Choose Your Future **TODAY**

Back to School:

Some Basics on Your Plan's Investment Options

Your retirement plan offers a lineup of investments consisting of mutual funds and fund portfolios made up of stocks, bonds and cash. Here are some of the terms you'll encounter when making investment choices.

Stocks

A stock is an ownership share in a publicly traded company. Investors make money through the company's growth (stock price increases) and dividends (company profit). Because the stock market fluctuates, you're taking more risk with stocks but returns over the long term are strongest.

Bonds

Bonds are money you lend others. They are traded like stocks, but have long payment periods. At the end of the period, you are paid back the money loaned with interest, but during the payment period the price of the bond varies with interest rates. Bond investors take less risk than stock investors but generally earn less in investment returns over the long term. Bond prices fall as interest rates rise, so be careful about assuming that bonds are a "safe" investment choice.

Cash

Cash investments include bank accounts and money market funds that pay some interest but don't fluctuate much in price. They include loans to banks, companies or governments where you earn interest on the money loaned through your investment. Cash should be considered a temporary "parking spot" for money you're going to do something else with because any interest you earn may not keep up with inflation.

Mutual funds

Many 401(k) Plans have individual mutual fund options. A mutual fund works by taking the investment dollars of many investors and pooling them in a wide array of stocks, bonds or cash investments. Investing this way within your 401(k) Plan gives you access to professional fund managers, allows you to transfer your money between investment categories at no cost and lets you reduce your risk by distributing your money across many different companies and industries. "Do it yourself" investors can build their own mix using a selection of mutual funds in the plan.

Target Date Funds

Some plans have mutual funds that invest your money in a manner based on your target retirement date. For example, a "2050 Target Date" fund will be invested heavily in stocks now, because the target retirement date is more than 30 years away. As 2050 approaches, investments in the fund will shift to include more conservative investments. The investment mix changes automatically over time, so you can leave the work to the target date fund manager.

"Lifestyle" or "Lifecycle" Funds

Your plan may have mutual funds named for the amount of money that gets invested in stocks versus bonds/cash. For example, an "80/20" portfolio is invested 80% in stocks and 20% in more conservative investments. Unlike Target Date funds, which change the ratio of stocks to bonds/cash as you approach retirement, lifestyle funds remain at the same ratio, so you'll need to remember to change your investments as your tolerance for risk changes as you get closer to retirement.

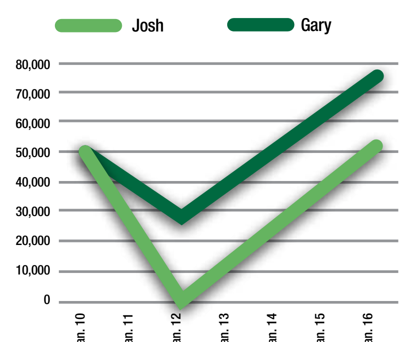
Target Date Funds: Ready, Steady, Go

In February of 2015, Josh had a $50,000 balance in his 401(k) account, invested in the Target Date 2040 fund. When the market dropped, Josh panicked and moved his money to cash on September 15, 2015. When he saw the markets recovering, Josh bought back into the Target Date fund on January 17, 2016.

Gary had $50,000 in the same Target Date fund as Josh. Although watching his balance drop made him nervous, he knew he had many years until retirement and the dramatic price swings even out over the long term. He left his 401(k) money in the 2040 fund through the down cycle.

Josh's balance September 4, 2016:
$51,687.00

Gary's balance September 4, 2016:
$77,659.00



Examples for illustrative purposes only.

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