

GLOSSARY OF RETIREMENT TERMS

401(k)	A defined contribution plan offered by a corporation to its employees, which allows employees to set aside tax-deferred income for retirement purposes. The name 401(k) comes from the IRC section describing the program.
403(b) OR 403(b)(7)	A retirement plan similar to a 401(k) plan, but one which is offered by non-profit organizations, such as universities, governmental and tax-exempt organizations, and some charitable organizations, rather than corporations.
457 PLAN	Tax-deferred retirement plans that are maintained by state and local governments or agencies or any non-governmental organization exempt from income taxes and their employees.

A

A SHARES	The mutual fund share class whereby the sales charge is paid up front.
ACCUMULATION PERIOD	The period of time during which premiums are paid for the purchase of a deferred annuity. It begins when the contract owner purchases the annuity and ends when the contract owner begins to receive benefit payments.
ACCUMULATION UNIT VALUE	A unit of measurement to determine the value of a cash subaccount unit. This is determined by the same process as the NAV (Net Asset Value) of mutual fund shares.
ADMINISTRATIVE FEES	The costs of record keeping, mailings, maintaining a customer service line, etc.
AGENCY CONTRACT	A legal agreement whereby one party, known as the agent, is authorized to perform certain acts for another party, known as the principal.
AGENT	A party that is authorized to perform certain acts for another party, known as the principal.
AGENT-BROKER	A career agent who places business with more than one insurance agent.
AGGRESSIVE GROWTH FUND	A mutual fund that buys shares in companies that have the potential for explosive growth. These shares also have the potential to go bankrupt suddenly, so these funds tend to have high price volatility.
ANNUITANT	The named individual whose lifetime is used in determining the length of time the annuity payments will be paid.
ANNUITIZATION	The payout option that involves payments tied to a life expectancy.

ANNUITIZATION DATE	The date on which the insurer begins to make annuity payments.
ANNUITY	A written contract under which the contract owner pays a premium or series of premiums to the insurer and, in exchange, the insurer promises to make a series of periodic payments to the contract owner starting on a specified date.
ANNUITY CERTAIN	An annuity that is payable for a stated period of time, regardless of whether the annuitant lives or dies (if the annuitant dies before all the payments are made, the remaining payments are made to the annuitant's beneficiary).
ANNUITY CONTRACT	A legally enforceable written agreement under which an insurer promises to make a series of periodic payments to a named person, starting on a specified date, in exchange for a premium or series of premiums paid to the insurer.
ANNUITY PERIOD	The time span between each of the payments in the series of periodic annuity benefit payments.
APPRECIATION	An increase in an investment's value.
ASSET ALLOCATION	The process of investing funds in different asset classes.
ASSET ALLOCATION MODEL	A tool that uses an investor's personal and financial data to generate options for strategically allocating investment funds.
ASSET CLASS	A group of similar investment instruments linked by related features.
ASSET MANAGEMENT FEE	A fee charged on variable annuities by insurers to cover the management costs and operating expenses associated with the underlying investment funds.
AUTOMATIC ASSET REALLOCATION	A variable annuity contract provision that states that values automatically will be transferred between specified subaccounts to maintain the allocation percentages designated by the contract owner.
AUTOMATIC REINVESTMENT	A fund service giving shareholders the option to purchase additional shares using dividends and capital gains.

B

B SHARES	A back-end loaded mutual fund that assesses a sales charge upon redemption of any shares. This sales charge is often referred to as a contingent deferred sales charge or CDSC.
BAILOUT PROVISION	A provision that enables the contract owner to surrender the annuity contract, usually without a surrender charge, if renewal interest rates on a fixed annuity fall below a pre-established level, typically 1% below the initial interest rate.
BALANCED FUND	The goal of a balanced fund is to grow principal and generate income. These funds invest in stocks, bonds, and money market securities. Balanced funds seek to moderate risk and generate consistent returns.
BASIS POINT	A basis point is equal to .01% of a bond yield. An increase of 100 basis points will be a 1% increase in yield.
BEFORE-TAX DOLLARS	Money that has not been taxed previously. This could also be referred to as pre-tax.

