MassMutual


# Guide to Retirement Plan Investing Basics

## WHAT'S YOUR STRATEGY?

Saving for retirement might be the most important thing you ever do with your money. When saving for retirement, you'll make some decisions that over time may have an impact on the amount you accumulate for retirement.

- When you start saving
- How much you save each year
- Your choice of investments

The information contained in this brochure is educational and should not be considered investment advice. Please consult with a financial advisor for assistance in developing your investment strategy.

## Building an investment strategy for your retirement plan account doesn’t have to be overwhelming.

Like all long-term financial planning, it’s best to develop your own strategy to help reach your retirement savings goals. A strategy makes it easier to choose the investments in your retirement account.

Keep in mind that your strategy should take into account any other sources of retirement income you may have, including Individual Retirement Accounts (IRAs), pensions, personal savings and Social Security.

# Types of investments

Your retirement plan offers a variety of investment choices. There are **three broad categories** of investments from which to choose. These broad categories are called asset classes.

STOCKS

BONDS

SHORT-TERM INVESTMENTS

## Stocks

Stocks represent part ownership in a business and are meant to provide long-term growth by increasing in value. Historically, stocks have out-performed other types of investments over the long-term. However, stocks fluctuate in value more than other types of investments — like money market or bonds — and when sold may be worth more or less than their original cost.

## Bonds

Bonds represent “loans” investors make to corporations, governments or agencies. They’re designed to provide stability, income and some appreciation in value. And they’re issued with a fixed date of maturity. If held to maturity, bonds offer a fixed rate of return and a fixed principal value. Bonds generally offer a potentially higher rate of return than money market funds and a lower return than stocks. The value of bonds usually fluctuates less than stocks and the return of principal is not guaranteed if sold before maturity.

## Short-term investments

Short-term investments like Money Market and Stable Value investments are designed to provide a steady rate of return, greater investment stability, and a relatively low level of risk. Over time, these investments have provided lower returns than stocks and bonds.

# Developing your investment strategy

There are **three steps** to developing your strategy and choosing among the investments in your company-sponsored retirement plan.

1. Determine your investing style

2. Select your asset mix

3. Diversify your assets

STEP 1

# Determine your investing style

### Important questions to consider as you determine your investing style:

- What are your retirement savings goals?
- What is your time horizon?
- How do you feel about risk?

## Creating your investor profile

Your investing strategy should reflect the kind of investor you are — your personal investor profile. The following quiz will help you create a profile and then match it to a risk-based investment mix provided as a guide.

No matter what type of investor you are, you should select the appropriate mix of assets that best suits your investing style, risk tolerance, and your complete financial situation.

## What type of investor are you? Find your comfort zone.

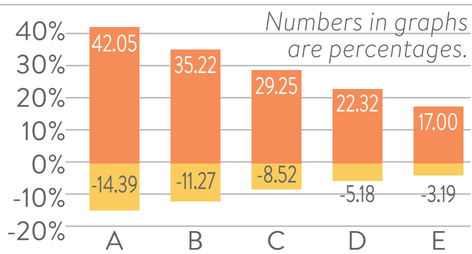
This short questionnaire can help you determine what type of investment mix might align with your goals and objectives. Add up the points to the right of each question and check your score on the following page to help you determine your investment mix.

### Check the answer that best matches your needs.

| | | | | POINTS |
|---|---|---|---|---|
| 1 | Which hypothetical investment option would you choose? | | | |
| | First year return potential | | | |
| | | Gain (max) | Chance of loss | |
| | a | 8% increase | 0% | 0 |
| | b | 20% increase | 20% | 2 |
| | c | 25% increase | 33% | 4 |
| 2 | My main objective for my investment portfolio is to: | | | |
| | a | Avoid losses | | 0 |
| | b | Keep pace with the stock market | | 2 |
| | c | Outperform the stock market | | 4 |

| | | | POINTS |
|---|---|---|---|
| 3 | If my $100,000 long-term investment dropped in value to $85,000 after one year and rose to $125,000 after two years, I would be: | | |
| | a. | Extremely uncomfortable – I would move my money immediately to a lower risk investment to protect my gain | 0 |
| | b. | Slightly uncomfortable – I would move my money to a lower risk investment to protect my gain | 2 |
| | c. | Comfortable – I would maintain my investment | 4 |

