As you plan for retirement, it’s good to understand a little bit about how it all works. Let’s look at some of the basics of investing.

MAKE A PLAN FOR YOUR PLAN
What are your financial goals? How much of your final salary will you need to live on in retirement? When do you want to retire? Once you know the answers, you can create a strategy that’s right for you.

LEARN THE KEY CONCEPTS
Asset allocation and diversification. They’re two sides of the same coin, and are approaches designed to help you avoid putting all your eggs in one basket.

Allocation describes the types of securities you can invest in: equities (stocks), fixed income (bonds), cash equivalents.

Diversification takes your asset allocation deeper by distributing your portfolio across different investment styles within each asset class.

Risk/reward. It’s the key trade-off investors face: In general, the higher the potential payoff, the greater the risk. This is especially true when you look beyond the major asset classes (generally stocks, bonds, and cash) to their many sub-classes.

For example, generally newer, “small-cap” stocks can offer potentially higher rewards — but also pose more risk — than long-established “blue chips.” Likewise, U.S. government bonds, long considered among the safest investments, may be less risky — but may also offer lower yields — than overseas “emerging markets” bonds.

That’s why you should seek a comfortable balance between risk and reward, and think about ways to diversify. Mutual funds, which can hold hundreds of securities, may be a good starting point. But their investment focuses can vary widely. So, consider several different funds to cover all your bases, or choose an “asset allocation” fund that could do it for you.

Rebalancing. Once you have an investment strategy, try to maintain it as long as it meets your needs. Rebalancing your portfolio can help.

Consider including some investments in your mix that may carry higher risk and the potential for higher return, provided you have an overall diversified portfolio that can help balance these risks.
Compounding. No need to return to math class. Just know that your investment earnings are added to your balances, where they can potentially compile earnings of their own. Over time, even small, regular contributions could help your retirement fund grow larger.

For example, say your strategy calls for 50% stocks, 40% bonds, and 10% money market (cash). If your stock holdings have outperformed the others over several years, your account balance may have shifted to 65% stocks, 30% bonds, and 5% cash—a riskier mix than you’d planned. To get back in balance, you could sell some stock fund shares and buy bond and money market funds. Keep in mind that there may be transaction fees, trading restrictions, tax consequences and other considerations related to such transactions.

DOLLAR COST AVERAGING

This is the practice of investing a set amount on a set schedule each month. When your investments’ prices go up, you’ll buy fewer shares, but when the prices drop you’ll buy more. Over time, dollar cost averaging can reduce the average purchase cost for an investment, which could lead to big savings over multiple years.

DIVERSIFY TO SPREAD OUT RISK

All investing involves risk, and almost any investment can lose value, yet the safest may not provide the returns sufficient to finance your future. So, it’s generally best not to rely on one type of investment to reach your long-term goals. This includes your own company’s stock. You may be confident about your company’s management, but tying your financial future to just one stock can be risky for most retirement plan investors.

So, consider diversifying by spreading your risk across different investments. It won’t guarantee profits or protect against loss. But it can help prevent trouble in one area from dragging down your whole portfolio.

PLAN FOR THE LONG HAUL

Consider staying diversified among stocks, bonds, and cash, in a mix that makes sense for your time horizon, risk tolerance, and financial situation. Specifically:

• **Diversify** based on your “time horizon” (how long until you’ll need the money) and “risk tolerance” (how comfortable you are with investing’s ups and downs). Your plan may offer options that help you do so with a single investment decision.

• **Take the long view.** Try to focus on long-term goals, not short-term performance. And keep investing steadily to let the power of compounding and dollar cost averaging put time on your side.

• **Review your portfolio** at least once a year, and consider rebalancing if market performance has caused your asset allocation to stray from your intended mix.

Think ahead. Take action now.

Need help with your retirement strategy?

- **Visit:** transamerica.com/portal/home

- **Contact:** 800-755-5801

Dollar cost averaging does not guarantee a profit or protect against a loss in a declining market, so you should consider your ability to continue investing through periods of adverse market conditions.

All investments involve risk, including loss of principal, and there is no guarantee of profits. Investors should carefully consider their objectives, risk tolerance, and time horizon before investing. There is no assurance that any investment will meet its stated objective.

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