; individually a "Program" or collectively referred to herein as the "Guided Investing Programs"). The presentation is the one-time output of the tool as of the particular point in time it is utilized and reflects your inputs and our assumptions and calculations as of that point in time.

This document provides information about how the hypothetical income and investment amount projections are calculated for a goal's Allocation Profile. The Allocation Profile used for these calculations is derived from information obtained from you through the interactive online profiling process through the website for the Guided Investing Programs ("Online Profiling Process") and uses the same methodology to recommend your goal's Target Asset Allocation for the Guided Investing Programs. This document describes how we use the information you provide to us and the methodology, key assumptions and limitations of the tool we use to calculate the hypothetical projections. The hypothetical projections do not reflect the actual investment performance of any investor, of any investment strategy that you may select or the underlying exchange-traded funds (ETFs) or mutual funds that may be included in such investment strategy. The hypothetical projections are not guarantees of future results and do not predict actual future performance or income. The tool itself does not determine which securities to buy or sell.

### Understanding the hypothetical projections chart

For a goal's Allocation Profile over the course of the projection period, the tool presents hypothetical values in the projections chart as follows:

- Projected Income. The dark green and light green components of the vertical bars are the annual amounts of the projected baseline income and the projected variable income, respectively, with reference to the estimated dollar values on the right side of the chart.
  - Projected Baseline Income: The projected minimum annual income amount based on your investment amount and hypothetical performance of the Allocation Profile which the CIO estimates at a 95% likelihood or probability of success.
  - Projected Variable Income: The projected additional annual income amount in addition to the Projected Baseline Income that is based on the investment amount and hypothetical performance of your Allocation Profile which the CIO estimates at a 50% likelihood or probability of success.
- Projected Investment Amount. The blue dotted line is your starting and then projected investment amount with reference to the estimated dollar values on the left side of the chart.
- Projected Age. The bottom of the chart shows each year of the projection period represented by your age.

### Our methodology

In order to generate hypothetical projections, the analysis uses a combination of inputs provided by you, various assumptions and a series of calculations as described below.

### Your information for the calculation

We use the information you provided to us for your goal through the Online Profiling Process. The tool assumes the information you provided remains the same for the entire projection period. The types of information we use include:

- Investment Amount. Your starting investment amount for the calculation varies depending upon when you enroll in a Program:
  - Before enrolled: If you are not yet enrolled in one of the Guided Investing Programs, the starting investment amount is the dollar value of your intended initial investment amount that you inputted during the Online Profiling Process.
  - While enrolled: If you are currently enrolled in one of the Guided Investing Programs, the starting investment amount is the dollar value of your Guided Investing

Program account assets that is current as of the time of the calculation less the allocation to cash and/or cash alternatives in the account for withdrawal(s) in the current year.

- Projection Period. Your Projection Period is the time period shown in the chart and is based on information you provided during the Online Profiling Process regarding your age and the age at which you'd like to start withdrawals.

  - Time Horizon. The time horizon begins with the age you reach in the year you want to start investing and, if different, includes the age you reach in the year you want to start to take recurring withdrawals from your investment amounts and ends in the year of your last withdrawal from your investment amount.

  - Withdrawal Period. The Withdrawal Period is determined by the age you reach in the year you want to start to take withdrawals and ends with the age you reach in the future year of your last withdrawal.

    Your Time Horizon and Your Withdrawal Period are the same if the age you reach in the current year is the same as the age you reach when you want to start to take withdrawals.

    You are in the final year of the Withdrawal Period when the age you reach in the current year is the same as the age you reach in the year of your last withdrawal during the projection time period. The hypothetical projections chart shows the last annual projected income amount for that final year with no remaining projected investment amount.

- Risk Tolerance. Your Risk Tolerance is the risk tolerance you selected during the Online Profiling Process for your goal. The risk tolerance options are low, medium, or high.

## How does it work?

In order to generate the hypothetical projections, we construct a theoretical model portfolio aligned to a goal's Allocation Profile that reflects percentage allocations for the projection period to one or both of the equity and fixed income asset classes based on the prevailing market conditions (as represented by U.S. Treasury yields and the S&P 500 Total Return Index) and the Capital Market Assumptions developed by our Chief Investment Office ("CIO"). The projected income amounts of the theoretical model portfolio for an Allocation Profile is based on the combined projected performance of each individual asset class included in the theoretical model portfolio. The model portfolio allocations and projected performance are not based on any particular security.

