An Hour About:

- **Investment Professionals,**
- **Fees, and**
- **A Few Products You May Encounter**

U.S. Securities and Exchange Commission

2019 Presentation for

What's In Your Retirement Wallet?

SEC Disclaimer

The Securities and Exchange Commission, as a matter of policy, disclaims responsibility for any private publication or statement by any of its employees. The views expressed herein are those of the author and do not necessarily reflect the views of the Commission or of the author's colleagues upon the staff of the Commission.

The Really Big Picture

There are three parts of a full FERS Retirement:

- The **FERS Annuity** (monthly income and COLAs—see www.opm.gov/retirement-services)
- **Social Security** (monthly income and COLAs—see www.SSA.gov)
- **Thrift Savings Plan** (www.tsp.gov)

The Really Big Picture

Increasing Your Retirement Nest Egg While Working

Once you reach the required combination of age and years of service, the FERS Annuity is calculated based upon your:

high three years of salary x 1% x years of service

Once you reach the combination of at least 20 years and 62 years of age, the FERS Annuity is calculated based upon your:

high three years of salary x 1.1% x years of service

www.opm.gov/retirement-services/fers-information/computation/

The Really Big Picture

Do the math, and then confirm with your Agency Benefits Officer…..

At age 62 with 30 years of service, the gross FERS annuity is approximately 1/3 of the high three;

By continuing until 37 years of service, the gross FERS annuity is approximately 40% of the high three.

The Really Big Picture

Consider the case of the longest-serving federal employee, who retired in 1999 at age 96—and still enjoyed 11 years of retirement.

The Really Big Picture

So, by choosing to work longer you may:

- Increase you FERS annuity benefit;
- Continue to contribute to the TSP;
- Qualify for a larger Social Security monthly payment.

Overview

Who's Out There??? –

Investment Professionals

What Does It Cost, and
Why Does It Matter???—

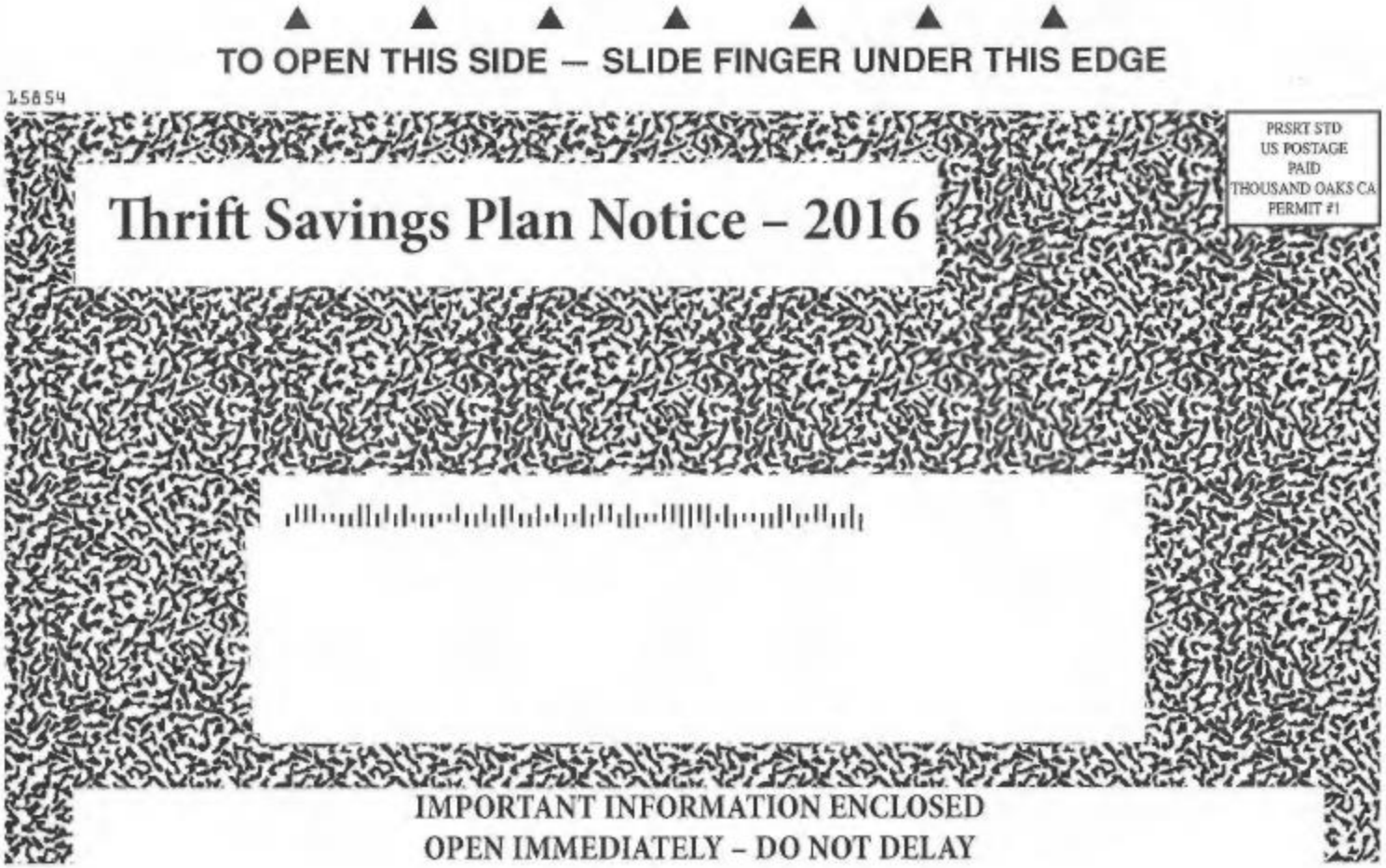
Fees

What's Out There??? —

Commonly Encountered Investment Products.

Who’s out there????

What's This?


TO OPEN THIS SIDE — SLIDE FINGER UNDER THIS EDGE
15854
PRSRT STD
US POSTAGE
PAID
THOUSAND OAKS CA
PERMIT #1
Thrift Savings Plan Notice – 2016
IMPORTANT INFORMATION ENCLOSED
OPEN IMMEDIATELY – DO NOT DELAY

Fine Print: Not Affiliated with the TSP

TSP Account Value Guarantee*

Exclusive offer for federal employees over **59½ years old, retired or nearing retirement.**

Qualifying TSP participants may be able to guarantee' their TSP account value. Not all TSP participants are eligible.

