

Investment Glossary

General Investment Related Terms

Insurance Products

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12b-1 Fees	Fees paid by a mutual fund out of fund assets to cover the costs of marketing and selling fund shares. See also <i>Distribution Fees</i> and <i>Shareholder Service Fees</i> .
404(c)	A section of federal pension law (ERISA) that gives an employer general protection against fiduciary liability for investment decisions employees make for their individual retirement plan accounts in a defined contribution plan. Compliance with Section 404(c) is discretionary. An employer choosing to comply with Sec. 404(c) must provide investment choices and certain information that allow employees to make informed decisions about directing the investments in their retirement plan accounts.

A

Active Management	The trading of securities to take advantage of market opportunities as they occur, in contrast to passive management. Active managers rely on research, market forecasts, and their own judgment and experience in selecting securities to buy and sell.
Administration Expenses	The day-to-day costs for basic administrative services, such as plan recordkeeping, accounting, and legal and trustee services, that are necessary to run a retirement plan. These expenses also may include the costs of telephone voice-response systems, access to a customer service representative, educational seminars, retirement planning software, investment advice, electronic access to plan information, daily valuation, and online transactions.
Aggressive	An investment approach that accepts above-average risk of loss in return for potentially above-average investment returns.
Aggressive Growth Fund	An investment fund that takes higher risk of loss in return for potentially higher returns or gains.
AMEX Major Market Index (XMI)	An index that is an average of 20 Blue Chip Industrial Stocks.
Annual Rate of Return	The annual rate of gain or loss on an investment expressed as a percentage.
Annual Report	A yearly report or record of an investment's (e.g., a mutual fund's or company's) financial position and operations.
Appreciation	An increase in the value of an investment.
Asset	Anything having commercial or exchange value that is owned by an individual, institution, or business.

Asset Allocation	The diversification of investments among several asset classes, such as stocks, bonds, and short-term investments (e.g., cash equivalents). Proper asset allocation may limit risk and increase opportunities.
Asset Class	A category of investments, such as stocks, bonds, or cash equivalents.
Average Annual Total Return	The yearly average percentage increase or decrease in an investment's value that includes dividends, gains, and changes in share price.
Average Portfolio Maturity	The average maturity of all the bonds in a bond fund's portfolio.

B

Back-end Load	A sales charge investors pay when they redeem (or sell) mutual fund shares, insurance products, or other investments, generally used to compensate brokers. Also known as a <i>Deferred Sales Charge</i> .
Balanced Fund	A mutual fund that invests in a combination of asset classes (usually stocks and bonds and, in some cases, cash equivalents). Balanced funds seek to provide growth and income.
Barclays Capital U.S. Aggregate Bond Index	A common index widely used to measure performance of U.S. bond funds.
Basis Point	One-hundredth of one percent, or 0.01%. For example, 20 basis points equal 0.20%. Investment expenses, interest rates, and yield differences among bonds are often expressed in basis points.
Benchmark	A standard against which an investment's performance can be compared, often an index of securities in the same asset class as the investment.
Bond	The debt instrument (or "IOU") of a corporation or government entity that promises to pay the investor a specified amount of interest for a specified time period, with principal to be repaid when the bond matures.
Bond Fund	A fund that invests primarily in bonds and other debt instruments.
Bond Rating	A rating or grade that is intended to indicate the credit quality of a bond, considering the financial strength of its issuer and the likelihood that it will repay the debt. Agencies such as Standard & Poor's, Moody's Investors Service, and Fitch issue ratings for different bonds, ranging from AAA (highly unlikely to default) to D (in default).
Broker	A person who acts as an intermediary between the buyer and seller of a security, insurance product, or mutual fund, often paid by commission. The terms broker, broker/dealer, and dealer are sometimes used interchangeably.
Brokerage Window	An investment option giving plan participants and beneficiaries the ability to set up self-directed brokerage accounts to select investments beyond those designated by a retirement plan.