BENEFICIARY	The individual the contract owner has named to receive any death benefits that are payable upon the death of the contract owner or annuitant.
BID PRICE	The price at which a mutual fund's shares are redeemed or bought back by the fund. The bid or redemption price is usually the current NAV.
BLUE CHIP	Stock of a large, well-established company usually with consistent profit growth. Examples include IBM and GE.
BOND	The debt instrument of a corporation or government entity that promises to pay you a specified amount of interest for a specified time period, with principal to be repaid when the bond matures (some bonds called zero-coupon bonds do not make regular interest payments).
BREAKPOINT	A volume based percentage discount in the load fee charged by a security. Larger amounts invested qualify for increasingly generous discounts.
BROKER/DEALER	A firm that buys and sells mutual fund shares and other securities from and to investors.

C

C SHARES	A share class for which a level load on redeemed shares is charged for a certain time period, in some instances for only one year.
CAP	An upper limit on the amount of an index's gain in value that will be credited to a fixed index annuity.
CAPITAL APPRECIATION	An increase in the market value of invested assets.
CAPITAL GAINS	The profit derived from selling a security at a higher price than that which was paid to acquire it.
CASH EQUIVALENTS	Highly liquid assets with short-term obligations, Treasury Bills for example.
CASH SURRENDER VALUE	The accumulated value less any surrender charges and other applicable deductions for an annuity contract or life insurance policy.
CLOSED FUND	A mutual fund that no longer issues shares. Normally, a fund will close because the fund's manager feels there are a limited number of good investments left or because the fund needs to keep net assets low enough to enter and exit holdings quickly.
CLOSED-END FUND	A type of fund with a fixed number of shares. Shares of closed-end funds are bought and sold through an exchange like the New York Stock Exchange, not through the fund itself. The large majority of mutual funds are open-end funds, not closed-end.
COMMISSION	A fee paid by an investor to a broker or other sales agent as part of the cost to purchase a security or other financial instrument.
COMMON STOCK	Securities that represent an ownership interest and give voting rights in the issuing corporation.
COMPOUND INTEREST	Interest earned not only on your original investment, but on your accrued earnings as well.
CONTINGENT DEFERRED SALES CHARGE (CDSC)	A fee imposed when mutual fund shares are redeemed (sold back to the fund).

D

DAILY VALUATION	A method of plan valuation in which a participant's account is valued each business day (opposite of balance forward).
DEATH BENEFIT GUARANTEE	An annuity contract provision that states if the contract owner dies before the annuity payments begin, then the beneficiary named by the contract owner will receive an annuity benefit equal to the greater of the premiums paid for the contract or the contract value.
DEFERRED ANNUITY	A type of annuity that delays annuity benefit payments more than one annuity period after the date on which the annuity was issued.
DEFINED BENEFIT PLAN	A retirement plan where the benefit is determined based on a formula specified in the plan. The benefit is usually stated as an average percent of compensation over a defined period of time.
DEFINED CONTRIBUTION PLAN	A retirement plan where the annual contribution is specified in the plan. Benefits are determined by the value of the individual employee's allocated account at the time of distribution of benefits.
DISTRIBUTION	The disbursement of capital gains and dividend income from a mutual fund account. This can also reference activities that sellers engage in to make products available for consumers to buy.
DIVERSIFICATION	Investing in different companies in various industries or in several different types of investment vehicles to spread risk.
DIVIDEND	Payments made by a corporation to its shareholders, or by a mutual fund to its shareholders resulting from the income and dividends from the fund's investments. The amount received is based on the number of shares owned.
DOLLAR-COST AVERAGING	Strategy that diversifies the prices of a security by buying a specific amount over set intervals.
DOW JONES INDUSTRIAL AVERAGE	The Dow Jones Industrial Average is a stock index made up of 30 "blue chip" stocks that are generally considered to be among the leaders in their industries. It includes companies like American Express, General Electric, AT&T and DuPont.

