

Wise Choices®



Don't Put all of Your Eggs in one Basket

You've likely heard the expression "don't put all your eggs in one basket". This also applies to your retirement plan investments.

Spread the Risk

Spreading the risk is about diversifying* your investments. Diversification is the basic investment strategy of choosing a mix of different investments to help manage risk. Putting your money in more than one investment reduces the chances that your overall investment portfolio will lose money if the market drops. When you diversify your investments, if one of your investments doesn't do well, you have others that may perform better, boosting your overall return.

Automatic Diversification

The investment fund options in your retirement plan are themselves diversified because each fund may hold hundreds of individual securities. However, unless you select a fund that's specifically designed to be an all-in-one investment, such as a target date fund or asset allocation fund (and not all plans offer such options), holding just one fund isn't likely to offer enough diversification.

The various asset classes—stocks, bonds, and cash alternatives**—may react differently to changing economic conditions. So choosing a variety of funds that invest in different asset classes can help you weather changing market conditions.

Diversification in Action

Investment mix	100% Stocks	50% Stocks 50% Bonds	40% Stocks 35% Bonds 25% Cash alternatives
Amount invested	\$1,000	\$1,000	\$1,000
Value if stock prices drop 20%	\$800	\$900	\$920
Value if bond prices drop 20%	\$1,000	\$900	\$930

This is a hypothetical example used for illustrative purposes only. The example assumes that prices of cash alternatives remain constant. The example does not represent any specific investments. Your investment performance will be different.

Source: NPI

How Many?

Should you invest in every fund your plan offers? Probably not. Some of your plan's investment funds may be very similar, so you essentially would be duplicating investments if you chose every one. Take time to investigate the plan investment fund options and choose enough funds that will create a well-diversified mix.

Too Much Information? Hardly...

This truly is the information age. Thanks to smart phones and other mobile devices, the Internet is never more than a click away. At some point, however, having instant access to so much information can be overwhelming. The challenge is to separate the information that deserves your attention from the rest of the chatter.



Your Attention Please

Information about your retirement plan certainly deserves your full attention. When you understand your plan and how it works, you'll be able to take full advantage of all it has to offer. Always pay attention to the information you receive from your plan.

Operational Information

One of the first things you may have received from your plan was the Summary Plan Description (SPD), which explains, in plain language, how the plan works. Keep your SPD on file in case you have questions. If your employer makes changes to your plan, you'll receive an explanation of the changes. File all plan communications with your SPD and account statements.

Account Information

Most people check their account balance first when they open a retirement plan statement. Statements generally provide other important information, as well. For example, you can see how much has been contributed to your account during the period and how much of your account balance is vested.

Investment Information

Your plan provides information about the investment options that are available to participants. If you're

considering investing in a fund or portfolio, you can read about its investment objective, holdings, potential investment risks, and financial highlights. Your plan also provides investment performance data for various time periods. All this information can help you make informed decisions about your investments.

A Wealth of Information

Your retirement plan can play a key role in helping you achieve a financially secure retirement. To make the most of the opportunity, pay close attention to the information you receive—and get answers to any questions you may have.

New Information

Be on the lookout for a new communication from your plan sponsor containing important information about plan fees and expenses. The information should help you better understand your plan's costs and investment options so you can make informed decisions about your retirement plan.

** Portfolio Diversification neither ensures a profit nor protects against loss in a declining market.*

*** Note that cash alternative investments may not be federally guaranteed or insured and that it is possible to lose money by investing in cash alternatives. Returns on cash alternative investments may not keep pace with inflation, so you could lose purchasing power.*

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110106-2703-108

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