You may also be able to guarantee a greater lifetime income'. Return the postage-paid reply card today for more information at no obligation.

TSP, Annuity Rollover-related information request. A licensed representative may call or contact you. Not affiliated with the Thrift Savings Plan or any other government entity.

*Guarantees are based on the claims paying ability and financial strength of the issuing insurance carrier. Products distributed by independent professionals. Products, bonuses, caps and fees vary.

' Assumes rollover to qualified indexed annuity, comparison based on `Level Payment' of TSP Life Annuity Payment option. No legal, tax, or investment advice is given.

Fine Print: Not Affiliated with the TSP

TSP, Annuity Rollover-related information request. A licensed representative may call or contact you.

Not affiliated with the Thrift Savings Plan or any other government entity.

*Guarantees are based on the claims paying ability and financial strength of the issuing insurance carrier. Products distributed by independent professionals. Products, bonuses, caps and fees vary.

[1]Assumes rollover to qualified indexed annuity, comparison based on 'Level Payment' of TSP Life Annuity Payment option. No legal, tax, or investment advice is given.

Fine Print: Not Affiliated with the TSP

Please see that I receive information on my TSP options.

Print Name: _____

Daytime Phone (**Required**) _____

E-mail (If desired) _____

Do You Qualify? Circle One

Retired **Under 59½** **Age 59½** or older

☒ Yes, I would like to learn more about how I may be able to guarantee my TSP account value and secure a higher lifetime income.

PLEASE VERIFY YOUR ADDRESS

TSP-0116

Why is Age 59½ Significant?

Age-Based In-Service Withdrawals

An age-based withdrawal is a one-time withdrawal you can make at or after age 59½ while you are still employed. You must pay income tax on the taxable portion of your withdrawal unless you transfer or roll it over to an IRA or other eligible employer plan.

Another Unsolicited Mailer

YOU'RE INVITED

FEDERAL EMPLOYEE BENEFITS SEMINARS

MARCH 4, 2017 - TARRANT COUNTY COLLEGE
SOUTHEAST CAMPUS - 2100 SOUTHEAST PKWY. ARLINGTON, TX 76018

8:30 AM - 12:30 PM FERS/CSRS Benefits Briefing
12:30 PM - 1:30 PM Lunch Break
1:30 PM - 2:30 PM Retirement Paperwork Walkthrough

Federal Benefits Specialist to cover:

- FERS/CSRS Pension
- Special Retirement Supplement
- Best Dates to Retire
- Thrifts Savings Plan Maximization

GOVERNMENT EMPLOYEE BENEFITS

Open to all Federal Employees. Seats are limited. Register now at:
register.fedseminar.com
or call **813-333-9660**

Fine Print: Not Affiliated with OPM

Registration: 813-333-9660 or at register.fedseminar.com

Government
Employee Benefits
Tampa, FL

Employee Benefits Training Invitation Memo

CSRS | FERS | TSP | FEGLI | FEHB

Date: 1/19/2017

To: Human Resource Officer/ Training Officer

Subject: Pre-Retirement FERS/CSRS Benefits Training Event

Background: OPM – Benefits Administration Letter - 07-102

" The Thrift Savings Plan Open Elections Act of 2004 (Public Law 108-469) required the Office of Personnel Management (OPM) to develop and implement a retirement financial literacy and education strategy for Federal employees as part of the retirement training offered by OPM under 5 U.S.C. 8350.

Government Employee Benefits is not a division of OPM but provides training to agencies under the mandate required by Public Law 108-469. GEB operates under contract with individual federal agencies to provide training.
Federal Contractor CAGE:6UUR2 I DUNS: 060968074

Where
Tarrant County College - SE Campus
2100 Southeast Pkwy.
Arlington, TX 76018

When
Saturday, March 4, 2017
Seminar 1: Benefits and Retirement
8:30 a.m. to 12:30pm
Seminar 2: Retirement Form Training
1:30 p.m. to 2:30 p.m.

Government Employee Benefits is not a division of OPM but provides training to agencies under the mandate required by Public Law 108-469. GEB operates under contract with individual federal agencies to provide training.
Federal Contractor CAGE:6UUR2 | DUNS: 060968074

GEB's March 2017 Fort Worth Training

1. ***No agency invited GEB***, despite strong suggestions used in marketing materials.

2. The ***trainer shares commissions with GEB's local "Federal Benefits Specialist***," a fact that was not disclosed during the training.

3. Attendees were repeatedly ***encouraged to provide their contact information*** in order to receive a "Personal Benefit Analysis Report"—a "personalized, detailed report of your federal retirement benefits"

4. Repeated announcements that ***GEB's local specialist will review retirement applications*** (who was identified by the trainer and chatted with attendees during breaks).

Who's Out There?

Broker-Dealers
Investment Advisers
Insurance Sales Persons
Financial Planners

General Partners
Finders
Promoters

Broker-Dealers are regulated by the SEC, state regulators and self-regulatory organizations.

Investment Advisers are regulated by the SEC or state regulators.

What is a Broker-Dealer?

Broker-dealers effect transactions for others and/or for their own accounts.

They are paid commissions when you buy or sell securities through them.

Broker-dealers may make recommendations about specific investments such as stocks, bonds, or mutual funds. When they do so, they generally must:

- make suitable recommendations; and,
- follow just and equitable principles of trade.

What is a Broker-Dealer?

Regulation Best Interest ("Reg. BI")

- Approved June 5, 2019; Effective compliance date June 30, 2020.
- Broker-dealers required to act in best interest of retail customers when making a recommendation of any securities transaction or investment strategy involving securities.
  - Enhancement beyond suitability.
  - Applies to account recommendations, including roll overs from workplace retirement plan account to an IRA, and to take a plan distribution for the purpose of opening a securities account.

What is a Broker-Dealer?

Regulation Best Interest ("Reg. BI")

- "General Obligation" – When making a recommendation, a broker-dealer must act in the best interest of the retail customer and cannot place its own interests ahead of the customer's interests.
  - Components:
    - Disclosure Obligation
    - Care Obligation
    - Conflict of Interest Obligation
    - Compliance Obligation

What is a Broker-Dealer?

