Executive Deferred Compensation Plan Overview

2017 Plan Year Election Period

The Albemarle Corporation
Executive Deferred Compensation Plan
Table of contents

1 Plan highlights & access guide
7 Accessing your Plan information
8 Managing your account through Benefits OnLine
10 Proceed to make your Plan elections
11 The Plan’s deemed investment options
12 The potential advantages of deferrals
13 Confronting a retirement savings gap?
14 Online resources for you

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Investment products:
- Are Not FDIC Insured
- Are Not Bank Guaranteed
- May Lose Value
Plan highlights & access guide

Overview of the Albemarle Corporation Executive Deferred Compensation Plan

The Albemarle Corporation Executive Deferred Compensation Plan (the “EDCP”) is designed to recognize the services provided by key employees to Albemarle Corporation (the “Company”). Through the Plan, eligible employees can defer current income and target distributions to help align their income with their financial needs before and after retirement. The Company also makes contributions to the Plan.

The Plan can help you:

Supplement your retirement savings to maintain your standard of living and to help provide the flexibility you want in retirement.

Build and manage wealth through careful planning and prudent investing.

Provide for anticipated major expenses, such as college tuition, while you are still working, and beyond.

Enrolling in the Plan

As an eligible employee you can enroll in the Plan for the following plan year. Please note that:

• Enrollment in the deferral features of the Plan is NOT automatic and is NOT continuous. You must enroll each year to participate in these features.

• The enrollment period is generally the only time you may make compensation deferral and distribution elections.

• Your elections must include your income deferral decisions and distribution decisions.

• Your decisions for the following plan year, including any decision not to participate, become irrevocable at the end of the enrollment period.

When you enroll in the Plan, you must:

- Elect a percentage of eligible compensation to defer.
- Schedule your distribution year(s) and methods.
- Choose the “deemed” investments for your deferrals.
- Name a beneficiary for your account.

Key dates

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment period begins</td>
<td>Monday, November 28, 2016, 8 a.m. (Eastern)</td>
</tr>
<tr>
<td>Enrollment period ends</td>
<td>Friday, December 9, 2016, 4 p.m. (Eastern)</td>
</tr>
<tr>
<td>For following plan year</td>
<td>January 1, 2017 – December 31, 2017</td>
</tr>
</tbody>
</table>

You can make your elections at:

Retirement & Benefits Contact Center 1.800.228.4015
Eligibility

Employee Deferrals
Albemarle U.S. employees with a Pay Grade of A21 and above as of the date of enrollment are eligible to make base salary and bonus deferrals into the Plan.

- All eligible employees as of December 2012 are “grandfathered” for deferral eligibility
- You may generally begin deferring in the year following your year of hire.

Company contributions
Employees who are eligible to receive 401(k) matching contributions or Defined Contribution Pension Benefit (“DCPB”) contributions under the Albemarle Corporation Retirement Savings Plan (“Savings Plan”) but are limited under IRS rules are also eligible for Company contributions under the EDCP. If you are eligible for a Company contribution, your participation in the Plan will start immediately upon your eligibility.

Merrill Lynch’s role
Albemarle has selected Merrill Lynch as service provider for the Plan. Through Merrill Lynch, you’ll have access to the tools and services you need to help you manage and monitor your deferred compensation “account.”

Deferral elections & accounts
At enrollment, you may elect a percentage of eligible compensation to defer, schedule a distribution, and elect how you want to take your distributions. Salary deferrals into the Plan will begin with the first payroll period after 401(k) deferrals into the Savings Plan reach the IRS 402(g) limit. (In 2016 and 2017, the IRS 402(g) limit is $18,000.) Your accounts will be credited with the amount of your deferrals on or about the last day of the applicable payroll period.

Your account:
Albemarle credits your deferrals to one or more of the following accounts, based on your elections:

- Retirement/Termination Account A
- Retirement/Termination Account B
- Scheduled Withdrawal Account A
- Scheduled Withdrawal Account B
- Scheduled Withdrawal Account C

How the Plan is structured
You are fully vested in your employee deferrals at all times, regardless of your years of service with Albemarle. However, your deferred compensation is an unsecured contractual promise to pay benefits at some future date.

Please note that this Plan is not secured by a qualified trust, as is a 401(k) or traditional pension plan. In the case of Company insolvency or bankruptcy, your claim for benefits from this Plan would have no preference over a general unsecured creditor of the Company.

