GLOSSARY

Appreciation. The increase in the value of an investment over time.

Asset. A resource that has economic value to its owner, such as real estate, cash, stocks, bonds, and other securities.

Asset Allocation. The process of dividing investments among several classes of assets to limit risk and increase opportunities.

Asset Allocation Fund. A fund that invests in a wide variety of securities, such as domestic and international stocks, bonds, and government securities. Some asset allocation funds keep the portions of different asset classes or sectors constant, while others change allocations when market conditions change.

Balanced Fund. A fund that invests in a combination of stocks, bonds, and money market securities.

Beneficiary. A person other than the plan participant who receives or may become eligible to receive benefits under the plan. You choose the beneficiary for your plan account.

Bond. The debt instrument (or "IOU") of a corporation or government entity that promises to pay a specified rate of interest for a specified time period, with principal to be repaid when the bond matures.

Catch-up Contributions. Additional tax-deferred contributions that employees 50 years old or older who have made the maximum allowable contribution to the plan can make to their plan accounts.

Certificate of Deposit (CD). A form of time deposit at a bank or savings institution that cannot be withdrawn before a specified maturity date without being subject to an interest penalty for early withdrawal.

Common Stock. Securities that represent an ownership interest and give the investor voting rights in the issuing corporation.

Compound Interest. Interest earned not only on an original investment but on its accrued earnings as well.

Direct Rollover. A tax-deferred transfer of assets from one qualified retirement plan to another retirement plan or to an individual retirement account (IRA). The transfer is made without any funds being sent directly to the plan participant. Direct rollovers are also called trustee-to-trustee rollovers.

Distribution. The payout of funds from a retirement plan.

Diversification. An investment strategy that spreads your plan account balance among different securities types, market sectors, industries, and individual securities. This can help protect your account's overall value if the value of one security type, sector, or security drops sharply.

Dividend. Discretionary payments made by a corporation to its shareholders from past and current earnings. The amount an investor receives is determined by the corporation's board of directors and is based on the number of shares owned.

Employer-sponsored Retirement Plan. A valuable benefit offered to you as an employee that can help you provide for a financially secure retirement in a tax-advantaged way.

Fixed-income Securities. Investments with specified payment dates and amounts; primarily bonds that pay interest.

Growth Stock. The stock of a company whose earnings are generally growing faster than the economy or market norm.

Guaranteed Investment Contract (GIC). A retirement plan investment offered by insurance companies that provides a fixed rate of return and protects your principal.

Hardship Withdrawal. A withdrawal from your plan account to cover a pressing financial need. To qualify, you must meet your plan's conditions that follow IRS guidelines. In addition to income tax on the amount withdrawn, you may have to pay a 10% penalty if you are younger than age 59½. Also, you may not be able to contribute to your plan for a period of time.

Income Stock. A stock with a history of paying steady dividends.

Index Fund. A fund with an investment mix that seeks to mimic a specific market index, such as the S&P 500.

Individual Retirement Account (IRA). A personal tax-advantaged retirement account.

Inflation. The rate of change in the prices of consumer goods. Usually, inflation is measured by the Consumer Price Index for All Urban Consumers (CPI-U), which is computed monthly by the U.S. Department of Labor.

Inflation Risk. The risk that an investment will not generate a higher rate of return than the rate of inflation and that the investment will lose real purchasing power.

Lifecycle or Target-date Fund. A fund that maintains an asset allocation based on the expected retirement age of the investor. Generally, the fund managers move more of the fund's assets to lower risk investments as the retirement date grows closer.

Lump-sum Distribution. A payout of an employee's entire balance in a tax-qualified retirement plan within one year on account of the employee's death, disability, or separation from service or upon the employee's attaining age 59½. A qualifying lump-sum distribution may be subject to favorable tax treatment.

Maturity. The date on which the issuer of a bond or other fixed-income security promises to repay the security's face value to the investor.

Money Market. The investment market in which large amounts of short-term funds are loaned and borrowed.

Money Market Fund. A mutual fund that invests in money market instruments, such as government securities and CDs.

Mutual Fund. An investment company that enables its shareholders to pool their funds to be professionally managed as a single investment account.

Plan Investment Options. The investment choices that your retirement plan makes available to you for the investment of contributions.

Principal. The capital sum invested for retirement or other purposes, as distinguished from interest or profit.

Prospectus. A formal written offer to sell securities issued by a fund or other company that discloses facts concerning the securities that a potential investor needs in order to make an informed decision. You should always read the prospectus before investing in a mutual fund or other investment fund.

Qualified Default Investment Arrangement (QDIA). A fund selected for participants in the absence of investment choices.

Qualified Domestic Relations Order (QDRO). A judgment, decree, or order under a state's domestic relations laws that relates to child support, alimony, or marital property rights. A QDRO creates or recognizes an alternate payee's (such as a former spouse or a child) right to receive all or a portion of an employee's retirement plan benefits.

Return. The profit (or loss) earned through investing.

Risk. The chance that the value of an investment could decline in the marketplace.

Rollover Contributions. Funds from a previous employer's tax-qualified retirement plan, certain annuity contracts, or an IRA that you move directly into your current employer's plan from the previous plan. Plans do not have to accept rollover contributions.

Roth Contributions. Taxes are paid on contributions before they are made to the 401(k) plan. Withdrawals of both contributions and earnings are not taxed at all if specific requirements are met.

Summary Plan Description (SPD). A legal document that explains the benefits and features of an employer-sponsored retirement plan. Plan participants should read the SPD carefully.

Tax-deferred Earnings. Investment earnings on which no current income tax is due. Unlike tax-exempt earnings, tax-deferred earnings will be taxed at a later time, generally when the earnings are withdrawn from the tax-deferred investment account.

Total Return. The unrealized increase or decrease in an investment's value during a specific time period, plus any income generated by the investment during that period.

Treasury Bills. Short-term U.S. government debt securities with maturities of one year or less. T-bills are sold at weekly auctions at a discount and are redeemed at face value.

Yield. The interest or dividend paid on a security. Yield is usually stated as a percentage of the security's price. Some investment advisors also include capital appreciation as part of the yield.