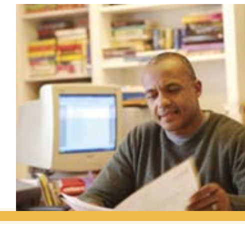

Good Hands℠ **Retirement**

Invest

Dealing with the Risks of Investing

All investments involve risk. But the risks take different forms. Here is an overview of some common investment risks and how they can affect different types of securities.

Market Risk

The term "investment risk" makes most people think of losses due to fluctuations in the stock and bond markets. This is actually known as *market risk* — the possibility that investments will lose value if the investment markets drop.

> ". . . investing for the long-term can help reduce the effects of market risk."

Stock and bond prices are influenced by many things: changes in interest rates, the economic outlook, world events, news or rumors about a company, tax laws, even the mood of investors. Although there are no guarantees, investing for the long-term can help reduce the effects of market risk.

Inflation Risk

Inflation risk is the risk that the return on an investment will not be high enough to keep pace with increases in the cost of living. Over time, even a low rate of inflation can reduce the purchasing power of the savings a person has accumulated.

Including some investments in a portfolio that have the potential to earn inflation-beating returns can help protect against inflation risk. While past performance doesn't guarantee future results, stocks have a long history of generating returns that outpace inflation.

Interest Rate Risk

Fixed-income investments, such as bonds, are affected by changes in interest rates. So people who invest in bonds are vulnerable to *interest rate risk*. Bonds are basically IOUs issued by corporations and federal, state, and local governments. Bond issuers promise to make interest payments for the life of the bond and return the original investment when the bond matures.

When interest rates rise, the prices of existing bonds typically decline, since these bonds are paying less interest than newly issued bonds. When interest rates fall, the reverse happens: bond prices typically increase. The longer a bond has until maturity, the greater the risk that its price will be affected by interest rate changes.

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Bond mutual fund* prices also rise and fall as interest rates change. Since bond funds generally have no maturity date, a person holding shares of a bond fund could lose money if shares are sold when interest rates are rising. Holding bonds with a range of maturities can be helpful in managing exposure to interest rate risk.

Default Risk

In addition to interest rate risk, bonds also carry *default risk*: the risk that the bond issuer may not have the money to make the promised interest payments or repay investors' principal. Including only high quality, highly rated bonds in a portfolio helps to minimize default risk.

Risks Associated with Overseas Investing

International investments can add diversification** to a portfolio, which helps balance risk. But investing internationally carries several risks. One of them is *currency risk*, the risk that the value of an investment will be adversely affected by changes in foreign exchange rates. Political instability, especially in emerging markets, is another risk of investing abroad. Fund managers may employ currency hedging strategies as well as careful research to manage the risk of overseas investing.

Management Risk

Management risk refers to the possibility that a change in a company's management or business strategy will have a negative impact on the value of the company's stock. Investment managers usually keep a close eye on performance when a company changes management. That way, they can sell the company's stock if its performance takes a long-term turn for the worse.

While no one likes to see the value of an investment drop, the risk of a possible loss is part of investing. Importantly, choosing *not* to invest also has a risk — the risk of not reaching a financial goal.

* *Investors should consider a fund's investment objectives, charges, expenses, and risks carefully before investing. More information about the fund is available in the prospectus, which should be read carefully before investing. Shares, when redeemed, may be worth more or less than their original cost.*

** *Diversification does not ensure a profit or protect against loss in a declining market.*

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