Regulation Best Interest ("Reg. BI")

Includes, among other things,

- Disclosure Obligation
  - Disclose, in writing, all material facts about the scope and terms of the relationship with the customer.
- Care Obligation
  - Understand potential risks, rewards, and costs associated with recommendation, and consider in light of the customer's investment profile.
- Conflict of Interest Obligation
  - Policies and procedures to identify conflicts and at a minimum disclose or eliminate them.
  - No sales contests, sales quotas, bonuses and non-cash compensation based on sales of specific securities within a limited period of time.
- Compliance Obligation
  - Policies and procedures to comply with Reg. BI.

What is an Investment Adviser?

Generally, an investment adviser is a firm, or an individual, that:

- For compensation
- Engages in the business of
- Advising others (either directly or through publications or writings)
  - As to the value of securities (e.g., stocks, bonds, mutual funds, exchange-traded funds, etc.), or
  - As to the advisability of investing in, purchasing, or selling securities.

What is an Investment Adviser?

An Investment Adviser has a fiduciary duty to act in the client's best interest at all times.

What is an Investment Adviser?

Interpretation of Standard of Conduct for Investment Advisers

- Part of June 5, 2019 SEC rulemaking package (with Reg. BI)
- Reaffirms and clarifies certain aspects of the fiduciary duty an investment adviser owes to its clients.

What is an Investment Adviser?

Interpretation of Standard of Conduct for Investment Advisers

- Duty of Care
  - Provide investment advice in the best interest of its client, based on a reasonable understanding of the client's objectives.
  - Provide advice and monitoring over the course of the relationship.
  - Seek Best Execution.
- Duty of Loyalty
  - Full, fair disclosure of all material facts related to the advisory relationship.
  - Not subordinate its clients' interests.
  - Eliminate or at least expose through full and fair disclosure all conflicts of interest.

Customer Relationship Summary

Form CRS

- Part of June 5, 2019 SEC rulemaking package
- Investment advisers and broker-dealers must deliver a summary to retail investors at the beginning of the relationship.
- Summarize:
  - Relationships and Services
  - Fees and costs
  - Conflicts of interest
  - Legal standard of conduct
  - Whether the firm and its financial professionals have reportable legal or disciplinary history.

Broker or Investment Adviser?

Think about what you might need, and ask about what would be available to you. For example, do you want:

- To do your own research, but use the financial professional to execute your trades?
- A recommendation each time you think about changing or making an investment or to provide an occasional second opinion?
- Ongoing investment management, with the financial professional getting your permission before any purchase or sale is made?
- Ongoing investment management, where the financial professional decides what purchases or sales are made, and you are told about it afterwards?

Broker or Investment Adviser?

Brokers make recommendations about specific investments like stocks, bonds, or mutual funds.

While taking into account your overall financial goals, brokers generally do not give you a detailed financial plan.

Brokers are generally paid commissions when you buy or sell securities through them.

If they sell you mutual funds make sure to ask questions about what fees are included in the mutual fund purchase.

Broker or Investment Adviser?

A discount brokerage charges lower fees and commissions for its services than what you'd pay at a full-service brokerage. But generally you have to research and choose investments by yourself. Some discount brokers advertise that trades are as little as $4.95.

A full-service brokerage costs more, but the higher fees and commissions pay for a broker's investment advice based on that firm's research.

Broker or Investment Adviser?

Some financial planners and investment advisers offer a complete financial plan, assessing every aspect of your financial life and developing a detailed strategy for meeting your financial goals.

They may charge you a fee for the plan, a percentage of your assets that they manage, or receive compensation or payments from the companies whose products you buy, or a combination of these.

You should know exactly what services you are getting and how much they will cost.

Make sure your broker-dealer or investment adviser is registered

- You can find background information on a broker-dealer and its registered representatives at FINRA's BrokerCheck website at http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/.

- You can find background information on an investment adviser registered with the SEC and its investment adviser representatives at the SEC's Investment Adviser Public Disclosure database at http://www.adviserinfo.sec.gov/IAPD/Content/IapdMain/iapd_SiteMap.aspx.

- You can find your state regulator records at www.nasaa.org.

Professional Designations Database

Use this tool to decode the letters that sometimes follow a financial professional's name. You can also see whether the issuing organization requires continuing education, takes complaints or has a way for you to confirm who holds the credential.

http://www.finra.org/investors/professional-designations

Ask questions before you invest

Don't be afraid to ask the financial professionals who are trying to sell you a product whether it is right for you.

Ask questions before you invest

Ask about:

- Fees, Expenses, Charges and Commissions
- Risk & Liquidity (don’t focus solely on returns).

Keep asking until you are satisfied with their answers.
Write down the answers.

Ask Five Questions Before Investing

1: Is The Seller Licensed?

2: Is The Investment Registered?

3: How Do The Risks Compare With The Potential Rewards?

4: Do You Understand The Investment?

5: Where Can You Turn For Help?

https://www.investor.gov/research-before-you-invest/research/five-questions-ask-before-you-invest

Fees

What will it cost, and

Why does it matter?

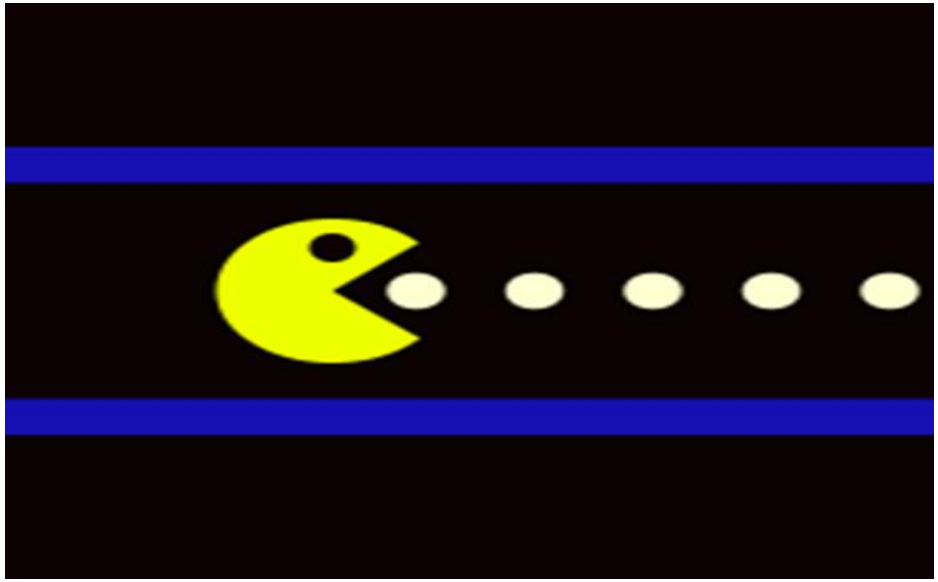
Fees

All investments have fees.