C

Capital Appreciation Fund	An investment fund that seeks growth in share prices by investing primarily in stocks whose share prices are expected to rise.
Capital Gain	Any gain realized from the sale of a capital asset.

Capital Loss	The loss in the value of an investment, calculated by the difference between the purchase price and the net sale price.
Capital Preservation	An investment goal or objective to keep the original investment amount (the principal) from decreasing in value.
Capitalization (Cap)	The total market value of a company's outstanding equity.
Cash Equivalents	Short-term securities, such as Treasury bills, money market mutual funds, or short-term bank certificates of deposit that provide safety and liquidity but historically have only marginally outpaced inflation in terms of return.
Certificates of Deposit (CDs)	Money deposited in a financial institution for a set period of time at a specified interest rate. The risk of losing principal with CDs issued by federally insured institutions is very low.
Closed-end Fund	A type of investment company that does not continuously offer new shares for sale but instead sells a fixed number of shares at one time in the initial public offering (IPO). After a fund's IPO, its shares typically trade on a secondary market, such as the New York Stock Exchange. Legally known as a "closed-end company."
Collective Investment Fund	A trust fund managed by a bank or trust company that pools investments of 401(k) plans and other similar investors. Like mutual funds, collective investment funds may have different investment objectives.
Commission	Compensation paid to a broker or other salesperson for his or her role when investments are bought or sold.
Common Stock	Securities that represent an ownership interest and give the investor voting rights in the issuing corporation.
Company Stock Fund	A fund that invests primarily in employer securities and may also maintain a cash position for liquidity purposes.
Competing Funds	An investment fund that is identified by the investment manager of another fund and is subject to special rules relating to an investor's ability to buy and sell investments between the two funds. See <i>Equity Wash Restriction</i> .
Compound Interest	Interest earned not only on the original investment but on its accrued earnings as well.
Conservative	An investment approach that accepts lower rewards in return for potentially lower risks.
Contingent Deferred Sales Load (Charge)	A sales charge that investors pay when they redeem (or sell) mutual fund shares. The amount of the charge depends on the length of time shares were held. After a specified holding period, the charge reaches zero.
Corporate Bond	A bond issued by a corporation, rather than by a government. The credit risk for a corporate bond is based on the repayment ability of the company that issued the bond.
Credit Risk	The risk that a bond issuer will default, meaning not repay principal or interest to the investor as promised. Credit risk is also known as "default risk."
Current Yield	The current rate of return of an investment calculated by dividing its expected income payments by its current market price.
Custodian	A person or entity (e.g., bank, trust company, or other organization) responsible for holding financial assets.

D

Deferred Sales Charge	A sales charge that investors pay when they redeem (or sell) mutual fund shares, generally used by the fund to compensate brokers. Also known as a <i>Back-end Load</i> .
Deflation	The opposite of inflation — a decline in the prices of goods and services.
Depreciation	A decrease in the value of an investment.
Designated Investment Alternative	The investment options picked by your plan into which participants can direct the investment of their plan accounts.
Distribution Fees	Fees to compensate brokers and others who sell fund shares and to pay for advertising and the printing and mailing of prospectuses to new investors and the printing and mailing of sales literature. Part of <i>12b-1 Fees</i> .
Diversification	The practice of spreading money among different investments to reduce risk, such as investing in different companies in various industries or in several different types of investments. Diversification does not ensure a profit or protect against loss in a declining market.
Dividend	Payments made by a corporation to its shareholders from past and current earnings. The amount an investor receives is based on the number of shares owned.
Dollar-cost Averaging	Investing a fixed amount of money in a specific investment at regular intervals, regardless of market conditions or prices. More shares are purchased when prices are low and fewer shares are purchased when prices are high. In a fluctuating market, the average cost per share is generally lower than the average price per share.
Dow Jones Industrial Average (Dow or DJIA)	A widely followed price-weighted index of 30 of the largest, most widely held U.S. stocks.