* The term “account” in this brochure refers only to a recordkeeping entry that allows participants to monitor and manage their deferred compensation. It is not meant to suggest that the participants own the underlying investments to which they have directed their deferrals, as such underlying assets remain part of Albemarle’s general assets subject to the claims of the Company’s general creditors.
### How your elections work

<table>
<thead>
<tr>
<th>You may elect to defer...</th>
<th>...into a distribution account for a future year or years...</th>
<th>...to be paid as follows:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salary</strong></td>
<td>For a date that you choose, including:</td>
<td><strong>Retirement/Termination distributions</strong></td>
</tr>
<tr>
<td>A percentage of up to 50% of your annual salary for 2017</td>
<td>• Retirement/Termination distribution</td>
<td>• Lump sum, or</td>
</tr>
<tr>
<td><strong>Bonus</strong>*</td>
<td>• Scheduled distribution</td>
<td>• Installments over a period not to exceed 15 years (provided you are retirement eligible)</td>
</tr>
<tr>
<td>A percentage of up to 100% of your bonuses for 2017 (which are paid in 2018)</td>
<td>(e.g., a date you anticipate needing funds to pay college tuition)*</td>
<td><strong>Scheduled distributions</strong></td>
</tr>
<tr>
<td>* Includes Annual Incentive Plan Bonus and Sales Incentive Plan Bonus. One deferral election applies to all bonuses.</td>
<td>You may designate a retirement distribution and a scheduled distribution for each year for which you make Plan deferrals.</td>
<td>• Lump sum, or</td>
</tr>
<tr>
<td>Federal Insurance Contributions Act (&quot;FICA&quot;) requires that FICA taxes be withheld from your gross income prior to the deduction of your salary or bonus deferrals. If necessary, any FICA taxes due on your bonus will be subtracted from the amount of your bonus deferral.</td>
<td><em>Scheduled Withdrawal Accounts are limited to a maximum of three accounts, and distributions for any plan year must begin at least two years from the last day of the plan year in which deferrals are credited to the account. (For example, distributions from accounts that receive deferrals in plan year 2017 cannot begin until 2020)</em></td>
<td>• Installments over a period not to exceed four years (provided you are retirement eligible or have not terminated employment).</td>
</tr>
<tr>
<td></td>
<td>If the total account balance (at the time of initial distribution) is $50,000 or less, the balance will be paid in a lump sum.</td>
<td>If the total account balance (at the time of initial distribution) is $50,000 or less, the balance will be paid in a lump sum.</td>
</tr>
<tr>
<td></td>
<td>Distributions are not subject to the 10% additional federal tax like a 401(k) early withdrawal, but are subject to income tax.</td>
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</tr>
</tbody>
</table>

**Please Note:** At the end of the enrollment period, your deferral elections become irrevocable, except in cases of extreme financial hardship as defined by IRS guidelines and administered by the Plan committee. Please refer to the Plan document for details. Under certain limited conditions, you may be able to delay payments beyond the elected date(s) or change the form of payment. Please contact Human Resources if you wish to discuss your options.
Company contributions

The Company will make an automatic contribution to the Plan of 11% of eligible pay that cannot be made to the Saving Plan because (1) your pay exceeds the IRS compensation limit for qualified plans ($265,000 in 2016 and $270,000 in 2017); (2) total employee and Company contributions to the Savings Plan (excluding catch-up contributions) exceed the IRS annual addition limit ($53,000 in 2016 and $54,000 in 2017); (3) the available match in the Savings Plan is less than 6% of your compensation due to the IRS limit on employee deferrals into the Savings Plan; or (4) a portion of your pay is not recognized in the Savings Plan due to your deferrals into the Plan. This 11% contribution is made to "restore" the 401(k) match and DCPB that is lost in the Savings Plan for any of these reasons.

How Company Contributions Work

<table>
<thead>
<tr>
<th></th>
<th>401(k) Restoration Contributions</th>
<th>DCPB Restoration Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible employees</td>
<td>Albemarle U.S. employees</td>
<td>Albemarle U.S. employees</td>
</tr>
<tr>
<td>Eligible pay</td>
<td>Base salary and eligible bonuses</td>
<td>Base salary and eligible bonuses</td>
</tr>
<tr>
<td>Formulas</td>
<td>Up to 6% of your compensation in the form of 401(k) matching contribution not made to the Savings Plan</td>
<td>Up to 5% of your compensation in the form of DCPB contribution not made to the Savings Plan</td>
</tr>
<tr>
<td>Timing</td>
<td>Each pay period with &quot;true-up&quot; in following year to the extent necessary</td>
<td>Each pay period with &quot;true-up&quot; in following year to the extent necessary</td>
</tr>
<tr>
<td>Investment</td>
<td>Follows your investment direction in Retirement/Termination Account A</td>
<td>Follows your investment direction in Retirement/Termination Account A</td>
</tr>
</tbody>
</table>

Vesting

Participants are fully vested in their deferrals and any earnings at all times, regardless of years of service with the Company. Participants are also fully vested in Company contributions and any earnings at all times, except as otherwise provided for by the Plan Committee.