And they matter!

Fees

These may seem small, but they impact your investment.



Understanding Fees

Fees and expenses vary from product to product.

Fees may be levied per transaction or assessed periodically as maintenance or account fees.

- Commissions charged per trade;
- Advisers charging an annual account fee;
- Mutual funds charging load fees and expense charges;
- Investments assessing surrender charges if the investment is liquidated early.

Why Fees Matter

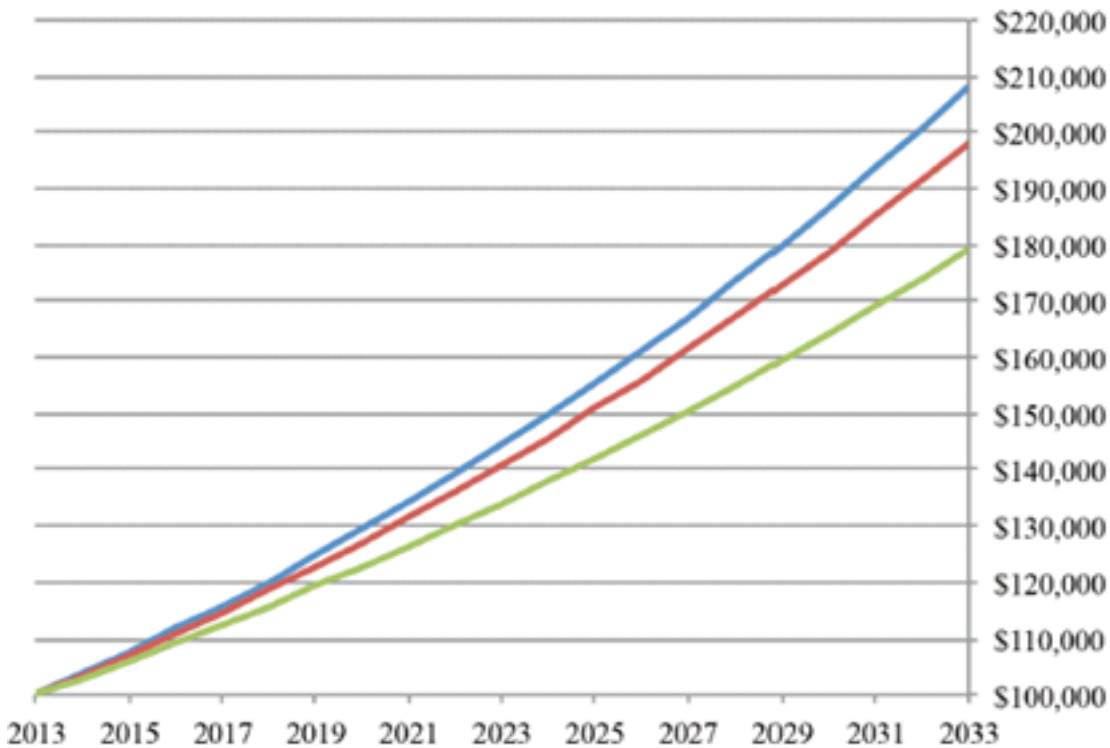
The following chart shows a $100,000 investment with:

- **4% annual return**
- **over 20 years**
- **ongoing fee assumptions of**
  - **0.25%,**
  - **0.50%**
  - **1%.**

Notice the impact of fees over 20 years.

Why Fees Matter

Portfolio Value From Investing $100,000 Over 20 Years



4% annual return less 0.25% annual fee

4% annual return less 0.50% annual fee

4% annual return less 1% annual fee

In 20 yrs, 0.50% annual fees reduce portfolio value (red line) by $10K compared to a portfolio with a 0.25% annual fee (blue line).

In 20 yrs, 1% annual fees reduce portfolio value (green line) by nearly $28K, compared to a portfolio with a 0.25% annual fee (blue line).