E

Emerging Market	Generally, economies that are in the process of growth and industrialization, such as in Africa, Asia, Eastern Europe, the Far East, Latin America, and the Middle East, which, while relatively undeveloped, may hold significant growth potential in the future. Investing in these economies may provide significant rewards, and significant risks. May also be called "developing markets."
Emerging Market Fund	A fund that invests primarily in emerging market countries.
Employer Securities	An investment option offered by some retirement plans that generally consists of stock in the corporation sponsoring the plan for its employees.
Equity	The ownership interest of shareholders in a corporation.
Equity Fund	A fund that invests primarily in equities.
Equity Wash Restriction	A provision in certain stable value or fixed income products under which transfers made from the stable value or fixed income product are required to be directed to an equity fund or other non-competing investment option of the plan for a stated period of time (usually 90 days) before those funds may be invested in any other plan-provided competing fixed income fund (such as a money market fund).

Exchange Fee	A fee that some funds impose on shareholders if they exchange (transfer) to another fund within the same fund group (or "family of funds").
Exchange-traded Fund (ETF)	A type of investment company whose shares trade on stock exchanges at prices determined by the market. Compare to <i>Mutual Fund</i> .
Expense Ratio	A fund's total annual operating expenses (including management fees, distribution (12b-1) fees, and other expenses) expressed as a percentage of average net assets.

F

Face Value	The amount a bond issuer is required to repay investors on the bond's maturity date.
Federal Deposit Insurance Corporation (FDIC)	A federal agency that insures money on deposit in member banks and thrift institutions.
Financial Industry Regulatory Authority (FINRA)	A self-regulatory organization for brokerage firms doing business in the United States. FINRA operates under the supervision of the SEC. The organization's objectives are to protect investors and ensure market integrity.
Financial Statements	The written record of the financial status of a fund or company, usually published in the annual report. The financial statements generally include a balance sheet, income statement, and other financial statements and disclosures.
Fixed Income Fund	A fund that invests primarily in bonds and other fixed income securities, often to provide shareholders with current income.
Fixed Income Securities	Investments with specified payment dates and amounts, primarily bonds that pay interest.
Front-end Load	An upfront sales charge investors pay when they purchase mutual fund shares, generally used by the fund to compensate brokers. A front-end load reduces the amount available to purchase fund shares.
Fund Family	A group or "complex" of mutual funds, each typically with its own investment objective, that is managed and distributed by the same company. A fund family also could refer to a group of collective investment funds or a group of separate accounts managed and distributed by the same company.
Fund of Funds	A mutual fund, collective investment fund or other pooled investment that invests primarily in other mutual funds, collective investment funds or pooled investments rather than investing directly in individual securities (such as stocks, bonds, or money market securities).

G

Glide Path	The change over time in a target date fund's asset allocation mix to shift from a focus on growth to a focus on income.
Global Fund	A fund that invests in stocks throughout the world, including the United States.
Gross Expense Ratio	See <i>Expense Ratio</i> .

Growth and Income Fund	A fund that has a dual strategy of growth or capital appreciation and current income generation through dividends or interest payments.
Growth Fund	A fund that invests primarily in the stocks of companies with above-average risk in return for potentially above-average gains. These companies often pay small or no dividends and their stock prices tend to have the most ups and downs from day to day.
Growth Stock	The stock of a firm whose earnings are generally growing faster than the economy or market norm. Investment risk with growth stock tends to be high.