Impact on other benefits

- Any Pension Plan benefit that has been reduced as a result of deferring into this Plan will be restored by the Company through the Supplemental Executive Retirement Plan ("SERP") (with the exception of any taxes due).
- All other pay-related benefits (e.g., life insurance, disability, etc.) will include the amount of base salary deferred in determining those benefits.
- You must elect to contribute at least 9% of eligible pay to the 401(k) to receive the maximum 11% of pay as a Company contribution in the Savings Plan.
Among the factors you should consider are the tax implications:

<table>
<thead>
<tr>
<th>Tax advantages</th>
<th>Tax disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• You reduce current income taxes by deferring compensation.</td>
<td>• The Tax Code could change by the time you take a distribution.</td>
</tr>
<tr>
<td>• You can plan your distributions for years when your income tax rate may be less than it is now, especially in retirement.</td>
<td>• Distributions cannot be rolled over to another plan or IRA.</td>
</tr>
<tr>
<td>• You pay no income taxes on any investment growth until you receive your planned distribution.</td>
<td>• Your income tax rate may be higher when you receive distributions.</td>
</tr>
</tbody>
</table>

Questions to consider

Take one step at a time to consider the following:

1. What reductions in your 2017 plan year income will you make?
   • Salary — You can defer up to 50% of your annual salary for 2017.
   • Bonus — You can defer up to 100% of your bonuses for 2017 (paid in 2018). One deferral election applies to all bonuses: Annual Incentive Plan Bonus, Global Bonus Plan, Sales Incentive Plan Bonus, RSM Metalworking Bonus Plan, and Rockwood Lithium Inc. Corporate Bonus Plan.
   • At the end of the enrollment period, your deferral and distribution elections become generally irrevocable.

2. What are your expectations for income and timing of income in future years?

3. What are the expected events with financial implications in your future?
   • Retirement/elder care
   • College tuition
   • Other

4. Understand your income tax deferral and tax planning strategies.

5. Consult your personal financial counselor, tax advisor, or Merrill Lynch financial advisor for specific help on complex financial matters.
Special provisions for different types of plan distributions

Retirement distribution — After you have reached the Plan’s retirement requirements and you terminate employment, your election to receive your Plan Account balance in a lump sum (Retirement Account A) or equal annual installments (Retirement Account B) will go into effect. Under the Plan, retirement is defined as termination of employment after attaining age 65, or termination of employment after attaining age 55 with at least 10 years of service with the Company.

Separation of service/pre-retirement distribution — If you should terminate employment with the Company before you are eligible for retirement, your Retirement/Termination Account balances will be paid to you in a single lump sum, regardless of your installment elections. Scheduled Withdrawal Accounts that have not commenced payment at the time of your separation will be paid in a single lump sum at the first scheduled date.

Disability distribution — Your accounts will be paid to you in the form and at the time elected. Installments payable under Retirement/Termination Account B will commence on or about the January 1 next following the disability.

Death distribution — Your entire account balance will be paid to your beneficiary in the form (and for Scheduled Withdrawal Accounts, at the time) you elected. For accounts first established on or after January 1, 2012, however, payment to your beneficiary will be in a single lump sum on or about the January 15 or July 15 next following your death.

Small account distributions — If the value of any of your accounts is less than $50,000 at the time of the applicable payment event, payment will be made in a single lump sum.

De minimis distributions — If the aggregate value of your accounts is equal to or less than the IRS employee contribution dollar limit for qualified plans ($18,000 in 2017), the Company may elect to distribute your accounts in a single lump sum on or about the January 15 or July 15 next following the earliest to occur of: retirement, other termination of employment, death or disability.

January 15 /July 15 rule — For Retirement/Termination Accounts A and B first established on or after January 1, 2012, payment will commence on or about January 15 or July 15 (Account A) or the next January 15 (Account B) following the applicable payment event. For Scheduled Withdrawal Accounts first established on or after January 1, 2012, available scheduled dates are January 15 or July 15 of the relevant year(s).

