



American Airlines, Inc. 401(k) Plan

All information in this presentation pertains to TWU represented employees.



Agenda

- **Plan Highlights**
- **Things to Consider**
- **Communication Campaigns**
- **True-up Company Match**

Plan Highlights

IRS Limits for 2018

	2018
Limits*	U.S. Based Employees
Elective Deferral	\$18,500
Catch-up Contribution	\$6,000
Total Contributions	\$55,000
Total Contributions with Catch-up	\$61,000
Maximum Compensation	\$275,000

*Rollover contributions into the American Airlines, Inc. 401(k) Plan are not included in the annual IRS limits.

Contribution Percentages - Employee

Employee Deferral Elections	
<u>Regular Deferral Elections</u>	
Pre-tax	1 – 100%
Roth	1 – 100%
After-tax	1 – 100%
<u>Catch-up Deferral Elections</u>	
Pre-tax catch-up	1 – 100%
Roth catch-up	1 – 100%
Combined deferral elections cannot exceed 100%. Catch-up Deferral Elections are deducted concurrently with Regular Deferral Elections.	

Contribution Comparison

	Pre-tax	Roth	After-tax
Based on gross plan eligible compensation			
Contributions	Before income taxes are taken from pay	After income taxes are taken from pay	After income taxes are taken from pay
Earnings	Will be taxed upon distribution	Generally grow tax free	Will be taxed upon distribution
Cash Distributions*	Subject to taxes and penalty tax, if applicable	Earnings are tax free if: <ul style="list-style-type: none"> - 5 years since the first Roth 401(k) contribution, and - Age 59 ½ Otherwise, taxes and penalty tax may apply	Subject to taxes on earnings portion of distributions and penalty tax, if applicable
Direct Rollover Distributions*	Another 401(k) or IRA	Another Roth 401(k) or Roth IRA	Consult with a financial and/or tax advisor

*Employees should speak with a financial advisor about all options available if considering a plan distribution.

Contribution Comparison Example

	Pre-tax Contributions	Roth Contributions	After-tax Contributions
Gross Plan Eligible Compensation	\$50,000	\$50,000	\$50,000
10% Contributions	-\$5,000	-\$5,000	-\$5,000
Taxable Income	\$45,000	\$50,000	\$50,000
25% Income Taxes	-\$11,250	-\$12,500	-\$12,500
After-tax Income	\$33,750	\$37,500	\$37,500
Take Home Pay	\$33,750	\$32,500	\$32,500

Company Match

- After one year of service, the Company will match up to 5.5% of a team member's eligible compensation contributed to the American Airlines, Inc. 401(k) Plan.
- After two years of service, team members are 100% vested in the company match portion of their accounts.
- Prior service with any wholly owned subsidiary of AAG is credited toward the one year of service eligibility requirement and two years of service vesting requirement.
- Team members are always 100% vested in their own contributions.

Loans

Active Team Members (includes those on LOA)

Up to two (2) loans outstanding

Pays self back (with interest using After-Tax dollars)

Can borrow up to the lesser of:

- \$50,000 (-) minus the highest outstanding loan balance during the last 12 months
- 50% of vested account balance

Pay back period

- Up to 60 months for general purpose
- Up to 30 years for primary residence

Payroll deduction or direct pay (direct pay only available on LOA)

12-month loan repayment suspension option if on Unpaid LOA, if applicable

30-day waiting period for a new loan following any loan payoff

Loans

- Loan repayments are automatically suspended for up to 12-months for the life of the loan when a team member goes on an Unpaid LOA.

- ✓ If a team member goes on a 7 month Unpaid LOA for the first time during the loan, the repayments will be suspended for the entire 7 months.
- ✓ If the same team member goes on a subsequent Unpaid LOA for 11 months during the same loan, the repayments will be suspended for 5 months.
- ✓ Upon exhausting the remaining 5 months of loan repayment suspension, repayments must resume to prevent the loan from defaulting and becoming a taxable distribution.

- Loan repayments will be re-amortized based on the loan's original payoff date when the team member returns to work or exhausts the 12-month suspension period, whichever comes first.
- The 12-month loan suspension period does not extend the life of the loan.

In-Service Withdrawals

- Available to active team members, including those on LOA.
- Team members may withdraw money from their **after-tax** contribution account at any time.
 - A 20% mandatory Federal withholding will apply to the earnings on the after-tax contributions. An additional 10% penalty tax will apply to the earnings if the team member has not reached age 59 ½.
- Team members may also withdraw money from their **rollover** account at any time.
 - A 20% mandatory Federal withholding will apply to the taxable amount. An additional 10% penalty tax will generally apply if the team member has not reached age 59 ½.
- Team members may withdraw any or all of their vested account balance after reaching **age 59 ½**.
- If the team member has a financial need as defined by the IRS, he/she may be eligible for a **hardship withdrawal**.
- There are tax implications with any in-service withdrawal. We recommend team members consult with a qualified tax advisor.

Things to Consider

Important Items

- ✓ Deferral Percentage
- ✓ Investment Election
- ✓ Asset Allocation
- ✓ Beneficiary Designation

Loans at Retirement/Separation

Separated, Retired, Furloughed Team Members

May continue to pay on outstanding loans based upon the original loan payoff date as long as the former team member has an account balance.

Can have monthly loan repayments deducted from the former team member's bank account automatically.

A full distribution after separation will cause the outstanding loan balance to be classified as a deemed distribution. Former team members should speak to a qualified tax advisor to understand the tax consequences.