| | | POINTS |
|---|---|---|
| 4 | If I could potentially get a higher rate of return by accepting greater volatility in my portfolio, I would: | |
| a | Accept a lot more volatility | 4 |
| b | Accept slightly more volatility | 2 |
| c | Not accept any more volatility | 0 |
| 5 | Below are five investment models with hypothetical maximum returns and maximum losses over a one-year period. I would feel most comfortable investing in: | |




| | | |
|---|---|---|
| a | Portfolio A | 4 |
| b | Portfolio B | 3 |
| c | Portfolio C | 2 |
| d | Portfolio D | 1 |
| e | Portfolio E | 0 |
| 6 | If my $100,000 long-term investment declined in value during the first year, I would move it to a lower risk investment when it declined in value to: | |
| a | $95,000 (loss of 5%) | 0 |
| b | $90,000 (loss of 10%) | 1 |
| c | $85,000 (loss of 15%) | 2 |
| d | $80,000 (loss of 20%) | 3 |
| e | I would not move it | 4 |

| | | POINTS |
|---|---|---|
| 7 | A hypothetical $100,000 investment has the possibility of losing $10,000 in the first year. What is the minimum potential one-year gain you would accept given the possibility of loss for you to be comfortable with this investment? | |
| a | $10,000 | 4 |
| b | $25,000 | 3 |
| c | $35,000 | 2 |
| d | $45,000 | 1 |
| e | I would not risk losing that amount of money | 0 |
| 8 | When attempting to achieve my investment goals: | |
| a | I don't want my portfolio to lose any value, even if it will take longer to achieve my investment goals | 0 |
| b | I will tolerate small fluctuations in my portfolio's value | 1 |
| c | I will tolerate moderate fluctuations in my portfolio's value | 2 |
| d | I will tolerate large fluctuations in my portfolio's value | 3 |
| e | I will tolerate extreme fluctuations in my portfolio's value | 4 |

**Tally your results by adding the points from questions 1 through 8.** ___

Check your results on page 6.

## Investor self-assessment score

Find your total score in the chart below, along with your retirement timeline, to see what type of investment mix may be best for you. This chart is only a guide. Please determine your own investing comfort zone.

| YEARS TO RETIREMENT | 0–3 POINTS | 4–11 POINTS | 12–22 POINTS | 23–28 POINTS | 29–32 POINTS |
|---|---|---|---|---|---|
| 0–3 YEARS | Conservative | Conservative | Conservative | Conservative | Conservative |
| 3–5 YEARS | Conservative | Moderate Conservative | Moderate Conservative | Moderate Conservative | Moderate Conservative |
| 5–7 YEARS | Conservative | Moderate Conservative | Moderate | Moderate | Moderate |
| 7–12 YEARS | Conservative | Moderate Conservative | Moderate | Moderate Aggressive | Moderate Aggressive |
| 12+ YEARS | Conservative | Moderate Conservative | Moderate | Moderate Aggressive | Aggressive |

Investor Self-Assessment Questionnaire is provided by Mesirow Financial Investment Management, Inc. (MFIM) a SEC-registered investment advisor. MFIM is not an affiliate or subsidiary of MassMutual.

The results of this questionnaire are intended to help you identify what your optimal asset allocation model may be. The questionnaire is not intended to provide a complete investment profile or to offer individual investment advice.

STEP 2

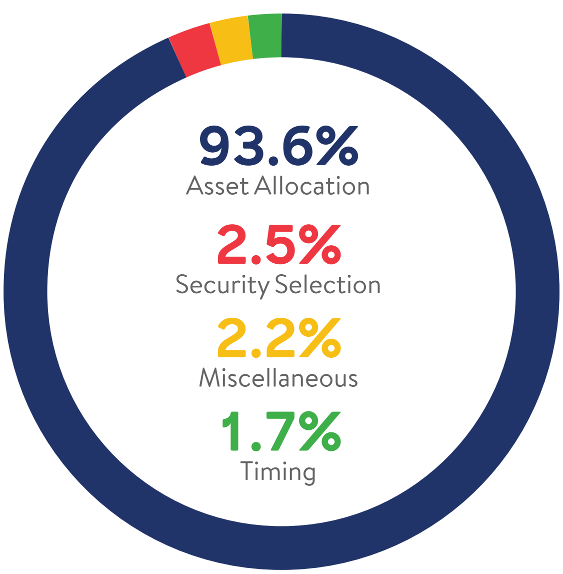
# Select your asset mix

## Asset allocation

**Your investments in various asset classes will likely react to changing market trends in different ways. For example, while one investment may decline due to market fluctuations, another investment may increase in value at the same time and offset that decline.**

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. The mix of assets you hold is critical, because it determines both the level and types of risk your money is exposed to, as well as the potential returns you can earn on your money.

