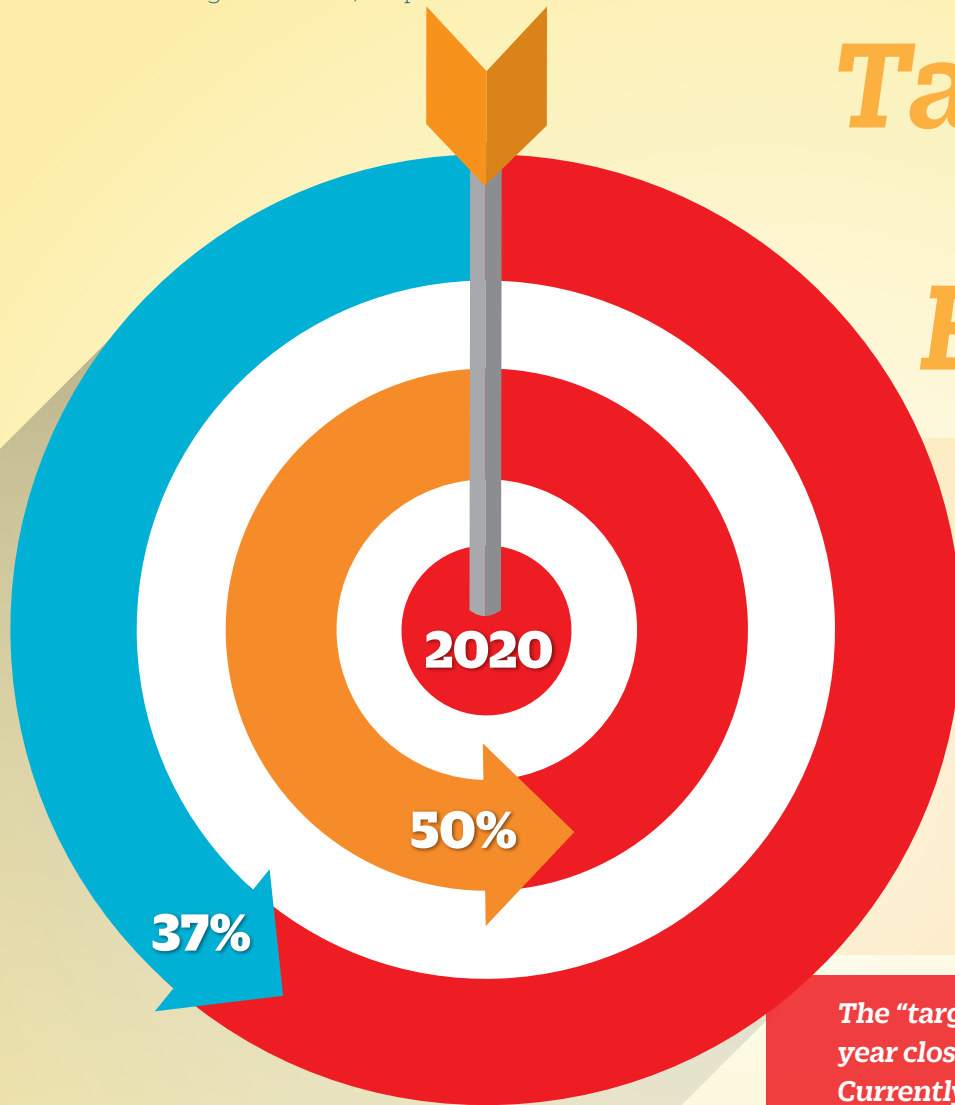


# SIMPLY PUT

Retirement savings education, simplified.

First Quarter 2016



## Target Date Funds Explained

The Missouri Target Date Funds are the deferred compensation plan's default investment option, but there is nothing average about them. Built as all-in-one investment solutions, these versatile fund options are designed specifically for state of Missouri employees and provide a diversified portfolio of investments. Investment professionals manage each fund's asset allocation, saving you – a busy professional – the stress of managing an investment portfolio.

**The "target" in a Missouri Target Date Fund is the year closest to when you anticipate retiring. Currently, more money is invested in the 2020 fund than any other target date fund option.**

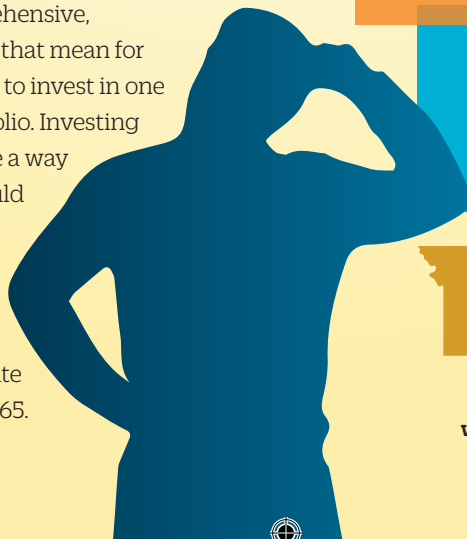
**Approximately 50% of savers in the deferred compensation plan are investing all of their money in a Missouri Target Date Fund.**

**More than 37% of all the money saved in the deferred compensation plan is invested in a Missouri Target Date Fund.**



### One and Done

Each Missouri Target Date fund is a comprehensive, diversified investment solution. What does that mean for retirement savers? It means they only need to invest in one target date fund to have a diversified portfolio. Investing in multiple target date funds may seem like a way to improve diversification, but doing so could actually hurt a long-term retirement strategy. As a matter of fact, if you enroll in the deferred compensation plan, but don't choose an investment option, you will be automatically invested in the **one** target date fund that's closest to the year you turn age 65.