H

I

Inception Date	The date that a fund began operations.
Income Fund	A fund that primarily seeks current income rather than capital appreciation.
Income Stock	Common stock that pays out a relatively large portion of earnings as dividends, resulting in a high yield for investors.
Index	A benchmark against which to evaluate a fund's performance. The most common indexes for stock funds are the Dow Jones Industrial Average and the Standard & Poor's 500 Index.
Index Fund: Bond	A type of mutual fund or unit investment trust whose investment objective typically is to achieve approximately the same return as a particular bond index by investing in the bonds of issuers included in the index (or a representative sample). Because an index fund is "passively" managed, its fees and expenses are typically lower than those of an actively managed fund.
Index Fund: Stock	A type of mutual fund or unit investment trust whose investment objective typically is to achieve approximately the same return as a particular stock index by investing in the stocks of companies included in the index (or a representative sample). Because an index fund is "passively" managed, its fees and expenses are typically lower than those of an actively managed fund.
Inflation	The overall general upward price movement of goods and services in an economy. Usually, U.S. inflation is measured by the Consumer Price Index for All Urban Consumers, which is computed monthly by the U.S. Department of Labor.
Inflation Risk	The risk that an investment will not generate a higher rate of return than the rate of inflation and that the investment will lose real purchasing power.
Interest	An amount charged or paid for borrowing or using money.
Interest-rate Risk	The possibility that a bond's or bond fund's market value will decrease due to rising interest rates. When interest rates (and bond yields) go up, bond prices usually go down and vice versa.
International Fund	A fund that invests in stocks of companies outside the United States.
Investment	

A stock, bond, mutual fund, or other asset that offers investors the potential of profitable returns.

Investment Advisor	Generally, a person or entity that receives compensation for giving individually tailored advice on investing in stocks, bonds, or mutual funds. Some investment advisors also manage portfolios of securities, including mutual funds.
Investment Company	A company that issues securities and is primarily engaged in the business of investing in securities. Mutual funds, closed-end funds, and unit investment trusts are the three basic types of investment companies.
Investment Objective	The goal that an investment fund or investor seeks to achieve (e.g., growth or income).
Investment Risk	The possibility of losing some or all of the amounts invested or not gaining value in an investment.

J

K

L

Large Capitalization (Cap)	A reference to either a large company stock or an investment fund that invests in the stocks of large companies.
Large-cap Fund	A fund that invests in the stocks of "large" companies (as measured by market capitalization, or the value of a company's outstanding stock).
Large-cap Stocks	Stocks of companies with a large market capitalization. Large caps tend to be well-established companies, so their stocks typically entail less risk than smaller caps, but large caps also offer less potential for dramatic growth.
Life Expectancy	The estimated age at which an individual is statistically likely to die. This value is taken from a standard mortality table based on gender and year of birth.
Lifecycle Fund	A diversified mutual fund that automatically shifts toward a more conservative mix of investments as it approaches a particular year in the future, known as its "target date." A lifecycle fund investor picks a fund with the right target date based on his or her particular investment goal. Often called <i>Target Date Fund</i> .
Lifestyle Fund	A fund that maintains a predetermined risk level and generally uses words, such as "conservative," "moderate," or "aggressive," in its name to indicate the fund's risk level. Used interchangeably with <i>Target Risk Fund</i> .
Lipper	A leading mutual fund research and tracking firm. Lipper categorizes funds by objective and size and then ranks fund performance within those categories.
Liquidity	The ability to turn an asset into cash readily.
Load	A sales charge assessed on certain investments to cover selling costs. A front-end load is charged at the time of purchase. A back-end load is charged at the time of sale or redemption.