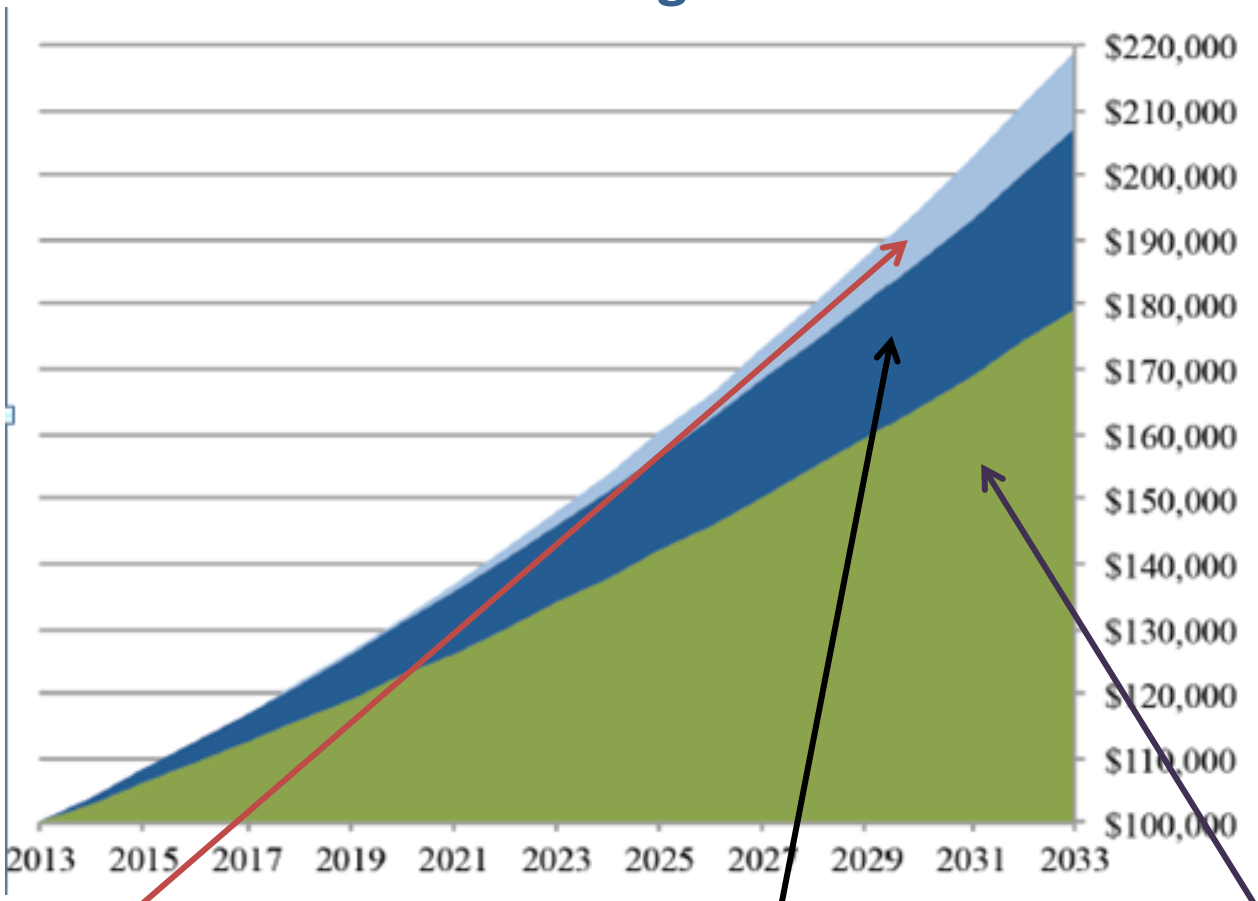
Why Fees Matter

Ongoing fees reduce the value of your investment because:

- your investment principal is reduced by the fee; *and*
- you also lose any return you might have earned had you invested the money used to pay those fees.

Why Fees Matter

Illustration of On-Going Fees Over 20 Years



In 20 Yrs, the total amount paid for a 1% annual fee adds up to almost $28K for a $100K initial investment

In addition, if you were able to invest that $28K, you would have earned an additional $12K

Additional return if the fees paid were invested.

Total Amount Paid For the 1% annual fee

4% annual return less 1% annual fee.

Why Fees Matter

Over the twenty years in this hypothetical, the portfolio reduction from a 1% annual fee compared to a .25% fee is nearly

$28,000

If, *instead of* paying fees, you invested that $28,000, you would have earned ***another***

$12,000

Fees Reduce Your Investment

Five Questions to Ask About Fees

- What are the total fees to purchase, maintain and sell this investment?
- Are there ways to reduce or avoid some of these fees?
- Are there similar products that I can purchase that have lower fees?
- How much does this investment have to increase in value before I break even?
- What are the ongoing fees to maintain my account?

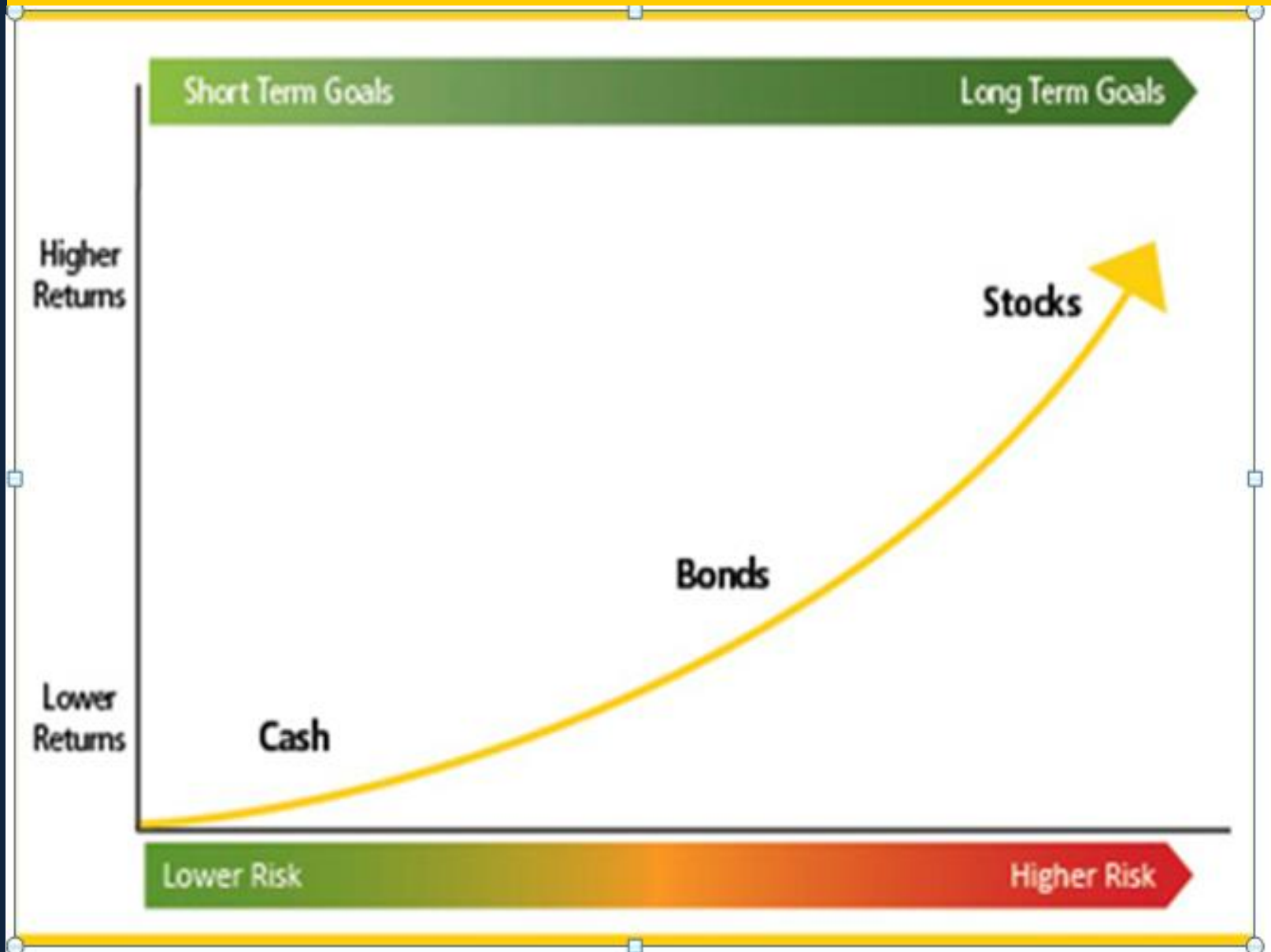
A Few Investments You May Encounter

What's Out There???