Albemarle Phantom 2004 — If you have this account, it will be paid to you in the form and at the time elected.

In case of financial hardship — The Plan Committee will consider a request for an early withdrawal from your account if you are determined to have a “financial emergency” under relevant law.

Specified employees — Payments in connection with the retirement or termination of “specified employees” under Internal Revenue Code Section 409A (generally, the officers of the Company) cannot commence until six months after such employee’s separation from service.

In case of Plan termination or change of control — If the Company terminates the Plan, amounts previously deferred shall be paid as scheduled prior to the termination. However, in the event of a change in ownership or “effective control” of the Company, the Company may accelerate distributions under the Plan.

Plan distributions are subject to federal and state income tax upon receipt. If you currently live in a state that imposes individual income taxes on benefit payments, and at the time you begin receiving benefit payments you reside in a state that does not impose individual income taxes on such payments, you should seek the advice of your legal or tax advisor regarding state income taxes on these payments.
Accessing your Plan information

*Merrill Lynch provides tools and services that can help you manage and track your Plan account in the way that’s most convenient for you.*

**Financial advisor** — A Merrill Lynch financial advisor is available to assist you during normal office hours or by appointment.

**Benefits OnLine** — Through the secure Benefits OnLine website, you can check your account value, view your distribution elections, monitor your deemed investments’ performance, learn more about those investments, and find information about investing and retirement planning.

**Interactive Voice Response (IVR) system** — The IVR is available virtually 24 hours a day/7 days a week at 1.800.228.4015. You will need your Social Security number and personal identification number (PIN). To create a PIN, call the IVR, enter your Social Security number and follow the prompts. However, if you create a Password for Benefits OnLine, that Password will replace your PIN for access to the IVR.

**Participant service representatives** — Merrill Lynch registered representatives can help you with your account transactions and answer questions about the Plan. Representatives are available through the Retirement & Benefits Contact Center at 1.800.228.4015, Monday through Friday, from 8 a.m. to 7 p.m. Eastern, on any day the New York Stock Exchange is open.

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**Accessing your account online**

**Benefits OnLine**

www.benefits.ml.com

You can access your account on Benefits OnLine at [www.benefits.ml.com](http://www.benefits.ml.com). The first time you visit the site you will need to create a User ID and Password. Simply follow the “Create your User ID now” link on the login page.

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The screen shots shown in this brochure are intended to illustrate the functionality and services available to participants on Benefits OnLine. They are not meant as exact representations of the screens available through your plan.
Managing your account through Benefits OnLine

Whether you manage your Plan account with the help of a financial advisor or do it yourself, Benefits OnLine provides the tools and resources you need.

Enrollment

Once you’ve created your User ID and Password for the site, it’s easy to enroll online. Just select the Enrollment tab and follow the prompts.

You’ll find information and instructions on how to enroll in the Plan, and you can submit your deferral elections and distribution choices.

You may enroll in the Plan only during the open enrollment period. This is the only time during the year you may make your deferral and distribution elections. Your elections are irrevocable.

The My Accounts page

Once you have made your elections and your deferrals begin, the My Accounts page will display the total market value of all your Plan holdings.

You can then click on the name of the Plan to view your current deemed investments, their market value and how your investments are allocated.
**Viewing your elections**

The **Account Elections** tab allows you to view your deferral elections for the current plan year. In this example, the participant has elected to defer 17% of bonus and 6% of salary.

**Viewing your distributions**

The **Account Elections** tab also allows you to view your distribution elections for all of your Plan accounts on one screen, including:
- Effective date
- Next payment date
- Form of payment

**Viewing how your accounts are invested**

To view how your Plan accounts are invested, select the **Account Information** tab, and choose “Account Summary”.

**Managing your investments**

Select the **Investments** tab to manage your investments. You can then choose:
- “Current Investment Direction” to review how your deferrals are being invested, or to change how your future deferrals will be invested.
- “Fund transfer” to change how your account balance is deemed to be invested.
- “Manage My Investments” to see all your choices.
Proceed to make your Plan elections

Deadline is 4:00 p.m. Eastern on December 9, 2016.

All your elections can be made through the Benefits OnLine website or through a Merrill Lynch representative.

Follow these streamlined enrollment steps

Review the plan materials, then log on to

Benefits OnLine®

www.benefits.ml.com

1 Enter your User ID and Password. If this is your first visit to the site, you will need to set up your User ID and Password. Click the “Create your User ID now” link on the left side of the screen to begin.

