INVESTING WITHIN YOUR RETIREMENT PLAN

As you save for retirement, it's good to understand a little bit about how it all works. We'd like to share some of the basics of investing.

MAKE A PLAN FOR YOUR PLAN

What are your financial goals? How much of your final salary will you need to live on in retirement? When do you want to retire? Once you know the answers, you can create a strategy that's right for you.

LEARN THE KEY CONCEPTS

Asset allocation and diversification. They're two sides of the same coin:

- **Allocation** describes the types of securities you can invest in: equities [stocks], fixed income [bonds], cash equivalents.
- **Diversification** takes your asset allocation deeper by distributing your portfolio across different investment styles within each asset class. But both reflect the adage, "Don't put all your eggs in one basket."

All investing involves risk, and almost any investment can lose value, yet the safest may not provide the returns sufficient to finance your future. So, it's generally best not to rely on one type of investment to reach your long-term goals. This includes your own company's stock. You may be confident about your company's management, but tying your financial future to just one stock can be risky for most retirement plan investors.

So, consider diversifying by spreading your risk across different investments. It won't guarantee profits or protect against loss. But it can help prevent trouble in one area from dragging down your whole portfolio.

It's generally best not to rely on one type—let alone one investment—to reach your long-term goals.

Risk/reward. It's the key trade-off investors face: In general, the higher the potential payoff, the greater the risk. This is especially true when you look beyond the major asset classes (generally stocks, bonds, and cash) to their many sub-classes.

For example, newer, "small-cap" stocks can offer potentially higher rewards – but also pose more risk – than long-established "blue chips." Likewise, U.S. government bonds, long considered among the safest investments, may be less risky – but may also offer lower yields – than overseas "emerging markets" bonds.

That's why you should seek a comfortable balance between risk and reward, and think about ways to diversify. Mutual funds, which can hold hundreds of securities, may be a good starting point. But their investment focuses can vary widely. So, consider several different funds to cover all your bases, or choose an "asset allocation" fund that could do it for you.

Compounding. No need to return to math class. Just know that your investment earnings are added to your balances, where they can compile earnings of their own. Over time, even small, regular contributions could help your retirement fund grow larger.

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Rebalancing. Once you have an investment strategy, try to maintain it as long as it meets your needs. Rebalancing your portfolio can help.

For example, say your strategy calls for 50% stocks, 40% bonds, and 10% money market (cash). If your stock holdings have outperformed the others over several years, your account balance could shift to 65% stocks, 30% bonds, and 5% cash – a riskier mix than you'd planned. To get back in balance, you could sell some stock fund shares and buy bond and money market funds.

THINK AHEAD. TAKE ACTION NOW.

Consider staying diversified among stocks, bonds, and cash, in a mix that makes sense for your time horizon, risk tolerance, and financial situation. Specifically:

- **Diversify** based on your "time horizon" (how long until you'll need the money) and "risk tolerance" (how comfortable you are with investing's ups and downs). Your plan may offer options that help you do so with a single investment decision.
- **Take the long view.** Try to focus on long-term goals, not short-term performance. And keep saving steadily to let the power of compounding put time on your side.
- **Review your portfolio** at least once a year, and consider rebalancing if market performance has caused your asset allocation to stray from your intended mix.

Get in touch:

visit **TA-Retirement.com**

call us at **800-401-8726** for more information about your strategy.

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