Learn more at

[www.modeferredcomp.org](http://www.modeferredcomp.org)

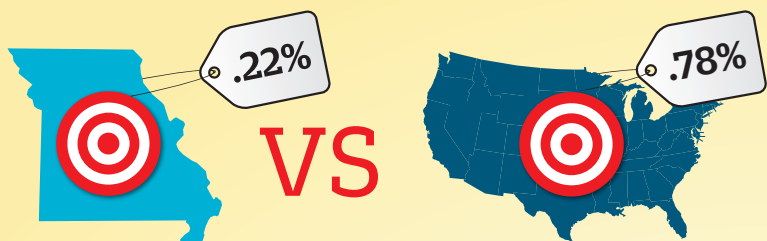
Connect with us on:



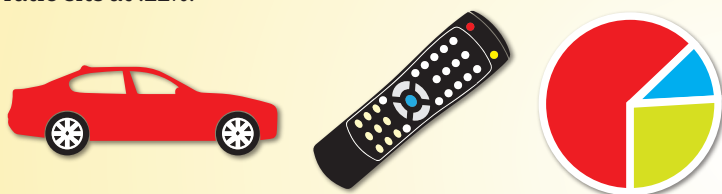
MIX  
Paper from  
responsible sources  
FSC® C101537

VPN000-001-201603

## Funds with Benefits



Make no mistake; the deferred compensation plan is an employee benefit. One of the biggest reasons is that the Missouri Target Date Funds are not only a custom investment solution, but they're some of the cheapest target date funds on the national market. An investment option's cost is expressed as an expense ratio, which is simply the fee associated with operating that fund. According to Morningstar, in 2014 the national average target date fund expense ratio was .78%. However, the Missouri Target Date Funds average expense ratio sits at .22%.



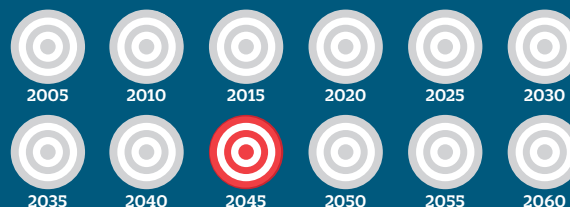
### This Stuff Isn't Free

**Expense Ratios:** Just like it costs money to own a car or have cable TV, it costs money to invest in the market. Expense ratios may seem confusing, but they're simply the annual cost associated with managing a particular investment option. If you see an investment option with an expense ratio of .20%, for instance, that means you'd pay .20% of your balance to be in that fund. If your balance is \$20,000, then you'd pay an annual fee of \$40 (.002 x 20,000). That fee is typically deducted from your fund's overall performance.

## Okay, but how do target date funds really work?

A quick and dirty explanation of how the Missouri Target Date Funds work.

Each fund is named after a retirement year.



You, the saver, pick a fund closest to your anticipated date of retirement. If you think you'll retire in 2043, for instance, then you'd pick the 2045 fund.



The fund you choose is a diversified investment option containing investments in **stocks**, **bonds** and other **diversifiers**. These are known as asset classes. The year of your fund drives your allocation, or, in other words, how much of your money is invested in each asset class. The higher the target date number, the farther away from retirement you are and the more stocks that fund invests in. The lower the target date number, the closer to retirement you are and the more bonds that fund invests in. Once you choose a target date fund, your allocation to those asset classes will shift automatically as your career evolves and you near retirement. Your most important job is to make appropriate contributions to your account with each paycheck.



## Through the Target: The Fun Doesn't Stop at Retirement

While you may think a Missouri Target Date Fund stops working once it reaches its target year, in reality, Missouri Target Date Funds are designed to be lifetime investment solutions. That means you can keep your money in a target date fund even after you retire. Your assets will continue to be allocated according to your risk tolerance, until eventually your target date fund is transitioned to the Missouri Retirement Allocation Fund (MRAF), which is meant for retired investors whose original Missouri Target Date Fund has reached its final asset allocation of 20% stocks, 15% diversifiers and 65% bonds. The transition to the MRAF occurs 15 years after reaching your target date.

### Count the Targets, Win a Prize

This edition of Simply Put covered a lot about the Missouri Target Date Funds. Can you count how many pictures of targets appeared in this issue? Post the correct answer to the deferred compensation plan's Facebook page and you could be a random prize winner. You must be 18 and a current or former state of Missouri employee to participate.

The content of this publication is general information regarding your retirement benefits. It is not intended to provide you with or substitute for specific legal, tax, or investment advice. You may want to consult with your legal, tax, or investment adviser to review your own personal situation.