F

FACE VALUE	The amount that a bond's issuer must repay at the maturity date.
FAMILY OF FUNDS	A group of mutual funds, each typically with its own investment objectives, managed and distributed by the same fund company.
FIDUCIARY	ERISA defines a fiduciary as anyone who exercises discretionary control or authority over plan management or plan assets, anyone with discretionary authority or responsibility for the administration of a plan.
FIXED ACCOUNT	A variable annuity subaccount that guarantees payment of a fixed rate of interest for a specified period of time.
FIXED ANNUITY	A type of annuity for which the insurer guarantees to pay a specified rate of interest on the annuity account value for a specified period of time.

FIXED INDEXED ANNUITY	A type of fixed annuity in which interest may be credited based on value allocated to a fixed account, and/or index accounts for which interest credits are based on the change in a financial index during a specified time period.
FIXED PAYOUT	A type of annuity payment which guarantees that the payment will remain the same during the payout period.
FIXED PERIOD	An annuity payout option under which the insurer makes annuity payments for a specified period of time.
FUTURE VALUE	An amount of money that has been invested plus the investment returns over a certain period of time.

G

GENERAL ACCOUNT	The general fund of assets invested to support an insurer's traditional insurance products.
GLOBAL FUND	A fund that invests in both foreign and domestic securities. These funds differ from traditional international funds because they can keep a significant portion of their assets in the U.S. stocks and bonds.
GROWTH AND INCOME FUNDS	The goal of growth and income funds is to grow the principal and generate some income. These funds buy shares in companies that have modest prospect for growth and provide attractive dividend yields.
GROWTH FUNDS	The goal of growth funds is capital growth, but may also seek dividend income. These funds buy shares in companies that are growing rapidly but are probably not going to go out of business too quickly.
GROWTH STOCK	The stock of a firm generally growing faster than the economy or market norm. The risk tends to be high.
GUARANTEED MINIMUM INTEREST RATE	The minimum interest rate that the insurance company specifies that it will pay on a fixed annuity's principal balance for the duration of the annuity contract.
GUARANTEED INVESTMENT CONTRACT (GIC)	A GIC is an investment option offered by insurance companies. The issuer promises to pay a fixed rate of interest and to return principal after a specified term.

I

INCEPTION DATE	The date a security was first available.
INCOME	Dividends, interest and/or short-term capital gains paid to a mutual fund's shareholders. Income is earned on a fund's investment portfolio after deducting operating expenses.
INCOME DISTRIBUTIONS	A distribution to a security's shareholders of the accumulated net income from investments.
INCOME STOCK	Common stock of a company that pays out a relatively large portion of earnings as dividends, resulting in a high yield for investors. Income stocks offer lower risk than growth stocks.

INDEX	A hypothetical, unmanaged, often weighted portfolio of securities, the performance of which is used as a benchmark in measuring performance of actual securities such as mutual funds or of markets in general.
INDEX FUNDS	The goal of an index fund is to match the performance of its benchmark index by investing in the same securities that comprise the index. Index funds can be based on bond or stock indexes.
INSURER	A company that issues insurance products such as life insurance and annuities.
INTEREST	The fees that bond issuers, banks, and other financial institutions pay for the use of borrowed money. Also, the amount credited by an insurer pursuant to the terms of a life insurance policy or annuity contract.
INTERNATIONAL FUNDS	Mutual funds that invest in stocks and/or bonds issued outside the countries in which the funds are registered.
INVESTMENT ADVISOR	An organization engaged by a mutual fund to give professional advice on the fund's investments and asset management practices, and make investment decisions for the fund.
INVESTMENT COMPANY	A corporation, trust or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective.
INVESTMENT OBJECTIVE	The stated investment goal that a mutual fund seeks to obtain, such as current income or long-term capital growth.
ISSUER	A company that issues insurance products such as life insurance and annuities.