For the Projected Variable Income, the tool uses simulations and statistical analyses and/or modeling (e.g., Monte Carlo simulation) in which a set of future outcomes are projected based on forward looking assumptions to generate a hypothetical range of values for a given set of assets every year. These future outcomes are used to generate 5,000 scenarios of the model portfolios performance for the projection time-period, incorporating the growth of assets over each year you plan to invest. In addition, the analysis takes into consideration factors such as economic conditions, the market value of the investments and market volatility.

Projected Baseline Income. The Projected Baseline Income is calculated based on your total investment amount, your Allocation Profile, and a prevailing U.S. Treasury Yield Curve. For the presentation, the prevailing U.S. Treasury Yield Curve is a collection of yields of U.S. Treasury bills, notes and bonds with different maturities issued by the United States government that has been selected by the CIO based on its analyses. The Projected Baseline Income is calculated to increase by applying a cost-of-living adjustment that assumes a constant inflation rate for your Time Horizon. A mathematical calculation is used to identify the Projected Baseline Income. The Projected Baseline Income viewed by the CIO as having a 95% probability of success.

Projected Variable Income. The Projected Variable Income is calculated based on your total investment amount by combining the cost-of-living adjustment assumption with information from a large number of statistically simulated scenarios of future equity market returns and yield curves. The Projected Variable Income is the median income level in addition to the Projected Baseline Income achieved throughout the Withdrawal Period. In other words, the additional income during the Withdrawal Period is estimated to be above or below this level with a likelihood or probability of 50%. The scenario result means that this income level (or more) was achieved in 50% of the simulations used by the probabilistic modeling technique. The scenario result also means that this income level (or less) was achieved in 50% of the simulations used by the probabilistic modeling technique. The maximum Projected Variable Income shown in the chart is represented by the probabilistic modeling technique's median results which represents 50% probability of occurrence. The 50% probability of success is only used to calculate the Projected Variable Income that is estimated to be in addition to the Projected Baseline Income.

The tool also takes into account expected allocation changes within the fixed income asset class of the theoretical model portfolio over the projection period. This means that the duration of the fixed income asset class of the model portfolio decreases as you approach the end of the projection period.

## Key Assumptions and Limitations

The following key assumptions and limitations affect the hypothetical projections' calculations:

**Capital market assumptions:** The tool uses the U.S. Treasuries Yield Curve scenarios, and the U.S. Equities return scenarios of the CIO Term-structure Capital Market Assumptions model. The scenarios reflect estimates for yields across time periods ranging from 6 months up to 30 years and equities returns. Each asset class assumption includes estimates of expected return, expected standard deviation and the correlation coefficient among all asset classes. The asset class assumptions were developed following a rigorous process and do not merely assume that historical returns will continue to be realized in the future; instead, the asset class assumptions considered a number of factors and analyses, including the following:

- A close examination of asset class performance over several economic cycles with the inclusion of recent market movements
- Consideration of special events or circumstances, with the appreciation that future performance may not necessarily follow past patterns
- Review of academic research and advanced analytical forecasting and statistical models

Data sources for the asset class scenarios:

| Asset Class | Name |
|---|---|
| Equity | S&P 500 TR Index |
| Fixed Income | Constant Maturity Treasury Rate ranging from 6-month to 30-year |

**Note:** Information in the table are as of January 2024 and are used for illustrative purposes only, are unmanaged, assume the reinvestment of dividends and do not reflect the impact of management or performance fees. Indices do not represent actual individual accounts. One cannot invest directly in an index. The asset classes used for the projections may differ from the actual asset classes in your selected investment strategy.

**Impact of fees and certain expenses:** The tool applies the annual asset-based fee rate from the relevant Guided Investing Program to the investment amount once at the beginning of each year (or from the start date of the first year) for the purpose of the hypothetical projections.

In contrast, each Guided Investing Program Fee is payable monthly in advance and generally will be calculated based on the value of the assets in your account as of the last business day of the prior month.

However, the hypothetical projections do not reflect the impact of other fees and expenses associated with being an investor in ETFs, mutual funds, or money market funds that would be held in your account or fees not covered by the applicable Program fee, such as exchange fees charged by third parties. The hypothetical projections would reflect lower amounts if those other fees and expenses are factored into the projections.

