

# SIMPLY PUT

Retirement Savings Education, Simplified

Second Quarter 2017



## Know the Lingo

### Understanding the terms

**T**he everyday terms associated with saving and investing for retirement can seem overwhelming. Many people struggle with these terms and in effect, it causes them to ignore or not gain a full understanding of their retirement savings due to the lack of knowledge. Do not be discouraged! Once you become familiar with the different terms, there is no reason to be intimidated, and you will be on your way to understanding retirement saving and investing with confidence. We have compiled a few different terms that will make saving and investing for retirement a breeze.

### Retirement Savings Plans

**457b:** a deferred compensation plan established by state and local governments, tax-exempt governments and tax-exempt employers. Eligible employees are allowed to make salary deferral contributions to the 457 plan. *MO Deferred Comp is a 457b plan.*



**401k:** a qualified employer-established plan to which eligible employees may make salary deferral (salary reduction) contributions on a post-tax and/or pretax basis.

**403b:** a retirement plan for specific employees of public schools and tax exempt organizations. These plans can invest in either annuities or mutual funds. A 403(b) plan is another name for a tax-sheltered annuity (TSA) plan.

**IRA (Individual Retirement Account):** is a retirement savings account used by individuals to earn and earmark funds for retirement savings. Contributions can be deductible on your tax return, but will depend on employer retirement plan coverage and income level.

### Types of Investments

**Stocks:** a type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.

**Bonds:** a debt investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate.

**Mutual Funds:** an investment vehicle made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets.

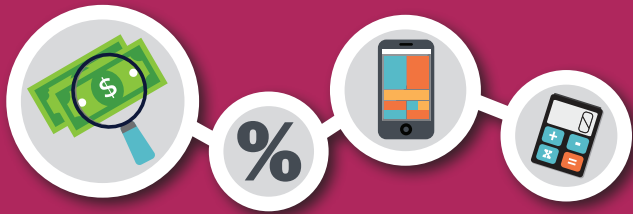


## MO Deferred Comp Terms

**Commission:** a service charge assessed by a broker or investment advisor in return for providing investment advice and/or handling the purchase or sale of a security (stock, bond, mutual fund, etc.). **Note:** *MO Deferred Comp's education specialists do not receive a commission for assisting you and take pride in being a trusted resource for savers.*

**MO Deferred Comp Education Specialist:** an experienced professional dedicated to providing you face-to-face education and assistance with your MO Deferred Comp Plan account.

**Account Access:** located on the MO Deferred Comp website. Logging into Account Access allows you to review your balance, make changes to your contribution, sign up for messaging and alerts, use calculators and tools and much more.



## MO Deferred Comp Investment Options

**MO Stable Income Fund:** is a fund that seeks to protect principal and offer the potential for steady growth over time without the daily fluctuations other investment options may experience. The strategy is to outperform the Bloomberg Barclays Capital U.S. Intermediate Aggregate Bond Index.

**Missouri Target Date Funds:** each of the 13 Missouri Target Date Funds offers an all-in-one investment strategy that automatically shifts over time as you move toward—and through—retirement. These funds are designed for you to choose the one named for the year closest to your retirement date. Each target date fund automatically adjust over time, investing more aggressively in its early years, and becoming more conservative in the later years as it gets closer to and beyond its target date.

**Self-Directed Brokerage Account:** this type of account offers flexibility by allowing you to build your own investment portfolio, giving you access to most individual stocks, bonds, and mutual funds.

Where can you find the investment's page? The investments page can be found on the MO Deferred Comp website. Simply head to [moderredcomp.org](http://moderredcomp.org), hover over **How It Works** in the top menu and click **Investments** in the drop-down.

## General Terms



**Portfolio:** the term used for all the investments owned by either an individual, an institutional investor, or a mutual fund portfolio manager.

**Retirement Income:** is income from your retirement paycheck sources, which most likely comes from your defined benefit pension plan (MOSERS or MPERS), social security, and personal retirement savings plan (such as MO Deferred Comp).

**Income Replacement Percentage:** the percent of your pre-retirement salary that is replaced by your defined benefit pension plan, social security and personal retirement savings.

**Roth Retirement Savings:** contributions are made after taxes so that withdrawals of contributions and earnings are tax-free during retirement.

**Pre-Tax Retirement Savings:** also known as tax-deferred. Contributions are made pre-tax and allow an employee to postpone paying income taxes on contributions and earnings until withdrawal during retirement. This method reduces the employee's annual taxable income while saving for retirement.

**Defined Benefit Pension Plan:** a retirement benefit based on a formula calculated using an employee's years of service, a multiplier and high average salary over a specific period.

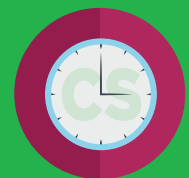
**MOSERS and MPERS provide defined benefit pension plans.**



**Final Average Pay**  
Average of highest  
36 consecutive months  
of pay



**Multiplier**  
Established by legislation



**Credited Service**  
Earned or purchased  
service time

**Deferral/Contribution:** your contribution to a retirement savings account.

**Required Minimum Distribution (RMD):** a government mandated annual withdrawal from a retirement account beginning at age 70½.



Learn more at  
[www.modeferredcomp.org](http://www.modeferredcomp.org)

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