M

Managed Account	A portfolio of stocks or bonds owned by an individual and managed by (i.e., investment decisions are made by) a professional investment manager.
Management Fee	A fee paid out of fund assets to the fund's investment advisor or its affiliates for managing the fund's portfolio, any other management fees payable to the fund's investment advisor or its affiliates, and any administrative fees payable to the investment advisor that are not included in the "other expenses" category.
Market Capitalization	The value of a company's outstanding stock, calculated by multiplying the current share price by the number of shares of stock owned by investors.
Market Index	A measurement of the performance of a specific "basket" of stocks, bonds, or other type of investment considered to represent a particular market or sector of the stock or bond markets or the economy.
Market Risk	The possibility that the value of an investment will fall because of a general decline in the financial markets.
Market Volatility	The relative rate at which investment market prices move up and down.
Maturity	The date by which the issuer of a bond promises to repay the bond's face value.
Mid Capitalization (Cap)	A reference to either a medium sized company stock or an investment fund that invests in the stocks of medium-sized companies.
Mid-cap Fund	Invests in the stocks of "mid-size" companies (as measured by market capitalization, or the market value of a company's outstanding stock).
Mid-cap Stocks	Stocks of companies with a medium market capitalization. Mid caps are often considered to offer more growth potential than larger caps (but less than small caps) and less risk than small caps (but more than large caps).
Money Market	The market in which large amounts of short-term funds are loaned and borrowed. Money market instruments include such investments as commercial paper, negotiable certificates of deposit, and Treasury bills. Investment risk is generally low.
Money Market Fund	A mutual fund that invests in short-term, high-grade fixed income securities and seeks the highest level of income consistent with preservation of capital (i.e., maintaining a stable share price).
Morningstar	A leading mutual fund research and tracking firm. Morningstar categorizes funds by objective and size and then ranks fund performance within those categories.
MSCI EAFE Index	An index known by an acronym for the Europe, Australasia, and Far East markets produced by Morgan Stanley Capital International (MSCI). Markets are represented in the index according to their approximate share of world market capitalization. The index is a widely used benchmark for managers of international stock fund portfolios.
MSCI World Index	An index of major world stock markets, including the United States. The index is a widely used benchmark for managers of global stock fund portfolios.
Mutual Fund	An investment that combines money from shareholders and invests it in numerous securities, including stocks, bonds, and short-term money

market instruments. As open-ended investments, most mutual funds continuously offer new shares to investors.

N

NASDAQ	The National Association of Securities Dealers Automated Quotation, also called the "electronic stock market." The NASDAQ composite index measures the performance of more than 5,000 U.S. and non-U.S. companies traded "over the counter" through NASDAQ.
Net Asset Value (NAV)	A mutual fund's per-share value, calculated by subtracting the fund's liabilities from the value of its assets and dividing the result by the number of outstanding fund shares. Mutual funds calculate their NAVs at least once each business day.
New York Stock Exchange (NYSE)	The oldest and largest stock exchange in the United States, founded in 1792.
No-load Fund	A mutual fund whose shares are sold without a sales commission and that does not charge a combined 12b-1 fee and service fee of more than 25 basis points or 0.25% per year.

O

Operating Expenses	The costs a fund incurs in connection with running the fund, including management fees, distribution (12b-1) fees, and other expenses. Operating expenses are paid from a fund's assets before earnings are distributed to shareholders.
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P

Passive Management	The process or approach to operating or managing a fund in a passive or non-active manner, typically with the goal of mirroring an index. These funds are often referred to as index funds and differ from investment funds that are actively managed.
Performance	The results of an investment over a given time period. (Also see <i>Return</i> .)
Portfolio	A collection of securities, such as stocks, bonds, or mutual fund shares, owned by an individual or an organization.
Portfolio Manager	The individual, team, or firm that makes the investment decisions for an investment fund, including the selection of the individual investments.
Portfolio Turnover	A measure of a fund's investment trading activity. Portfolio turnover is calculated as a percentage of a portfolio's asset value that is bought or sold annually. Turnover represents the number of times portfolio assets are replaced. The higher the percentage, the more the manager has traded.
Preferred Stock	Corporate stock that gives stockholders a claim on the issuing company's earnings and assets and that takes precedence over the claims of common stockholders should the company be liquidated. Generally, preferred stock pays a regular dividend, which is also paid prior to any dividend payments to common stockholders. Unlike common stock, preferred stock usually does not carry voting rights.
Principal	The original amount (capital sum) invested, as distinguished from interest or profit.

Prospectus Printed material offering a security for sale, which provides full disclosure of legally required information regarding the security.

Q

Qualified Domestic Relations Order (QDRO) A judgment, decree, or order that creates or recognizes an alternate payee's (such as a former spouse, child, etc.) right to receive all or a portion of an individual's retirement plan benefits.

R

Real Rate of Return The rate of return on an investment adjusted for inflation.

Rebalancing Bringing a portfolio back to its original (or a desired) asset allocation mix.