**Inflation:** The tool assumes the current long-term expected inflation rate is 2.83%. This value could change over time.

**Intervals approach and limits:** The hypothetical projections are shown in whole-year intervals regardless of the point in time during the calendar year when the chart is presented. The Time Horizon for the hypothetical projections can, depending upon your election, include up to 5 years prior to the start of the Withdrawal Period and up to 25 years for the Withdrawal Period.

When you are in the final year of the Withdrawal Period, the chart shows the last projected income amounts for that final year with no remaining projected investment amount.

**No ongoing investments (contributions):** The tool does not project or factor in any ongoing contributions because estimating ongoing contributions is not a feature of an income-focused investment approach in the Guided Investing Programs. Future contributions (if any) will be reflected in the investment amount value in hypothetical projections that are generated in future years.

**Taxes:** The tool does not factor in any taxes that may be applicable or any additional taxes for early IRA withdrawals. All hypothetical projection amounts are pre-tax. We do not, and will not, offer tax advice and strongly encourage you to seek the advice of a qualified tax professional.

**Rebalancing:** Projections assume the theoretical model portfolio is automatically rebalanced periodically back to the applicable Allocation Profile each year in the projection period.

For Guided Investing Programs, these income-focused strategies and client accounts enrolled in one of the Programs may be rebalanced at any time, as explained in the relevant Guided Investing Program Brochure.

**Annual Projected Income for withdrawals calculation**: The estimated annual projected income amount for a withdrawal is computed as a projected annual amount deducted (or withdrawn) from the projected investment amount once at the end of the previous calendar year during the Withdrawal Period.

For the Guided Investing Programs, clients can elect a more frequent periodic withdrawals of the relevant year's annual income amount during that year which will be allocated to cash and/or cash alternatives in advance of such withdrawals during the year.

**No Required minimum distributions (RMDs):** IRS rules require that minimum distributions be taken from a retirement account (e.g., Traditional, SEP, or SIMPLE IRA) when you turn age 73 (or age 75 for anyone born on or after 1/1/1960). These hypothetical projections do not factor or otherwise consider your RMD amount under IRS rules if you have a retirement account.

**Limitations.** When reviewing the hypothetical projections, please also consider the limitations described below:

- The estimated market values presented are highly dependent on the accuracy of the income amount assumptions discussed in the "Our methodology" and "Key Assumptions and Limitations" sections.

- An investment entails risk and no assurance can be given that the projections will be achieved or that you will receive a return or income on your investments. In considering the projections, you should keep in mind that past performance is not necessarily indicative of future results, and there can be no assurance that any historical trends on which the projections are based will continue. The projections are based on our current methodology, including our current expectations, estimates, projections, opinions, and/or beliefs. As a result, the projections involve known and unknown risks, uncertainties, and other factors, and undue reliance should not be placed on them. Due to various risks and uncertainties, now and in the future, results or performance of your investments may differ materially from those reflected or contemplated by the projections.

- The asset classes used in the theoretical model portfolio for each Allocation Profile for the purpose of the hypothetical projections may at times differ from the asset class allocation in your investment strategy, both in terms of the actual asset classes included in the investment strategy and in terms of the percent allocation of the overall portfolio. You should be aware that this could result in the projected value not reflecting the performance of certain asset classes included in the analysis. In addition, the projected value does not depict results that would occur from an extreme market (positive or negative) due to the low probability of such an occurrence.

- Clients should expect projected income and actual withdrawal amounts to change at least annually. You should understand that changes made to the amount of actual withdrawals and any unscheduled withdrawals will result in changes to the amount of actual withdrawals that you will receive over the term of your account. Withdrawing more than the Projected Baseline Income or Projected Variable Income will likely result in lower amounts of projected and actual withdrawal amounts in the future.

- This analysis is limited to the information you provide for your Guided Investing Program goal as described in this document. It is your responsibility to ensure that the information you provide to us is complete and accurate. It is also your responsibility to notify us if any information you have provided to us about you is inaccurate or becomes inaccurate.

- The tool does not take into account any assets, investments or income you have (such as pension, Social Security benefits or other retirement income) other than either your stated initial investment or current investment balance. Further contributions once included in the applicable investment amount depending upon your timing of such contributions, are then reflected in subsequent hypothetical projections.

