

Investing in Your Plan's Funds

Your plan is designed to offer you a variety of investment choices. But before you choose, it's important to understand your fund options and how they work together.

The plan gives you great flexibility to diversify your portfolio using **one** of these ways:

- **Premixed Portfolio** – This diversified combination of funds is designed to be your only investment choice. It's based on your risk tolerance and is conveniently managed by an investment professional. Investing in other funds along with a premixed portfolio could reduce the effectiveness of the premixed strategy.
- **Mix Your Own** – You can create and manage your own diversified portfolio, choosing from core fund, extended funds, or a self-directed brokerage account.

Your comfort with investing and your investing style will help you determine which funds you'll choose. The following table contrasts the differences between choosing a premixed portfolio and creating your own.

	Premixed Portfolio	Create Your Own Mix
What Is It?	Typically contains a mix of stock, bond, and stable value investments.	Allows you to choose your own combination of investment funds
Who Manages the Investment?	Professional fund managers	You
Ease of Use	You choose which diversified premixed portfolio you're comfortable with based on your level of risk	You must determine which funds meet your investment objectives and how much to invest in each
Diversification of Investments	Provides a diversified mix of asset classes by choosing one diversified premixed portfolio	Choose more than one fund in different asset classes to achieve a well-diversified portfolio

Mix-Your-Own Options

If you want to create your own portfolio, you have these options:

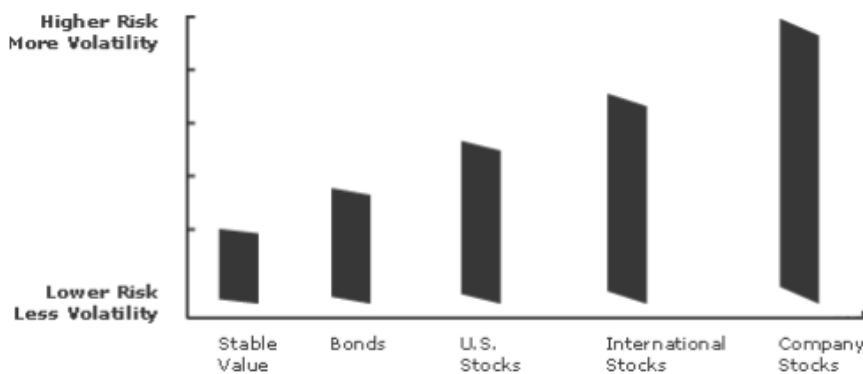
- Core funds
- Extended funds
- Self-directed brokerage account

Core Funds

Core funds give you broad options within several different asset classes (or types of investments) from which you can create an asset allocation mix that's right for you. The plan offers five core fund options that include different types of assets.

When you invest in core fund, you'll want to determine an asset allocation mix that's right for you and then choose among the core fund options. You'll want to periodically adjust your portfolio to make sure you're maintaining your long-term strategy.

Broadly, the core fund in your plan represents different asset classes and different levels of risk.



The following are the asset classes in your plan:

- **Stable Value** – Funds are designed to preserve principal with a stable rate of return in line with inflation. Common investments are certificates of deposit (CDs) and Treasury bills.
- **Bonds** – Funds seek to provide a rate of return slightly higher than inflation from bonds issued by corporations and U.S., state, and local governments.
- **U.S. Stocks** – Funds look to achieve a high rate of return from long-term growth and income from company stocks in the United States. They may focus primarily on large, midsize, or small company stocks.
- **International Stocks** – Funds seek to achieve a high rate of return from stocks issued in established markets outside of the United States. Because of this, they are more subject to currency fluctuations, which adds to potential volatility.
- **Company Stock** – The fund strives to achieve a high rate of return in stock issued by your company. Unlike the other investments, the company stock fund isn't diversified and carries the most volatility.

“Institutional” Fund Advantage

Some funds within your plan are “institutional” funds, which typically have lower fees than mutual funds that are available to individual investors. Institutional funds usually offer lower fees because they're only offered to investors or institutions that have large amounts of money to invest.

Extended Funds

The plan also offers you more investments within its extended funds, which gives you more choices across asset classes to create your mix of investments.

The three extended funds options, in addition to your core fund options, offer you a robust choice of funds carrying a wide variety of risk and reward options.

When you're choosing how to create a mix of your core fund and extended fund options, you'll want to look closely at the funds' investments, performance, expenses, investment style, and fund managers.

Self-Directed Brokerage Account

A self-directed brokerage account offers you access to thousands of funds, and in some cases individual stocks, in which to invest. The variety of investment options provides greater flexibility to shape your investment mix, but it also requires more work from you on an ongoing basis.

Growth Funds Versus Value Funds

Growth funds invest in companies that are expected to experience above-average earnings and growth. Conversely, value funds invest in companies that are expected to grow at a lower rate, but which are believed to be less expensive in price.

How Index Funds Work

Some of your plan options are index funds, which are designed to track the performance of a specific market index like the S&P 500. The advantage of an index fund is that it has lower expenses because there's less of a need to manage individual securities.

What you lose is the extra selections that might bring you higher returns. The decision is whether the potential for higher returns outweighs the cost of that additional management.

Source: Alight Solutions