Investment Options

Asset Class	Cash	Bonds (Fixed Income)	Stocks (Equity)
Investment Types	Savings accounts, CDs and money market funds	Government, municipal and corporate bonds and bond funds	Stocks and stock funds
Return	Lower, but some are guaranteed	Predictable income stream	Historically, offered greatest growth
Chief Risks	Inflation, interest rate changes	Interest rate changes, default	Volatility, falling prices

Investment Options



Stocks

Stocks, also called "equities," give stockholders a share of ownership in a company.

Benefits include:

- Capital appreciation if share price rises – stocks have historically offered the greatest potential for growth
- Dividend payments if company distributes earnings to stockholders

Risks include:

- Share prices can decrease – you can lose money
- Companies can go bankrupt
- Money you invest is not federally insured

Different kinds of stocks can meet different investment objectives:

- Growth stocks, income stocks, value stocks, and blue-chip stocks.

Bonds

Bonds are debt securities, similar to IOUs.

Benefits include:

- Predictable, steady income stream (usually pay interest twice a year)
- Return of principal after bond matures

Risks include:

- You can lose money
- Credit Risk
- Interest Rate Risk
- Inflation Risk
- Call Risk

What is a Mutual Fund?

A Mutual Fund is a company that:

- pools money from many investors; and,
- invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments.

The **combined holdings** the mutual fund owns are known as its **portfolio**.

What is a Mutual Fund?

When it comes to investing in mutual funds, investors have literally thousands of choices.

Before you invest in any given fund, decide whether the investment strategy and risks of the fund are a good fit for you.

What is a Mutual Fund?

Professional Management — In a *managed fund*, professional money managers research, select, and monitor the performance of the securities the fund purchases.

Diversification —Spreading your investments across a wide range of companies and industry sectors can help lower your risk if a company or sector fails.

What is a Mutual Fund?

Affordability — Some mutual funds accommodate investors who don't have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

Liquidity — Mutual fund investors can readily redeem their shares.

What is a Mutual Fund?

You can lose money investing in mutual funds.

Mutual funds are **not guaranteed or insured** by the FDIC or any other government agency—

even if you buy through a bank and the fund carries the bank's name.

What is a Mutual Fund?

Past performance is *not* a reliable indicator of future performance.

- Don't be dazzled by last year's high returns.
- But past performance can help you assess a fund's volatility over time.

What is a Mutual Fund?

Costs Despite Negative Returns — Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs.

And, depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive — even if the fund went on to perform poorly after they bought shares.

Mutual Fund Shareholder Fees

Purchase Fee — paid to the fund (not to a broker) and is typically imposed to defray some of the fund's costs associated with the purchase.

Redemption Fee — a fee some funds charge their shareholders when they sell or redeem shares.

Exchange Fee — a fee that some funds impose on an exchange (transfer) to another fund within the same fund group or "family of funds."

Account fee — a fee that some funds separately impose on investors in connection with the maintenance of their accounts.

Annual Fund Operating Expenses

Management Fees — paid out of fund assets to the fund's investment adviser for investment portfolio management.

Distribution [and/or Service] Fees ("12b-1" Fees) — paid by the fund out of fund assets to cover the costs of marketing and selling fund shares and sometimes shareholder services costs.

Other Expenses — expenses not included under "Management Fees" or "Distribution or Service (12b-1) Fees," such as any shareholder service expenses that are not already included in the 12b-1 fees, custodial expenses, legal and accounting expenses, transfer agent expenses, and other administrative expenses.

Mutual Fund Prospectus

When you purchase shares of a mutual fund, the fund must provide you with a **prospectus.**

Mutual Fund Prospectus

A **prospectus** contains valuable information, such as:

- the fund's investment objectives or goals;
- principal strategies for achieving those goals;
- principal risks of investing in the fund;
- fees, expenses and past performance;
- how to redeem shares; and,
- the investment adviser managing the portfolio.

Index Funds

An "index fund" is a type of mutual fund or unit investment trust (UIT) whose investment objective typically is to achieve approximately the same return as a particular market index, such as

- the S&P 500 Composite Stock Price Index;
- the Russell 2000 Index; or,
- the Wilshire 5000 Total Market Index.

An index fund may invest in all, or in a representative sample, of the companies included in an index.

Index Funds

Passive Management

The management of index funds is more "passive" than the management of non-index funds, because an index fund manager only needs to track a relatively fixed index of securities.

This usually translates into *less trading* of the fund's portfolio, more favorable income tax consequences (lower realized capital gains), and *lower fees and expenses* than more actively managed funds.

Index Funds

The investment objectives, policies and strategies of an index fund require it to purchase primarily the securities contained in an index, so the risk of the fund is similar to the securities that are contained in the index.

Because an index fund tracks the securities on a particular index, it may have less flexibility than a non-index fund to react to price declines in the securities contained in the index.

What is an ETF?

Like mutual funds, Exchange Traded Funds offer investors a way to pool their money in a fund that makes investments in stocks, bonds, or other assets and, in return, to receive an interest in that investment pool.

Unlike mutual funds, ETF shares

- are traded on a national stock exchange and at market prices that may or may not be the same as the net asset value ("NAV") of the shares, that is, the value of the ETF's assets minus its liabilities divided by the number of shares outstanding.
- retail investors can only purchase and sell ETF shares in market transactions.

What is an ETF?

Certain ETFs can be relatively easy to understand.

Most ETFs seek to achieve the same return as a particular market index.

That type of ETF is similar to an index fund in that it will primarily invest in the securities of companies that are included in a selected market index. An ETF will invest in either all of the securities or a representative sample of the securities included in the index.

For example, one type of ETF, known as Spiders or SPDRs, invests in all of the stocks contained in the S&P 500 Composite Stock Price Index.

What is an ETF?

Other ETFs may use complex investment strategies that may be more difficult to understand. For example, leveraged or inverse ETFs that seek to achieve a daily return that is a multiple or an inverse multiple of the daily return of a securities index.

- Leveraged ETFs seek to deliver multiples of the performance of the index or benchmark they track.
- Inverse ETFs (also called "short" funds) seek to deliver the opposite of the performance of the index or benchmark they track.
- Leveraged inverse ETFs (also known as "ultra short" funds) seek to achieve a return that is a multiple of the inverse performance of the underlying index.

To accomplish their objectives, leveraged and inverse ETFs pursue a range of investment strategies through the use of swaps, futures contracts, and other derivative instruments.