By taking into consideration your goals, time horizon and tolerance for risk, asset allocation is a technique that can help you pursue your goals throughout different market cycles. How money is allocated among asset classes can be more significant to performance than the selection of individual investments within an asset class.




**Asset allocation choices are responsible for over 90% of a portfolio's performance.**

Source: Determinants of Portfolio Performance," by Brinson, Hood and Beebower. Updated in Financial Analysts Journal, May/June 1991.

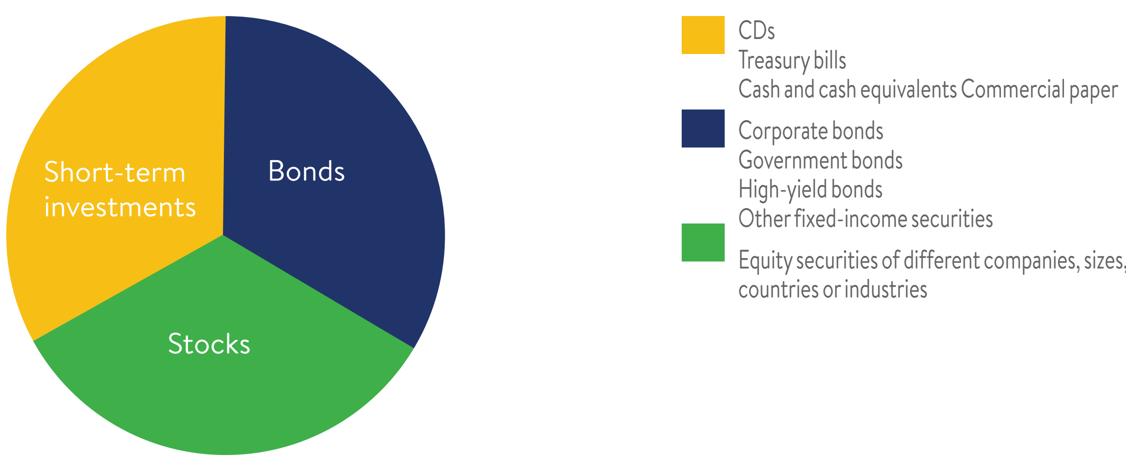
STEP 3

# Diversifying your assets

**Diversification takes asset allocation a step further by then deciding what funds to choose within each asset class. When you diversify your assets, you're trying to keep your risk to a minimum by investing in different categories within the broader asset classes.**

You may choose among several categories within each of the broad asset classes of stocks, bonds and short-term investments. For instance, "stocks" is a broad asset class, but within your retirement plan, you may be able to choose among different types of stocks, such as international stocks, or large-, mid- and small-cap stocks within your plan. When you invest in multiple categories within an asset class, you can further diversify your account or portfolio.

## Categories within asset classes:

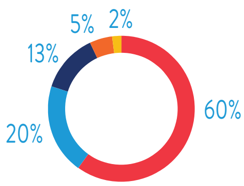


## Here are some examples of risk-based investment mixes that you can use as a guide. These are sample portfolios and do not represent investment advice.*

### Asset Classes*

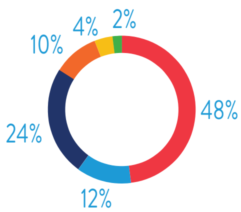
● International/Global stocks ● Small-cap stocks ● Mid-cap stocks
● Large-cap stocks ● Bonds ● Money market/Stable value

less risk/reward potential



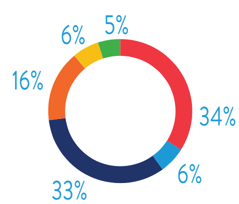

**Conservative Model**

For investors with short-term investment horizons who want to minimize the potential for loss of value, and who are looking for stability of assets. This portfolio may have steady and more predictable returns than more aggressive portfolios. Investors should be willing to forgo the potential for higher long-term returns for stability.