L

L SHARE	Mutual fund share that typically has a shorter CDSC period (3-5 years) and typically pays an upfront commission plus a trail.
LARGE-CAP STOCK FUND	Stocks of large capitalization companies, which are generally considered to be companies whose total outstanding shares are valued at \$10 billion or more (though the value threshold changes over time).
LICENSED BROKER	A salesperson who is not under an agency contract with any insurance company and who is acting as an agent of the buyer.
LIFE ANNUITY	An annuity that provides periodic payments for at least the lifetime of the annuitant.
LIFE INCOME WITH PERIOD CERTAIN ANNUITY	A type of annuity that guarantees that payments will be made throughout the annuitant's lifetime, but also guarantees that the payments will be made for at least a certain period. If the annuitant dies before the end of that period, the remaining payments are made to the beneficiary.
LIQUIDITY	The ability to have ready access to money without loss of value.
LOAD	A sales fee that is charged when mutual fund shares are purchased (front-end) or sold (back-end).
LOAD TYPE	The type of sales charge on a particular security investment. There are basically three types of loads: front-end, back-end, and level.
LUMP SUM DISTRIBUTION	A payout option by which a contract owner receives the balance of his account in a single payment.

M

MANAGEMENT FEE	The money paid to the manager(s) of a mutual fund.
MARKET RISK	The risk associated with fluctuations in prices of the securities in a particular type of market.
MARKET TIMING	Buying and selling a security based on a prediction of future market movement.
MARKET VALUE	The current share price of a security.
MID-CAP STOCK FUNDS	These funds buy shares of medium-size companies, generally those with market capitalizations between \$2 billion and \$10 billion.
MUTUAL FUND	An investment company consisting of funds pooled from investors that are used to purchase securities.

N

NET ASSET VALUE (NAV)	A mutual fund share's value computed by subtracting total fund liabilities from total fund assets and dividing by the number of shares outstanding.
NET ASSETS	The difference between a mutual fund's total assets and total liabilities.
NO-LOAD FUND	A mutual fund without a sales fee. However, there are no-load funds that have fees for redemptions made within a short period of time after the fund shares are purchased.
NON-QUALIFIED PLANS	Retirement plans in which the premiums invested have already been taxed. Plan earnings are tax deferred.
NON-FORFEITURE PROVISION	A contract provision required in individual deferred fixed annuity contracts (if the contract includes a lapse provision), providing that if the contract owner stops making premium payments, the owner will still receive an annuity benefit based on the amount of premiums he has paid.

P

PORTFOLIO	A collection of financial instruments owned by an individual or an institution (such as a mutual fund) that may include stocks, bonds and money market securities.
PORTFOLIO MANAGER	A specialist employed by a mutual fund's adviser to invest the fund's assets in accordance with predetermined investment objectives.
PREMATURE DISTRIBUTIONS	Withdrawals of interest or variable subaccount gains from an annuity made before the contract owner is age 59 ½.
PRICE/EARNINGS	The share price of a stock divided by the company's earnings per share (EPS). The ratio shows how much investors are willing to pay for each dollar of the company's earnings.
PRINCIPAL	The total amount of premium the contract owner has paid into an annuity, exclusive of any interest and/or variable subaccount investment returns; in an agency relationship, a party that authorizes another party, known as the agent, to perform certain acts on its behalf.

R

REDEMPTION FEE	A deferred charge imposed when a mutual fund share is sold within a certain time period after being purchased. These fees are normally used to prevent short-term investors from buying and selling on a daily basis.
REINVESTMENTS	The use of any cash flows, i.e., dividends and capital gains, from a security back to purchase an additional quantity of that security.
REQUIRED MINIMUM DISTRIBUTION	The minimum amount that must be withdrawn, beginning usually at age 70 ½, from a qualified retirement plan.
ROTH IRA	A retirement account whereby individuals who have earned at least a certain amount of income in a tax year may make contributions with non-deductible after-tax dollars. The contributions are not deductible, however neither earnings nor contributions are taxable upon withdrawal.