2 Choose the Enrollment link and follow the instructions. You may return to make changes as often as you wish up to the enrollment period deadline. Your deferral elections are irrevocable after the deadline.

3 Enter or update your beneficiary designations, if necessary.

A confirmation of your elections will be delivered to you. Once you are enrolled, you can make changes to your deemed investment choices either online or by phone.

If you have any questions about the enrollment process that are not answered in the plan materials and online tools, please contact a Merrill Lynch participant service representative at 1.800.228.4015.
The Plan’s deemed investment options

Here is a list of the deemed investment options available to you through the Albemarle Corporation Executive Deferred Compensation Plan, along with their Lipper classifications and symbols. The Plan’s default investment option is the Retirement Reserves Money Fund.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Classification (Lipper)</th>
<th>Symbol</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Balanced Fund (Class R5)</td>
<td>Mixed-Asset Target Allocation Growth Funds</td>
<td>RLBFX</td>
</tr>
<tr>
<td>American Beacon Small Cap Value Fund (I)</td>
<td>Small-Cap Value Funds</td>
<td>AVFIX</td>
</tr>
<tr>
<td>American Washington Mutual Investors Fund (Class R6)</td>
<td>Large-Cap Core Funds</td>
<td>RWMGX</td>
</tr>
<tr>
<td>BlackRock S&amp;P 500 Index Fund (Class A)*</td>
<td>S&amp;P 500 Index Funds</td>
<td>BSPAX</td>
</tr>
<tr>
<td>Janus Triton Fund (Class I)</td>
<td>Small-Cap Growth Funds</td>
<td>JSMGX</td>
</tr>
<tr>
<td>John Hancock Disciplined Value Mid Cap Fund (Class I)</td>
<td>Multi-Cap Core Funds</td>
<td>JVMIX</td>
</tr>
<tr>
<td>JPMorgan Large Cap Growth Fund (Class R6)</td>
<td>Large-Cap Growth Funds</td>
<td>JLGMX</td>
</tr>
<tr>
<td>Lazard Emerging Markets Fund (Institutional Class)</td>
<td>Emerging Markets Funds</td>
<td>LZEMX</td>
</tr>
<tr>
<td>MFS International Value Fund (Class R6)</td>
<td>International Multi-Cap Core</td>
<td>MINJX</td>
</tr>
<tr>
<td>Oppenheimer International Growth Fund (Class Y)</td>
<td>International Multi-Cap Growth</td>
<td>OIGYX</td>
</tr>
<tr>
<td>PIMCO Total Return Fund (Class I)</td>
<td>Core Plus Bond Funds</td>
<td>PTTRX</td>
</tr>
<tr>
<td>Prudential High Yield Fund (Class Z)</td>
<td>High Yield Funds</td>
<td>PHYZX</td>
</tr>
<tr>
<td>Prudential Jennison Mid Cap Growth Fund (Class Z)</td>
<td>Mid-Cap Growth Funds</td>
<td>PEGZX</td>
</tr>
<tr>
<td>Retirement Reserves Money Fund**</td>
<td>Money Market Funds</td>
<td>MRRXX</td>
</tr>
<tr>
<td>Templeton Global Bond Fund (Advisor Class)</td>
<td>International Income Funds</td>
<td>TGBAX</td>
</tr>
<tr>
<td>Vanguard Emerging Markets Stock Index Fund (Admiral Class)*</td>
<td>Emerging Markets Funds</td>
<td>VEMAX</td>
</tr>
<tr>
<td>Vanguard REIT Index Fund (Admiral Class)*</td>
<td>Real Estate Funds</td>
<td>VGSLX</td>
</tr>
<tr>
<td>Voya Real Estate Fund (Class I)</td>
<td>Real Estate Funds</td>
<td>CRARX</td>
</tr>
<tr>
<td>Western Asset Inflation Index Bond Fund (Class I)*</td>
<td>Inflation Protected Bond Funds</td>
<td>WAIIX</td>
</tr>
</tbody>
</table>

*It is not possible to invest directly in an index.

**You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund’s sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Investing involves risk, including the possible loss of principal. Investments in foreign securities or sector funds, including technology or real estate stocks, are subject to substantial volatility due to adverse political, economic or other developments and may carry additional risk resulting from lack of industry diversification. Funds that invest in small- or mid-capitalization companies experience a greater degree of market volatility than those of large-capitalization stocks and are riskier investments. Bond funds have the same interest rate, inflation, and credit risks associated with the underlying bonds owned by the fund. Generally, the value of bond funds rises when prevailing interest rates fall and falls when interest rates rise. Investing in lower-grade debt securities ("junk" bonds) may be subject to greater market fluctuations and risk of loss of income and principal than securities in higher rated categories. There are ongoing fees and expenses associated with investing. Bear in mind that higher return potential is accompanied by higher risk.