Redeem To cash in mutual fund shares by selling them back to the fund at their current share price (net asset value). A deferred sales charge or redemption fee may apply at the time of redemption.

Redemption Fee A shareholder fee that some mutual funds charge when investors redeem (or sell) mutual fund shares. The fee is typically applicable to redemptions made soon after purchase.

Return The profit (or loss) earned (incurred) through investing.

Revenue Sharing An arrangement under which a mutual fund company or other investment provider makes payments to another service provider (for example, a plan recordkeeper or third party administrator) from investment fees paid by the plan or its participants. Common revenue sharing arrangements include *12b-1 fees*, *back-end load*, *front-end load*, and subtransfer agency fees.

Risk The possibility that an investment will not perform as anticipated. An acceptable degree of risk must be determined by the individual, with the understanding that the higher the expected return, the greater the risk factor. There are many different kinds of risk, such as market, inflation, interest rate, liquidity, political, etc.

Risk Tolerance An investor's ability or willingness to endure declines in the value of investments in exchange for a greater potential investment return.

Round Trip Restriction A policy that limits the number of times an investor can exchange in to and out of a fund within a given time frame. This is intended to discourage frequent trading that increases the costs to all the fund's investors.

Russell Indexes A group of indexes that are widely used to benchmark investment performance. The most common Russell index is the Russell 2000 Index, an index of U.S. small-cap stocks, which measures the performance of the 2,000 smallest U.S. companies in the Russell 3000 Index.

S

S&P 500® Stock Index A composite index of 500 large company stocks compiled by Standard & Poor's Corporation that is used as a broad measure of U.S. stock market performance.

Sales Charge The amount investors may pay when they purchase (see *Front-end Load*) or redeem (see *Back-end Load*) mutual fund shares. This fee typically goes to the brokerage firm that sells the fund's shares.

Sector Fund	A fund that invests in a particular or specialized segment of the marketplace, such as stocks of companies in the software, health care, or real estate industries.
Securities	Assets, such as stocks, bonds, etc., that allow the investor to participate in earnings, distribution of property, or other assets of the corporation issuing the security.
Securities and Exchange Commission (SEC)	Government agency created by Congress in 1934 to regulate the securities industry and to help protect investors. The SEC is responsible for ensuring that the securities markets operate fairly and honestly.
Separate Account	An insurance company account that is segregated or separate from the insurance company's general assets. Also refers to a fund managed by an investment advisor for a single plan.
Share	A representation of ownership in a corporation, mutual fund, or some other type of financial investment.
Share Class	Some investment funds and companies offer more than one type or group of shares, each of which is considered a class (e.g., "Class A," "Advisor" or "Institutional" shares). For most investment funds, each class has different fees and expenses but all of the classes invest in the same pool of securities and share the same investment objectives.
Shareholder	An investor who owns shares in a mutual fund or any other company.
Shareholder Service Fees	A charge to shareholders of a mutual fund to cover the fund's shareholder servicing, distribution, and marketing costs. The fees may be paid to broker/dealers or other intermediaries who provide such services to the fund. Part of <i>12b-1 Fees</i> .
Shareholder-type Expenses	Fees charged directly against a plan participant's or beneficiary's investment. These expenses are not included in the total annual operating expenses of the investment.
Small Capitalization (Cap)	A reference to either a small company stock or an investment fund that invests in the stocks of small companies.
Small-cap Fund	Invests in the stocks of relatively "small" publicly traded companies (as measured by market capitalization, or the total market value of a company's outstanding stock).
Small-cap Stocks	Stocks of companies with a smaller market capitalization. Small caps are often considered to offer more growth potential than large caps and mid caps but with more risk.
Stable Value Fund	A fund whose goal is to preserve the investor's principal while earning interest income. Typical fund investments include guaranteed investment contracts, money market securities, and fixed income securities. A stable value fund attempts to maintain a constant \$1 unit price, but the fund makes no guarantee that the \$1 price will be maintained, and the fund's yield may vary.
Stock Fund	A fund that invests primarily in stocks.
Stock Symbol	An abbreviation using letters and numbers assigned to securities to identify them. Also see <i>Ticker Symbol</i> .
Stocks	Shares of a corporation. Also known as "equities," they give the investor an ownership interest in the company issuing the stock. Owners are usually entitled to receive dividends and vote on important company matters.

