GLOSSARY

Target Retirement Funds

Glossary of Financial Terms

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Glossary of Financial Terms

457(b) and 401(a) Plans
Retirement plans established by your employer so employees can contribute a certain percentage of wages earned into a tax-deferred account to save and invest for retirement. Earnings within the 457(b) and 401(a) plans accrue on a tax-deferred basis.

Asset Allocation
An investment strategy that mixes a portfolio's stocks (equities), bonds (fixed income) and cash (and other short-term investments) to balance risk and return according to an individual's goals, risk tolerance and investment horizon.

Benchmark
A tool investors use to gauge the performance of a fund. Indexes serve as benchmarks—and these terms are often used interchangeably. Investors reviewing a fund can determine whether it performed better or worse than similar funds by comparing its returns to those of its benchmark.

Bonds
A type of debt. Companies, government entities and other institutions issue bonds to raise money. The most common types of bonds promise to pay back investors on a set date, and in the meantime they will make fixed interest payments on specified dates.

Commodities
Goods that can be traded interchangeably and that maintain similar values across different markets. For example, gold is a commodity because it can be traded interchangeably and an ounce of gold in the US is the same as an ounce of gold in Australia.

Diversification
A strategy designed to manage risk and income potential by spreading your savings—asset allocation—across a variety of investments (e.g., cash, bonds, stocks) within a portfolio.

Equity
Another term for "stock." It's the ownership interest of a particular company or industry.

Fixed Income
Another term for bonds, an investment issued by governments, corporations or other entities that typically pay interest at fixed intervals for a defined period of time.

Fund
An investment that is made up of a variety of different securities to help reduce risk. A Target Retirement Fund is made up of a broadly diversified mix of investments, including stocks, bonds and cash.

Glide Path
The change of asset allocation (the mix of stocks and bonds) within a Target Retirement Fund as you approach retirement.

Inflation
The rate of increase in the price of goods and services, which reduces an individual's ability to buy things at a specific price over time.

Large-Cap Stock
This refers to stock issued by large corporations that are typically valued at more than $10 billion.

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Liquidity
A term used to describe the ease and speed at which an individual may buy or sell something.

Mid-Cap Stock
This refers to stock issued by medium-sized corporations that are typically valued at between $2 billion and $10 billion.

Portfolio
A range of investments such as stocks, bonds, and cash (and other short-term investments) that are owned by an individual investor and/or managed by a financial professional.

Rebalance
Adjusting a portfolio by buying or selling investments to re-establish a targeted asset mix.

REIT (Real Estate Investment Trust)
A type of security that invests in real estate holdings such as commercial or personal property and mortgages secured by real estate. REITs receive favorable tax designations and often offer high yields to investors.

Risk
The possibility of investment loss.

Security
A general term for a financial product, such as a stock, bond, or derivative (something which obtains its value from another item, like a commodity); may be used interchangeably with the term “instrument.”

Small-Cap Stock
This refers to stock issued by small corporations typically valued at less than $2 billion.

Stock
Stock is also known as equity. It’s the ownership interest in a particular company or industry.

Target Retirement Fund
A pre-mixed, diversified selection of investments (typically stocks and bonds) that adjusts its risk levels automatically as you near retirement.

Time Horizon
The length of time over which you expect to keep the security invested to reach your retirement goal.

TIPS (Treasury Inflation-Protected Securities)
Treasury securities designed to protect investors against inflation. TIPS adjust their interest and principal value based on the actual rate of inflation over the life of the bonds. Considered low-risk investments, they pay a higher interest rate in accordance with rises in the rate of inflation and are issued by the US Treasury.

Volatility
A measure of the ups and downs in performance for a given security or market index. In general, riskier securities tend to have higher volatility.

All plan participants should carefully consider all of the investment alternatives available under the Plan before deciding to invest, consult with their own financial advisor and contact their Plan Administrator for more information on the plan's available alternatives.

State Street Target Retirement Funds are available in multiple forms of investment vehicles. The type of vehicle may vary depending on the plan sponsor.

Investing involves risk, including the risk of loss of principal.

Diversification does not ensure a profit or guarantee against loss.

The Target Retirement Funds are designed for investors expecting to retire around the year indicated in each fund's name. When choosing a fund, investors should consider whether they may anticipate retiring significantly earlier or later than age 65 and select their fund accordingly.

There may be other considerations relevant to fund selection and investors should choose the fund that best meets their individual circumstances and investment goals. Each fund's asset allocation strategy becomes increasingly conservative as it approaches the target date and beyond. The investment risks of each fund change over time as its asset allocation changes.

Asset allocation is a method of diversification which positions assets among major investment categories. Asset allocation may be used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.

Assumptions and forecasts used by State Street in developing the Target Retirement Funds asset allocation glide path may not be in line with future capital market returns and participant savings activities, which could result in the losses near, at, or after the target date year; or could result in a portfolio not providing adequate income at or in retirement.

Equity securities may fluctuate in value in response to the activities of individual companies and general market and economic conditions.

Bonds generally present less short-term risk and volatility than stocks, but contain interest-rate risk (as interest rates rise, bond prices usually fall), issuer default risk, issuer credit risk, liquidity risk, and inflation risk. These effects are usually more pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. Increases in real interest rates can cause the price of inflation-protected debt securities to decrease and interest payments on these securities can be unpredictable.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

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