FINRA's Fund Analyzer

The Fund Analyzer offers information and analysis on over 18,000 **mutual funds, Exchange Traded Funds (ETFs) and Exchange Traded Notes (ETNs)**. This tool estimates the value of the funds and impact of fees and expenses on your investment and also allows you the ability to look up applicable fees and available discounts for funds.

(https://tools.finra.org/fund_analyzer/)

What is a Variable Annuity?

A variable annuity is a contract between you and an insurance company. The insurance company agrees to make periodic payments to you, beginning either immediately or at some future date.

You purchase a variable annuity contract by making either a single purchase payment or a series of purchase payments.

What is a Variable Annuity?

A Variable Annuity allows you to select from a menu of investment choices, typically mutual funds, within the variable annuity and, at a later date—such as retirement—allows you to receive a stream of payments over time.

The value of your variable annuity will depend on how your investment choices perform.

How is my money in a Variable Annuity invested?

You allocate your payments (during what's called the "accumulation phase") to the investment choices available through the variable annuity.

For example, you might direct 40% of your payments to a bond fund, 40% to a U.S. stock fund, and 20% to an international stock fund.

The money you direct to each mutual fund investment choice will increase or decrease over time, depending on the mutual fund's performance.

Common Variable Annuity Expenses

Variable annuities offer a range of features, but be prepared to pay extra for them. Often, they will include:

- **Surrender charges**. Withdrawals made within a certain period after your purchase payment (usually within six to eight years, but sometimes 10 years or longer) will usually have a "surrender" charge deducted from the amount you withdraw.

- **Mortality and expense risk charge**. This charge is based on the value of your account—usually around **1.25%** of the value of your account *per year*. It pays for the death benefit, and is sometimes used to pay the insurance company's costs to sell the contract—like commissions.

- **Investment option expenses**. Expenses for the investment choices you select.

- **Charges for other features**. Special features, such as a living benefit, an enhancement to the basic death benefit, or long-term care insurance, often cost extra.

Tax Considerations

- Earnings are tax-deferred, but there are penalties for early withdrawal.

- When you take your money out, you will be taxed on the earnings at **ordinary income tax rates** rather than at lower capital gains tax rates associated with other investments, like mutual funds. In addition, you may face a 10% federal income **tax penalty** if you withdraw the money before you are 59½ years old.

- Finally, if you're putting a variable annuity into a tax-advantaged account, like an IRA or other retirement account (e.g., a 401(k) plan), you'll get no extra tax advantage.

Other Considerations

Caution!

- Bonus Credits may have a downside—like higher expenses, higher surrender charges, and longer surrender charge periods— that can outweigh the benefit.

- Consider the financial strength of the insurance company selling the variable annuity and its ability to meet its obligations to you.

- Living benefits are complex and often have limitations and conditions. For example:
  - You may be forced to select only certain investment choices, which may limit the return on your investment.
  - Withdrawals can reduce the amount that would otherwise be paid under the living benefit.

What is an Indexed Annuity?

An indexed annuity is a type of contract between you and an insurance company.

When you make either a lump sum payment or a series of payments – the insurance company credits you with a **return that is based on changes in a securities index**, such as the S&P 500 Composite Stock Price Index. Indexed annuity contracts also provide that the contract value will be no less than a specified minimum.

After the accumulation period, the insurance company will make periodic payments or pay a lump sum to you under the terms of your contract.

What is an Indexed Annuity?

Understand how an indexed annuity computes its index-linked interest rate before you buy.

Any gains in the value of the index are generally computed without including dividends paid on the securities that make up the index.

An insurance company may credit you with a lower return than the actual index's gain.

A common feature used to compute an indexed annuity's interest rate is the **Participation Rate**. The participation rate determines how much of the index's increase will be used to compute the index-linked interest rate. For example, if the participation rate is 80% and the index increases 9%, the return credited to your annuity would be 7.2% (9% x 80% = 7.2%).

What is an Indexed Annuity?

Interest Rate Caps. Some indexed annuities set a maximum rate of interest that the indexed annuity can earn. If a contract has an upper limit, or cap, of 7% and the index linked to the annuity gained 12%, only 7% would be credited to the annuity.

Margin/Spread/Asset or Administrative Fee. The index-linked interest for some annuities is determined by subtracting a percentage from any gain in the index. This fee is sometimes called the "margin," "spread," "asset fee," or "administrative fee." In the case of an annuity with a "spread" of 3%, if the index gained 9%, the return credited to the annuity would be 6% (9% - 3% = 6%).

Indexed annuity contracts commonly let the insurance company **change the participation rate, cap, and/or margin/spread/asset or administrative fee** on a periodic – such as annual – basis.

What is an Indexed Annuity?

You Can Lose Money

- If you need to cancel your annuity early, you may have to pay a significant surrender charge and tax penalties.

- A surrender charge may result in a loss of principal, so that you may receive less than the original purchase payments. Thus, even with a specified minimum value, it can take several years for an indexed annuity investment to “break even.”

Real Estate Investment Trusts REITs

What are REITs?

A REIT is a company that owns – and typically operates – income-producing real estate or real estate-related assets.

Most REITs specialize in a single type of real estate – for example, apartment communities.

There are retail REITs, office REITs, residential REITs, healthcare REITs and industrial REITs, to name a few.

Real Estate Investment Trusts Public REITs

Publicly Traded REITs (whether equity or mortgage) are registered with the SEC and are publicly traded on a stock exchange.

Public Non-traded REITs are registered with the SEC, but are not publicly traded.

Real Estate Investment Trusts Private REITs

Private REITs.

Private REIT offerings are private placements and rely on an exemption from the obligation to register with the SEC.

Private REITS:

- Not registered with the SEC;
- Do not regularly file disclosure reports with the SEC—possibly making it difficult for you to keep informed; and,
- Not listed—harder to value and trade;
- Typically limited to accredited investors.

Non-Traded REITs

- **Lack of Liquidity**—must wait until Non-Traded REIT shares are listed on an exchange or it liquidates assets (can be 5-10 years or longer);
- **Lack of Share Value Transparency**—non-traded REITs are not publicly traded, so there is no market price readily available. Consequently, it can be difficult to determine the value of a share of a non-traded REIT or the performance of your investment;
- **High Commissions/Fees**—Can add up to 15%;

Non-Traded REITs

- **Distributions Can be From Offering Proceeds and Borrowings**;

- **Conflicts of Interest**—external management may be affiliated with competing companies and may not negotiate agreements/fees at arms-length.