Summary Prospectus A short-form prospectus that mutual funds generally may use with investors if they make the long-form prospectus and additional information available online or on paper upon request.

T

Target Date Fund A diversified mutual fund that automatically shifts toward a more conservative mix of investments as it approaches a particular year in the future, known as its "target date." A target fund investor picks a fund with the right target date based on his or her particular investment goal. Also called *Lifecycle Fund*.

Target Risk Fund A fund that maintains a predetermined asset mix and generally uses words, such as "conservative," "moderate," or "aggressive," in its name to indicate the fund's risk level. Often used interchangeably with *Lifestyle Fund*.

Ticker Symbol An abbreviation using letters and numbers assigned to securities and indexes to identify them. Also see *Stock Symbol*.

Time Horizon The expected number of months, years, or decades an individual will be investing to achieve a particular financial goal.

Total Annual Operating Expenses A measure of what it costs to operate an investment, expressed as a percentage of its assets, as a dollar amount, or in basis points. These are costs the investor pays through a reduction in the investment's rate of return. See *Expense Ratio* and *Operating Expenses*.

Total Return A measure of investment performance that takes into account the unrealized increase/decrease in the investment's value during a specific time period, as well as any income generated by the investment during that period. Expressed as a percentage of the initial investment.

Treasury Bills Short-term U.S. government debt securities that have maturities of one year or less that are sold at weekly auctions at a discount and are redeemed at face value.

Treasury Bonds Long-term U.S. government debt securities that have maturities of more than ten years.

Treasury Notes Intermediate-term U.S. government debt securities that have maturities between one and ten years.

Trustee A person or entity (e.g., bank, trust company, or other organization) that is responsible for the holding and safekeeping of trust assets. A trustee may also have other duties, such as investment management. A trustee that is a "directed trustee" is responsible for the safekeeping of trust assets but has no discretionary investment management duties or authority over the assets.

U

U.S. Government Agency Securities Securities issued by government agencies rather than issued directly by the U.S. Treasury. Agencies issuing these securities include: the Federal Home Loan Banks, the Federal National Mortgage Association (Fannie Mae), and the Government National Mortgage Association (Ginnie Mae), among others.

Unit A representation of ownership in an investment that does not issue shares, such as a collective investment fund. Also see *Collective Investment Fund*.

Unit Class	Investment funds that are divided into units (e.g., collective investment funds) instead of shares may offer more than one type or group of units, each of which is considered a class (e.g., "Class A"). For most investment funds, each class has different fees and expenses but all of the classes invest in the same pool of securities and share the same investment objectives.
Unit Investment Trust (UIT)	A type of investment company that typically makes a one-time "public offering" of only a specific, fixed number of units. A UIT will terminate and dissolve on a date established when the UIT is created (may be more than 50 years after the UIT is created). UITs do not actively trade their investment portfolios.
Unit Value	The dollar value of each unit on a given date.
Unitholder	An owner of units in an investment. See <i>Shareholder</i> .

V

Value Fund	A mutual fund whose manager buys primarily undervalued stocks for the fund's portfolio with the expectation that these stocks will increase in value.
Variable Return Investment	Investments for which the return is not fixed. This term includes stock and bond funds as well as investments that seek to preserve principal but do not guarantee a particular return, e.g., <i>Money Market Fund</i> and <i>Stable Value Fund</i> .
Volatility	The amount and frequency of fluctuations in the price of a security, commodity, or a market within a specified time period. Generally, an investment with high volatility is said to have higher risk, since there is an increased chance that the price of the security will have fallen when an investor wants to sell.

