Consider a variety of investments

Diversification is spreading your retirement savings and contributions among a variety of investments to help reduce your risk. It is an essential part of a solid investment strategy. Why? Because by not "putting all your eggs in one basket," so to speak, you're spreading risk across multiple types of investments: some may stumble, while others may perform well.

Diversification may offer some protection in the event of market downturns, or present opportunity when market conditions favor certain investments over others. For example, consider stocks. If you choose several stocks instead of a single stock, it's possible that the positive performance of some of those stocks may offset the potentially poor performance of others. Investment in securities involve risk, including possible loss of principal. There is no guarantee that investment objectives will be achieved as past performance does not guarantee future results.

The Role of diversification and asset allocation

Commonly confused, yet considerably different, asset allocation is the process of assigning a percentage of your money among the three main asset classes: stocks, bonds, and short-term investments to help spread out your investment risk. For example, you may allocate 60% of your retirement savings to stock and 40% to bonds. Diversification takes asset allocation a step further by then deciding what funds to choose within each asset class. For example, for your 60% allocation in stocks, you could diversify by selecting several different types of stock mutual funds that may have different investment styles.

Diversifying within asset classes

To diversify your investments, you can invest in "sub-asset classes," which are underlying investments in that class. For instance, in the case of stocks, sub-asset classes include large companies (large cap), mid size companies (mid cap) or small companies (small cap), sector (technology, biotech, financials, etc.) and by growth (solid price appreciation and/or growing earnings) and value (considered beaten down in price but show promise for the future). You might even choose some from the United States and some from other countries.

Bonds vary according to their maturity (short-term, intermediate-term, long-term), credit quality (investment grade bonds, high yield bonds), or issuer (government or corporate). Short-term investments (cash) sub-asset classes include CDs, Treasury bills, or cash equivalents.

LOOKING AT SUB-ASSET CLASSES

Short-term investments
CDs
Treasury bills
Cash and cash equivalents
Commercial paper

Bonds
Corporate bonds
Government bonds
High-yield bonds
Other fixed-income securities

Stocks
Equity securities of different companies, sizes, countries or industries

The illustration above shows examples of investments within each asset class.

Many ways to diversify

While diversification doesn't ensure a profit or prevent a loss in a declining market, this basic investing principle may help the relationship of risk to reward in your portfolio. Once you take a look at it, you will see that there are many ways to diversify your retirement savings.

Take advantage of the range of investment options offered by your workplace retirement plan. You don't need to invest in many; just enough to ensure you have a good mix of different investment types.

Mutual funds

A mutual fund, which pools the money of many investors, typically diversifies by investing in a variety of different companies and industries. For example, a "growth fund" may be made up of hundreds of stocks that tend to have strong price appreciation (a growth stock characteristic) from many industries.

Consider asset allocation funds*

Are you concerned about your ability to diversify or believe you don't have time or confidence to monitor your investments? Asset Allocation funds offer diversification, professional management, and monitoring in a single investment. Risk-based (or lifestyle) funds allocate the money in your account among investment options aligned to your comfort with risk. Age-based (or target-date or lifecycle) funds correspond with the year you expect to retire and automatically invest more conservatively over time. To implement a strategy, visit the participant web site's investment selection page.

Generally target retirement date (lifecycle) investment options are designed to be held beyond the presumed retirement date to offer a continuing investment option for the investor in retirement. The year in the investment option name refers to the approximate year an investor in the option would plan to retire and likely would stop making new contributions to the investment option. However, an investor may choose a date other than their presumed retirement date to be more conservative or aggressive depending on their own risk tolerance.

Learn more today

Visit **www.retiresmart.com** to learn more about diversification, take the Risk Quiz, and change your investment selection if desired. For assistance, call **1-800-743-5274**. Remember, it's always a good idea to consult a financial adviser about your own situation.

* May not be offered in all plans.

Past performance is no guarantee of future results.

In applying particular asset allocation models to your individual situation, you should consider your other assets, income and investments (e.g. equity in a home, Social Security benefits, individual retirement plan investments, savings accounts, and interests in other qualified and non-qualified plans) in addition to your interests in this plan.