Office of Investor Education and Advocacy Investor Alerts and Bulletins (https://www.sec.gov/investor/alerts) include:

- **Planning for Diminished Capacity and Illness** (June 2015)
- **Investor Alert for Seniors: Five Red Flags of Investment Fraud** (July 2016)
- **How Fees and Expenses Affect Your Investment Portfolio** (September 2016)
- **Private Placements Under Regulation D** (September 2014)
- **Top Tips for Selecting a Financial Professional** (August 2016)
- **How to Check Out Your Financial Professional** (August 2014)
- **Social Media and Investing – Stock Rumors** (November 2015)
- **Variable Annuities—An Introduction** (November 2015)
- **What Are High-yield Corporate Bonds?** (June 2013)
- **What Are Corporate Bonds?** (June 2013)
- **Interest Rate Risk--When Interest Rates Go Up, Prices of Fixed-Rate Bonds Fall** (June 2013)
- **Municipal Bonds - Understanding Credit Risk** (December 2012)
- **Hedge Funds** (October 2012)
- **Exchange-Traded Funds (ETFs)** (August 2012)
- **Real Estate Investment Trusts (REITs)** (December 2011)
- **Non-Traded REITS** (August 2015)
- **Life Settlements** (January 2011)
- **Investor Bulletin: 10 Investment Tips for 2017** (December 2016)
- **Investor Alert: Excessive Trading at Investors' Expense** (January 2017)
- **Focus on Money Market Funds** (January 2017)

Investor.gov

U.S. SECURITIES AND EXCHANGE COMMISSION

INTRODUCTION TO INVESTING

Many people just like you turn to the markets to help buy a home, send children to college, or build a retirement nest egg. But unlike the banking world, where deposits are guaranteed by federal deposit insurance, the value of stocks, bonds, and other securities fluctuates with market conditions. No one can guarantee that you'll make money from your investments, and they may lose value.

The U.S. Securities and Exchange Commission enforces the laws on how investments are offered and sold to you. Protecting investors is an important part of our mission. We cannot tell you what investments to make, but this website provides unbiased information to help you evaluate your choices and protect yourself against fraud.

WHAT KINDS OF INVESTMENT PRODUCTS ARE THERE?

Lots! Learn more about the investment products listed below, including their benefits, risks, and fees.

- Stocks
- Bonds
- Municipal Bonds
- Mutual Funds
- Exchange-Traded Funds (ETFs)
- Annuities
- Certificates of Deposit (CDs)
- Money Market Funds
- Commodities
- Hedge Funds
- Real Estate Investment Trusts (REITs)
- International Investing
- How can I avoid investment fraud?

ARE YOU HEADED IN THE RIGHT DIRECTION?

Visit the Roadmap to Saving and Investing

A few people may stumble into financial security. But for most people, the only way to attain financial security is to save and invest over a long period of time. You just need to have your money work for you. That's investing.

Knowing how to secure your financial well-being is one of the most important things you'll ever need in life. You don't have to be a genius to do it. You just need to know a few basics, form a plan, and be ready to stick to it. There is no guarantee that you'll make money from investments you make. But if you get the facts about saving and investing and follow through with an intelligent plan, you should be able to gain financial security over the years and enjoy the benefits of managing your money. For more information, SEC's publication Saving and Investing: A Roadmap To Your Financial Security Through Saving and Investing.

HOW THE MARKETS WORK

The stock market is where buyers and sellers meet to decide on the price to buy or sell securities, usually with the assistance of a broker. Let's take a closer look at what you need to know about how stocks are traded.

Learn More About How the Markets Work

THE ROLE OF THE SEC

The U.S. Securities and Exchange Commission enforces the laws on how investments are offered and sold to you. Protecting investors is an important part of our mission.

Learn More About The Role of the SEC

Online Publications for Investors at www.sec.gov/investor/pubs.shtml

American Depositary Receipts
Arbitration
Auditing
Bankruptcy
Banks and Banking
Bonds
Brokers and Brokerages
- Online, Electronic Accounts

Certificates of Deposit
Corporations — Directors and Officers
EDGAR (SEC's online database of company reports)
Financial Statements
Fraud
- Identity Theft

Futures
Hedge Funds
Insider Trading
Insurance -
- equity-indexed annuities
- life
- variable annuities

Investment Advisers, Advisors
Investment Clubs
Investment Companies
Investments -
- calculators, planning
- foreign (non-U.S.)
- Internet
- prepaid tuition, college savings plan
- products, choices
- research, education
- retirement income

Investors -
- complaints, investigations
- foreign (non-U.S.)
- privacy rights, protections
- seniors

Mutual Funds
Promissory Notes
Securities Investor Protection Corp.
Small Business
Tender Offers
Trading Securities
- day trading
- electronic trading
- margin, purchase agreements
- laws, rules and regulations

US Securities and Exchange Commission -
- divisions and offices
- guides, handbooks, research-tools

Full Subject Listing

Presentation Bibliography

- Investor Bulletin: Variable Annuities—An Introduction http://www.sec.gov/investor/alerts/ib_var_annuities.pdf

- Investor Bulletin: How Fees and Expenses Affect Your Investment Portfolio http://www.sec.gov/oiea/Article/ib_fees_expenses.pdf

- Invest Wisely: An Introduction to Mutual Funds http://www.sec.gov/investor/pubs/inwsmf.htm

- Investor Bulletin: Variable Annuities—An Introduction http://www.sec.gov/investor/alerts/ib_var_annuities.pdf

- Variable Annuities What You Should Know https://investor.gov/sites/default/files/Variable%20Annuities.pdf

- Investor Bulletin: Exchange-Traded Funds (ETFs) http://www.sec.gov/investor/alerts/etfs.pdf

- Fast Answers/Exchange-Traded funds http://www.sec.gov/answers/etf.htm

- Leveraged and Inverse ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors http://www.sec.gov/investor/pubs/leveragedetfs-alert.htm

- Investor Bulletin: Indexed Annuities http://www.sec.gov/investor/alerts/secindexedannuities.pdf

- Investor Bulletin on Non Traded REITS http://www.sec.gov/oiea/investor-alerts-bulletins/ib_nontradedreits.html;

- Investor Bulletin: Real Estate Investment Trusts http://www.sec.gov/investor/alerts/reits.pdf

- How To Pick A Financial Professional https://www.sec.gov/investor/pubs/roadmap/pick.htm#opening

All—and more—are available at www.investor.gov