- Probabilistic modeling does not analyze specific security holdings like the ETFs and/or mutual funds in the investment strategies used in the Guided Investing Programs.

- The tool assumes that your stated Risk Tolerance does not change over the Projection Period. If you change this or other information such as your Time Horizon, the amount of your initial investment amount, or the amount of actual withdrawals, the projections will be adjusted. In addition, the hypothetical projections are presented as of the time and date the chart was created If you perform the calculation on a different date, the results may be different due to the difference in time or if any of the underlying assumptions change, even if your information hasn't changed.

- While the strategies make use of target asset allocation approach, this approach does not ensure a profit or protect against a loss in declining markets and does not eliminate the risk of fluctuating prices and uncertain returns.

## Glossary

**Allocation Profile:** The allocation of assets to one or more asset classes designed to obtain a continuing stream of income from investments for the projection period that is based on certain information you provide as part of the Online Profiling Process and through the Program Website. The three types are:

- ***Stable Income***: a low risk tolerance and target allocation generally to the fixed income asset class.
- ***Balanced Income***: a medium risk tolerance and target allocations of a mix of fixed income and equity asset classes that will change over time.
- ***Income and Growth***: a high risk tolerance and target allocations of a mix of fixed income and equity asset classes that will change over time.

**Asset Allocation:** The mix of asset classes — equities and fixed income — for an investor's portfolio.

**Asset class:** A term used to classify and distinguish between types of assets. Examples include equities (stocks) and fixed income (bonds).

**Projected Baseline Income:** Projected minimum annual income based on the investment amount and hypothetical performance

**Capital market assumptions:** These forward-looking assumptions reflect views on future asset class performance based on long-term expected return, risk and correlation assumptions and were developed by the CIO.

**CIO:** The Chief Investment Office of MLPF&S.

**ETFs:** An exchange-traded fund (ETF) is a fund that invests in a basket of securities designed to duplicate the performance of a particular market benchmark — such as a Standard & Poor's index, an industry sector, a geographic region, a certain kind of asset or some other market segment.

**Equities (stocks):** Investments representing ownership in a corporation. As a part owner or shareholder, an investor could profit from the company's successes in the form of increased share prices, dividends or both. On the other hand, equities have no fixed value and are only worth what another investor is willing to pay at any given moment. In this program Equites are represented by an ETF(s) that contain equity securities.

**Fixed Income (bonds):** Debt investments represent money that investors lend to a government or corporation (the issuer). The issuer, in return, promises to pay the investor a fixed or floating rate (coupon rate) at stated intervals over a predetermined period of time. At the end of this time (maturity date), the principal is returned to the investor. Prior to maturity, the value of the security fluctuates as current interest rates rise or fall. In this program Fixed Income is represented by an ETF(s) that contain Fixed Income securities.

- **Short-Term Fixed Income:** Securities issued by the U.S. government and debt issues of federal agencies, state or local governmental entities and private corporations, having a maturity of 0 to 5 years.

- **Intermediate Term Fixed Income:** Securities issued by the U.S. government and debt issues of federal agencies, state or local governmental entities and private corporations, having a maturity of 5 to 15 years.

- **Long-Term Fixed Income:** Securities issued by the U.S. government and debt issues of federal agencies, state or local governmental entities and private corporations, having a maturity of 15 years or more**.**

**Inflation rate:** The rise in the prices of goods and services, as happens when spending increases relative to the supply of goods on the market.

**Likelihood levels (confidence/probability levels):** A statistical measure of likelihood based on the ratio of "successful" occurrences to the total number of possible occurrences.

**Probabilistic (Monte Carlo) modeling:** A statistical modeling technique for the Projected Variable Income amount in which a set of future outcomes is forecasted based on the variability or randomness associated with historical occurrences and forward-looking assumptions. The likelihood that an event will occur (e.g., asset balances will not drop below a specific value) is determined by analyzing the range of potential outcomes. In this tool, a probabilistic approach is used to determine the range of potential wealth outcomes that could be realized. It involves generating thousands of scenarios, each simulating the growth of assets over a specified period of time, taking into account various factors, such as economic conditions, the allocation of assets, and market volatility. Of course, outcomes based on this modeling technique are not guaranteed and your actual results could significantly differ for many reasons.