Considerations for Employees

- The 401(k) plan account allows for installment payments (referred to as Systematic Withdrawal Payments (SWP) on NetBenefits®). This means that former team members can set a specific dollar amount to be distributed on a monthly basis or other frequency.
- If the plan participant has money invested with different taxation rules upon distribution, certain team members and former team members may take source specific distributions.
- Compare 401(k) plan account fees and fund expense ratios with other retirement vehicle fees, fund expense ratios, and any other account costs before rolling funds out of the 401(k) plan.
- If applicable, team members should understand the “Age 55 Retirement” rule as it relates to the 401(k) plan account and plan distributions.
- Protections* on retirement funds vary based on the type of retirement vehicle (IRA vs. 401(k)) and the applicable state laws.
- For Roth source funds, assess the Required Minimum Distribution rules for 401(k) plans and Roth IRAs.

*Speak with a qualified financial advisor or legal representative.

Communication Campaigns

Not Meeting the Match campaign

Who wants more money in 2018?

If you are contributing less than 5.5% you are not getting the full company match. Don't leave free money on the table. Increase your contributions today.

Take Action

- Engager launched in January 2018.
- Displays for plan participants whose total Pre-tax + Roth contribution rate is below 5.5%.
- “Take Action” button takes participants directly to the Contribution screen of NetBenefits®.
- Campaign refreshed regularly to remove Engager from participant accounts who have moved to a contribution rate of 5.5% or greater.

Not Meeting the Match campaign

In the major hubs, as of 09/06/2018, the TWU-represented population still contributing less than 5.5% in Pre-Tax and/or Roth contributions is:

Contributing Under 5.5%			
Location	As of 09/02/2016	As of 09/04/2017	As of 09/06/2018
BOS	80	76	77
DFW	1,617	1,442	1,304
JFK/LGA	460	383	362
LAX	448	388	383
MIA	993	813	777
ORD	639	553	512
SFO	117	99	89
TUL	956	803	734

Fidelity Campaigns

Quarterly Check-in	
Email Distribution	09/18/2018 – 10/02/2018
NetBenefits Engager	Will link to summary contained in email
Message	Help participants to see a more comprehensive view of their financial picture, how they're doing, and steps to help improve
Action Needed	Varies depending on individual need

Quarterly Check-in

[[First_Name]] [[Last_Name]]
American Airlines, Inc. 401(k) Plan



Your mix of investments look good, but what about your savings?

Your savings rate may need an adjustment—now's the time to take a closer look.

Questions? Call 800-206-4015.

How You're Doing

YOUR SAVINGS: **Take a look**



You may not be where you need to be, but we get it—saving for the future can be hard. The tips below may help uncover some extra money to save. If you can't swing an increase now, try for later this year. If you can, go for it!

Yes, I want to improve my progress.

YOUR ASSET MIX: **On track**



Great news! You have a good balance of risk and potential growth. Since your investments appear to be on track, check out the **Top Picks** below for some other money-savvy things to try.

Fidelity Campaigns

“Talking Estate Planning With Older Loved Ones” webcast

Email Invites	Joint Invite -- Beginning week of 10/01/2018 and continuing over a three week period
Message	Estate plans aren't just for the wealthy. Discover how you can help everyone involved feel more confident and in control of what happens to their money, property, and other assets.
Action needed	Must register for webcast or webcast replay
Webcast times	Wednesday, 10/31/2018 at 1 PM (ET) Thursday, 11/01/2018 at 3 PM (ET)

Fidelity Campaigns

“Creating Your Retirement Income Plan” webcast

Email Invites	Joint Invite -- Beginning week of 10/01/2018 and continuing over a three week period
Message	Find out how you can use the resources you have available to help build a paycheck to last through retirement.
Action needed	Must register for webcast or webcast replay
Webcast times	Wednesday, 11/07/2018 at 1 PM (ET) Thursday, 11/08/2018 at 1 PM (ET)

Fidelity Campaigns



WEBCASTS FROM FIDELITY

[Register today >](#)

You can register for either or both of these free webcasts.

Role Reversal: Talking Estate Planning with Older Loved Ones

Learn how to broach the topic of estate planning, get tips from Fidelity professionals, and hear customer stories.

Wednesday, October 31, 2018, at 1:00 p.m. ET

Thursday, November 1, 2018, at 3:00 p.m. ET

Creating Your Retirement Income Plan

In this webcast, you'll learn the five key risks to achieving your retirement goals, how you can help prepare for market swings and how to create an income stream and an expense plan. Fidelity professionals will help show you the way.

Wednesday, November 7, 2018, at 1:00 p.m. ET

Thursday, November 8, 2018, at 1:00 p.m. ET

Can't make it? [Register](#) for a replay. And remember, as a benefit of your plan, investment and retirement planning help is available by calling **888.766.6813**.

Contact Information – 401(k) Plan

- American Airlines 401(k) Service Center at Fidelity: (800) 354-3412

Representatives are available Monday through Friday from 8:30 a.m. to midnight ET

- Log on to your account at www.netbenefits.com/aa

- Download the NetBenefits® app to your smart phone or tablet



- Free individual consultations with a Fidelity representative

For details or an appointment by phone call (800) 603-4015

For in-person consultations at a local Fidelity Investor Center branch locations can be found at www.fidelity.com/customer-service/branches/overview

- Financial Engines advisors are available by calling Fidelity Investments at (877) 401-5762 and asking for a Financial Engines advisor representative

Advisors are available Monday through Friday from 8:30 a.m. to 8:30 p.m. ET

- American Airlines 401(k) & Savings Programs team: my401k@aa.com

True-up Company Match