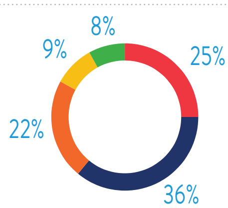

**Moderate Conservative Model**

For investors attempting to avoid a loss of assets in the short-term, with a secondary objective of seeking a higher return over the long term to mitigate the effects of inflation. The portfolio may have some relative stability, but in order to combat inflation, some fluctuations in the portfolio should be expected.



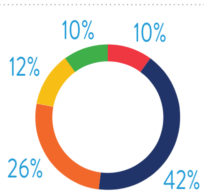

**Moderate Model**

For investors who are equally concerned with balancing their level of risk and return. They look to have returns in excess of inflation and increased value over the long term. Should be willing to accept short-term losses and fluctuations in portfolio value.




**Moderate Aggressive Model**

For investors with a longer time horizon. While their portfolio will typically have a higher-than-average volatility, it may provide for the potential of higher-than-average returns over the long term. Investors should be willing to accept short-term losses and less stable returns.




**Aggressive Model**

For investors who are willing and able to stay the course through short-term volatility and want the potential for high portfolio returns over the long term.
They should have a long time horizon and a high tolerance for risk, as frequent short-term losses and extreme volatility are to be expected.

more risk/reward potential

**For more information about the different types of investments in each of the asset classes, log on to retiresmart.com.**

*Asset Allocation modeling offered by MFIM. MFIM is an SEC registered investment advisor and is not an affiliate or subsidiary of MassMutual.

MFIM created these risk-based asset allocation models using the following six asset classes: Money market/Stable value (cash equivalent/principal focused-extended duration), Bonds (intermediate-term domestic bonds), Large-cap stocks (large-cap blend domestic equity), Mid-cap stocks (mid-cap blend domestic equity), Small-cap stocks (small-cap blend domestic equity), International/Global stocks (large-cap blend foreign equity). These models are being used for guidance as MFIM doesn't populate them with actual funds or act as an investment manager. MassMutual and MFIM have not been appointed and have not agreed to act as a fiduciary to the Plan with regards to Standard Models.

# Basic investing techniques

As you work to continue investing over the long-term, consider how your investments are working. Check your investing strategy regularly and also consider techniques that may play a role in your investing strategy, such as dollar-cost averaging and rebalancing.

## Dollar—cost averaging may buy you more for less.

Dollar-cost averaging means investing the same amount of money at regular intervals, no matter how the market is doing. This approach is built in to your retirement plan — each pay period you automatically invest the same contribution amount, whether the market is up, down or flat.

When prices are low, you end up buying more units. When prices are high, you buy fewer units with the same amount. Over time, what you pay for each unit is typically lower than the average market price. Keep in mind that dollar-cost averaging does not ensure a profit or protect against loss in declining markets.

By investing consistently in fluctuating markets, you may benefit in three ways:

- You generally get more units for less money.
- You may reduce your long-term risk.
- You're less tempted to make emotional investment choices.

Contributing to your retirement plan account consistently means you're using this investing technique.

## Rebalancing your portfolio

A long-term investment strategy does not mean an "invest-and-forget" approach. Once your asset allocation is set, you should periodically review it. Your portfolio will need rebalancing over time to stay in line with your current portfolio preferences.

That's why it makes sense to consider periodically rebalancing your portfolio to maintain your desired allocation.

By buying and selling investments that have changed values, you can get the investments in your portfolio back in balance with each other. Your plan may offer the opportunity to automatically rebalance on a regular basis.

**LEARN MORE**

If you have questions, call MassMutual at **1-800-528-9009**. It's a good idea to consult your own financial advisor about your situation.

# Notes:

# Notes:

# Notes:

The examples are illustrations to help you choose an investing approach that is most appropriate for you. Allocations may vary. These are only samples for long-term, total return-oriented investors without considering tax consequences.

The use of an asset allocation and/or diversification approach does not guarantee a profit or protect against a loss in declining markets. You should discuss your individual situation with your financial professional to find the right balance between risk and potential reward.

Past performance is no guarantee of future results. The information provided is not written or intended as specific investment, legal or tax advice. MassMutual, its subsidiaries, employees and representatives are not authorized to give advice. Individuals are encouraged to seek advice from their own financial advisor, tax consultant or legal counsel.

Please consider an investment option's objectives, risks, charges and expenses carefully before investing. This and other information about the investment options can be found in the applicable prospectuses or fact sheets for the investment options in your plan. This information is available from your plan sponsor, on the participant website or by contacting our Participant Information Center. Please read this investment information carefully before investing.



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