

GLOSSARY OF FINANCIAL TERMS

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Asset Allocation Money
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401(k) Plan

A retirement plan established by your employer so employees can contribute a certain percentage of wages earned into a tax-deferred account to save and invest for retirement. Earnings within the 401(k) accrue on a tax-deferred basis.

Asset Allocation

An investment strategy of mixing a portfolio's stocks (equities), bonds (fixed income) and cash equivalents to balance risk and return according to an individual's goals, risk tolerance and investment horizon.

Benchmark

A standard to measure the performance of a security, investment fund or investment manager. These benchmarks generally represent the market performance of a specific asset class.

Bond

A type of investment issued by governments, corporations and other entities that typically pays interest at fixed intervals for a defined period of time; also known as fixed income securities.

Core Funds

Investment fund choices offered through a retirement plan.

Diversification

An investment strategy designed to manage risk and income potential by spreading your savings across a variety of investments (i.e., cash, bonds, stocks) within a portfolio.

Equity

Another term for "stock." When you buy a company's stock, you become part owner of the company.

Fixed Income

A type of investment issued by governments, corporations and other entities that typically pays interest at fixed intervals for a defined period of time; also known as bonds.

Fund

An investment that is made up of a variety of different securities. A target retirement fund comprises a broadly diversified mix of investments, including stocks, bonds and cash.

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Glidepath	The change of asset allocation (the mix of stocks and bonds) within a target retirement fund as you approach retirement.
Inflation	The increase in price for goods and services resulting in the fall of purchasing power.
Large-Cap Stock	An abbreviation for “large market capitalization,” which applies to corporations with a market capitalization value typically greater than \$10 billion.
Liquidity	The degree to which an asset can be converted to cash.
Mid-Cap Stock	An abbreviation for “middle market capitalization,” which applies to corporations with a market capitalization value typically between \$2 billion and \$10 billion.
Money Market	A segment of the financial market that trades short-term debt securities. Certificates of deposit (CDs), U.S. Treasury bills, commercial paper, and municipal notes are typical examples of money market securities.
Portfolio	A range of investments such as stocks, bonds and cash equivalents that are owned by an individual investor and/or managed by a financial professional.
Rebalancing	Adjusting a portfolio by buying or selling investments to re-establish a targeted asset mix.
REIT (Real Estate Investment Trust)	A type of security that invests in real estate holdings such as commercial or personal property and mortgages secured by real estate. REITs receive favorable tax designations and often offer high yields to investors.
Risk	The possibility of investment loss.
Security	Another term for the ownership of stocks, bonds or derivative contracts.
Small-Cap Stock	An abbreviation for “small market capitalization,” which applies to corporations with a market capitalization value typically less than \$2 billion.

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Stock	Ownership interest in a particular company or industry; also known as equity.
Target Retirement Fund	A premixed, diversified selection of investments (typically stocks and bonds) that automatically adjusts risk levels as you near retirement.
Time Horizon	The length of time you expect to keep the security invested to reach your retirement goal.
TIPS (Treasury Inflation–Protected Securities)	Treasury securities designed to protect investors against inflation. TIPS adjust their interest and principal value based on the actual rate of inflation over the life of the bonds. Considered low-risk investments, they pay a higher interest rate in accordance with rises in the rate of inflation and are issued by the U.S. Treasury.
Volatility	A measure of the ups and downs in performance for a given security or market index. In general, riskier securities tend to have higher volatility.

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