For more complete information on the deemed investment options, including their management fees and other charges and expenses, please consult the prospectuses and, if available, the summary prospectuses and other comparable documents. Investors should consider the investment objectives, risks, charges and expenses of investment options carefully before investing. This, and additional information about the deemed investment options, can be found in the prospectuses and, if available, the summary prospectuses, which can be obtained on Benefits OnLine at www.benefits.ml.com or by calling Merrill Lynch at 1.800.228.4015. Investors should read the prospectuses and, if available, the summary prospectuses carefully before investing.
The potential of tax-deferred growth

When choosing whether to make deferrals to the Plan, or how much to defer, you’ll want to consider your personal financial situation, including your immediate and near-term needs. You should also understand that your deferrals represent an unsecured contractual promise to pay future benefits. You’ll also want to consider the potential tax advantages and disadvantages of deferring and how those deferrals could supplement your retirement savings.

Deferrals to a nonqualified deferred compensation plan, along with any investment earnings on those deferrals, have the potential to grow on a tax-deferred basis until you take distributions.

The chart below shows an example of how $25,000 in pre-tax income could grow when invested in a tax-deferred account as opposed to an after-tax account.

Comparing nonqualified deferred compensation plan (NQDC) and after-tax contributions

This hypothetical illustration assumes contributions at the beginning of the year, a 6% annual effective rate of return, and taxes at 35%. For the non-qualified deferred compensation example, contributions are made before taxes ($25,000 per year) and taxes on both contributions and earnings are deducted at the end of the accumulation period. To reflect a fair comparison, the after-tax account assumes contributions are made after taxes are paid (i.e., $25,000 minus $8,750 for taxes = $16,250 contributed each year) and taxes are deducted on an ongoing basis from investment earnings. Changes in tax rates and tax treatment of investment earnings (e.g., lower minimum tax rates on capital gains and dividends) may impact the comparative results. In a taxable account, realized capital losses may potentially be used to offset realized capital gains, offset earned income, reduce your taxable income or offset realized gains in future years. Please consider your personal risk tolerance, investment time horizon and income tax brackets, both current and anticipated, when making an investment decision as these may further impact the results of the comparison.

Hypothetical results are for illustrative purposes only and are not meant to represent the past or future performance of any specific investment vehicle. Investment return and principal value will fluctuate and when redeemed the investments may be worth more or less than their original cost.
Highly compensated employees seeking to replace much of their current income in retirement may face a challenge. Annual contributions to 401(k) plans are limited, as is the salary on which Social Security benefits are calculated. Savings and investments outside Company-sponsored plans can help, of course. Another way to help bridge this retirement savings gap could be the deferrals you choose to make to your nonqualified deferred compensation plan.

This chart assumes an income replacement goal of 90% and illustrates—at different salary levels—the potential gap between that goal and what could be replaced by 401(k) assets and Social Security benefits. It shows that the higher the salary, the greater the potential savings gap.

**Income Replacement Goal**
Generally, Merrill Lynch suggests you may need about 90% of your pre-retirement, after-tax income each year in retirement if you want to maintain your lifestyle.

**Retirement Savings Gap**
As executive compensation increases, the retirement savings gap widens.

This hypothetical illustration is based on an individual turning age 45 in 2014 and retiring at age 62. Social Security benefits commence at age 62. (Note: Because the individual is receiving Social Security benefits early, the benefits are reduced a fraction of a percent for each month before that individual’s full retirement age, which in this illustration would have been 67.) Assumes 401(k) balance is $65,000 at age 45, individual is contributing the maximum pre-tax amount allowable and receiving an employer match of 3%. Also assumes individual is making catch-up contributions, starting at age 50 (maximum amount allowable). Assumes salary increase of 3% per year and that 401(k) balance earns an average annual return of 6% per year. Applicable limits indexed for an inflation rate of 3% per year. Hypothetical results are for illustrative purposes only. For the 401(k) results, they are not meant to represent the past or future performance of any specific investment vehicle as investment return and principal value will fluctuate and when redeemed the investments may be worth more or less than their original cost. If you take a withdrawal from the 401(k) account prior to age 59½, you may also be subject to an additional 10% federal tax.
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