BUILDING BLOCKS FOR RETIREMENT

Diversification

A Sampling of Flavors

When friends and family gather together, each person often brings a dish to share with the group. If everyone brought the exact same food item, it would be a very bland buffet. When there are a variety of dishes, the combination of different foods and flavors makes for a more delicious meal.

Your employer's retirement plan offers a variety of options on its investment menu. You can choose a combination of different investments for your portfolio. Diversification* — spreading your money among a variety of investments — is an investment strategy that can help you control risk while investing to meet your future goals.

Nutrition for Your Portfolio. Investing in only one investment can be risky. For example, if you invest in just one stock, the value of the stock you invested in could decrease without warning. If you invest in several stocks, a loss in one might be cushioned by gains in the others. For diversification purposes, it also can be important to invest in the stocks of companies in different industries in case one industry struggles.

You also should consider investing in different types of investments. The stock and bond markets often react differently to the same economic conditions. So stocks may outperform bonds in some years, and in others, bonds may outperform stocks. Dividing your money among stocks, bonds, and cash alternatives lets you spread your risk while preserving opportunities for gains.

Plan Puts It on the Table. Your plan's investment options may include funds (or portfolios) that invest in stocks, bonds, cash alternative investments, or a combination. Of these three major asset classes, stocks generally provide the best potential for long-term capital growth and returns that outpace inflation. However, stocks also have the highest potential for losses. Bonds typically offer lower potential returns than stocks, but have less risk of loss. And, generally, there's little risk of loss with cash alternatives, but they may not produce returns that stay ahead of the inflation rate.

A Slice of This, a Slice of That

Stocks	100%	60%	50%
Bonds		40%	35%
Cash Alternatives			15%
Amount Invested	$1,000	$1,000	$1,000
Portifolio value if stock prices drop 15%*	$850	$910	$925
Portifolio value if bond prices drop 15%*	$1,000	$940	$948

* Assumes no changes in the value of other asset classes. This is a hypothetical example used for illustrative purpose only and does not represent any specific investment product. Your investment performance will be different. Source: DST

Each fund your plan offers invests in numerous securities. Investing in a fund provides greater diversification than you could achieve by investing in only one or a few individual securities. To further diversify, you may want to choose a mix of funds that invest in different asset classes and use different investment approaches.

* Diversification does not ensure a profit or protect against loss in a declining market.

Diversifying your portfolio with a variety of investments can help you manage your risk exposure as you invest for your retirement.

Your situation is unique, so be sure to consult a professional before taking action.

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