**U.S. Treasury Yield Curve:** This is a collection of yields of U.S. Treasury bills, notes and bonds with different maturities issued by the United States government that has been selected by the CIO based on its analyses.

**S&P 500 Total Return Index:** This index is calculated intraday by S&P based on the price changes and reinvested dividends of SPX Index with a starting date of Jan 4, 1988.

**Risk Tolerance**: Your Risk Tolerance is the risk tolerance you selected during the Online Profiling Process for your goal. The risk tolerance options are low, medium, or high, as described below:

- A “low” risk tolerance means that you are not willing or able to take much risk for your income needs. You’d like a higher initial income and are willing to accept minimal risk to have lower potential increases to future income and a remaining balance.

- A “medium” risk tolerance means that you are willing and able to take a moderate level of risk for your income needs You’d like a modest initial income and are willing to accept some risk to have more potential for increases to future income and a remaining balance.

- A “high” risk tolerance means that you are willing and able to take a higher level of risk for your income needs. You’d like a lower initial income and are willing to accept more risk to have greater potential increases to future income and a remaining balance.

**Target Asset Allocation:** means a recommended allocation of assets for a goal across one or more asset classes based on certain information you provide as part of the Online Profiling Process.

The Target Asset Allocation categories which are designed to obtain a continuing stream of income from investments over a stated period are as follows:

- ***Stable Income***: a low risk tolerance and target allocation generally to the fixed income asset class.
- ***Balanced Income***: a medium risk tolerance and target allocations of a mix of fixed income and equity asset classes that will change over time.
- ***Income and Growth***: a high risk tolerance and target allocations of a mix of fixed income and equity asset classes that will change over time.

Through the Guided Investing Programs, you will receive a recommended strategy that is designed to align to the Target Asset Allocation and the specific needs for your goal.

**Withdrawal Period**: Your Withdrawal Period is determined by the age you reach in the year you want to start to take withdrawals and ends with the age you reach in the future year of your last withdrawal.

## Important Disclosures

You are not required to transact business with Merrill or to implement any of the suggestions made by us in connection with the Merrill Guided Investing Programs.

There are important considerations when investing in an investment advisory program, including the type of advice, services, and assistance provided, the type of fees charged and how you pay for those fees (for example, an asset-based fee), and the rights and obligations of the parties, as indicated in the Program Agreement and Program Brochure.

It is important for you to understand that the hypothetical projections, estimates, analysis and hypothetical values provided are not a financial plan. If you are interested in a formal analysis of your entire financial situation, ask us about Merrill's range of services, including the fees that may be applicable.

**Merrill, its affiliates, and financial advisors do not provide legal, tax, or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions**.

**Investing in securities involves risks, and there is always the potential of losing money when you invest in securities.**

Please review the applicable Merrill Guided Investing Program Brochure (PDF) at www.merrilledge.com/guided-investing-program-brochure or Merrill Guided Investing with Advisor Program Brochure (PDF) at www.ml.com/guided-investing-program-brochure for information including the program fee, rebalancing, and the details of the investment advisory program. Your recommended investment strategy will be based solely on the information you provide to us for this specific investment goal and is separate from any other advisory program offered with us. If there are multiple owners on this account, the information you provide should reflect the views and circumstances of all owners on the account. If you are the fiduciary of this account for the benefit of the account owner or account holder (e.g., trustee for a trust or custodian for an UTMA), please keep in mind that these assets will be invested for the benefit of the account owner or account holder. Merrill Guided Investing is offered with and without an advisor. Merrill, Merrill Lynch, and/or Merrill Edge investment advisory programs are offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") and Managed Account Advisors LLC ("MAA") an affiliate of MLPF&S. MLPF&S and MAA are registered investment advisers. Investment adviser registration does not imply a certain level of skill or training.

The Chief Investment Office (CIO) develops the investment strategies for Merrill Guided Investing and Merrill Guided Investing with Advisor, including providing its recommendations of ETFs, mutual funds and related asset allocations. Managed Account Advisors LLC (MAA), Merrill's affiliate, is the overlay portfolio manager responsible for implementing the Merrill Guided Investing strategies for client accounts, including facilitating the purchase & sale of ETFs and mutual funds in client accounts and updating account asset allocations when the CIO's recommendations change while also implementing any applicable individual client or firm restriction(s).

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