W

Wrap Fee	A fee or expense that is added to or "wrapped around" an investment to pay for one or more product features or services.
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XYZ

Yield	The interest or dividend paid with respect to a security. Yield is usually expressed as a percentage of the security's price. More broadly, some investment advisors include capital appreciation as part of the yield.
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Insurance Products Glossary

A

Annuity	A contract between an individual and an insurance company under which the insurer promises to make periodic payments to the individual (or another designated person) for an indefinite period (e.g., the life of the individual) or for a set period. The individual buys the annuity with either a single payment or a series of payments.
Annuity Commencement Date	The date set forth in the annuity contract on which annuity payments will start. Also known as the "annuity start date."

B

C

Cash Refund Annuity	An annuity that makes periodic payments for the life of an individual and a benefit payable to a beneficiary upon death equal to the premium(s) paid less payments made to the individual.
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D

Deferred Annuity	An annuity contract under which periodic income payments begin at a future date. See <i>Annuity Commencement Date</i> .
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E

F

Fixed Annuity	An annuity that accumulates savings or distributes income at guaranteed rates and in guaranteed amounts. Fixed annuities are associated with less investment risk than variable annuities due to the guaranteed minimum rate of interest offered.
Fixed Income Contracts	Investments generally issued by insurance companies or banks that pay a set interest rate over a set time period, with a promise to repay the principal at maturity. The issuer of the contract bears any risk associated with the securities underlying the contract. Often called <i>Guaranteed Investment Contracts</i> .

G

Group Annuity Contract	An annuity contract entered into between an insurance company and an owner for the benefit of a designated group, such as retirement plan participants.
Guaranteed Interest Account	An account within a fixed annuity or a variable annuity that is guaranteed by the insurance company to earn at least a minimum rate of interest while invested in the contract.
Guaranteed Investment Contracts	Investments generally issued by insurance companies or banks that pay a set interest rate over a set time period, with a promise to repay the principal at maturity. Risk is considered low if the contracts are issued by a financially sound organization. The issuer of the contract bears any risk associated with the securities underlying the contract. Also called <i>Fixed Income Contracts</i> .

Guaranteed Lifetime Withdrawal Benefit or Guaranteed Minimum Withdrawal Benefit

A feature that may be offered under an annuity contract in which the insurance company promises an individual may withdraw a specified amount from an account, even if the account balance is reduced to zero: (1) for the life of the individual or the joint lives of two individuals (e.g., the individual and spouse); or (2) for a specified period of time.

H

I

Immediate Annuity

An annuity contract under which periodic income payments begin within 12 months of purchase.

Individual Annuity Contract

An annuity contract generally entered into between an insurance company and a person or persons.

J

Joint and Last Survivor Annuity

An annuity that provides periodic payments for the joint lives of two individuals with benefits payable upon the death of one individual to the surviving individual at, for example, 50%, 75%, or 100% of the original payment amount, depending upon the terms of the contract.

K

L

Life Annuity

An annuity that makes periodic payments only for the life of one individual. Also known as "single life annuity."

Longevity Risk

The risk that you will live longer than expected, with the potential result that you run out of money before you die.

M

Mortality and Expense Risk Charge

A fee associated with an annuity contract, stated as a percentage of account value to cover the insurance company's costs for insurance-feature risks it assumes under the contract.

N

O

P

Period Certain

A payment feature that may be available in an annuity contract that guarantees periodic payments for no less than a set period of time. For example, in a life annuity, periodic payments would be made for the longer of either: (1) the guaranteed period, to the individual or a beneficiary, or (2) the life of the individual.

Q

R

S

Surrender Charge A sales charge incurred when an investor withdraws money from an annuity within a certain period after purchase.

T

U

V

Variable Annuity A type of annuity that generally permits the investor to choose from a wide range of investment options, such as equity and bond funds (subaccounts), during the contract's accumulation phase. During the contract's accumulation phase, the contract value varies based on the performance of the underlying subaccounts. At the start of the contract's payout phase, the investor may have a choice of receiving fixed payments or variable payments that may fluctuate based on portfolio subaccount performance.

W

XYZ