S

S&P 500 STOCK INDEX	A stock index comprised of 500 of the leading U.S. companies as determined by Standard & Poor's based on specific criteria such as market capitalization and financial viability.
S SHARES	A mutual fund share class with an up-front commission, a multiple-year rolling CDSC and 0.25% trail commission beginning in year two. S shares do not convert to another share class after a specified number of years.
SECTOR FUNDS	Sector mutual funds usually invest in a specific industry, e.g., telecommunications. These funds allow the investor to invest in a highly select industry.
SECURITIES	Assets such as stocks, bonds, etc. which provide either an ownership share - stocks - or a debt interest - bonds - in the issuer of the security.
SEPARATE ACCOUNT	An investment account that is separate from the insurer's general account and is used specifically to manage the funds placed in variable products.
SHARE CLASSES	Classifications of the same mutual fund that charge different fees. This can enable shareholders to choose the type of fee structure that best suits their particular needs.
SHAREHOLDER	An investor who owns shares of a mutual fund or other company.
SHARES	A fractional portion of ownership in a company or mutual fund.
SMALL-CAP STOCK FUND	Term used to classify companies with a relatively small market capitalization, between \$250 million and \$2 billion.
SOLVENCY	The ability of an insurer to make specified payments to contract owners and to meet other financial obligations on time.
SPREAD	Difference between the Bid and Ask prices for a security. Also, the difference between the insurance company's investment return on assets allocated to a particular fixed index annuity index account and the interest credited to the contract owner.
STOCKS	Stocks can also be referred to as equities and represent ownership in the company issuing the stock. Stock can be either common or preferred.

SURRENDER CHARGE	A penalty for withdrawing funds from an annuity before a specified number of contract years have passed.
SUBACCOUNT	A variable annuity allocation option that invests in an underlying mutual fund.
SUSPENSE	When money is received for an annuity contract by Support Services, the money remains in a “suspense” account until an Annuity Administration associate accesses the contract and applies the money.

T

TRANSFER AGENT	The organization engaged by a mutual fund to prepare and maintain records relating to shareholders' accounts.
TRANSFER/ROLLOVER	Transferring money from a 403(b) or IRA annuity contract at one company to a 403(b) or IRA annuity contract at another company without causing a taxable event.
TREASURY BILL	Short-term U.S. government securities that have maturities of less than one year that are sold at weekly auctions at a discount and are redeemed at face value. The risk is considered to be low.
TREASURY BOND	Long-term U.S. government securities that have maturities between 7 and 30 years. The risk is considered to be low to moderate.
TREASURY NOTE	Medium-term U.S. government securities that have maturities between 1 and 10 years.
TRUST	A trust is a legal entity managed for the benefit of a person or persons. A Trust document is written while the grantor is still living, setting out the terms of the agreement.
TURNOVER RATE	Represents the percentage of a mutual fund's holdings that change every year. Because buying and selling stocks incurs transaction costs, a high turnover rate usually indicates higher costs (and lower shareholder returns) for the fund.

U

UNDERWRITER	The organization that sells a mutual fund's shares to broker/dealers and investors.
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V

VARIABLE ANNUITY	A type of annuity under which the contract's value fluctuates in accordance with the investment results of the subaccounts in which the annuity funds are allocated.
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W

WILSHIRE 5000 INDEX	A stock comprised now of more than 6,700 stocks of various market capitalization U.S. companies. The index is weighted by market capitalization so that a greater portion of the index is comprised of larger market capitalization companies.
WRAP FEE	The fee, usually a percentage of the assets, charged by an investment advisor or manager for a specific group of services.

Y

YIELD	Usually expressed as a percentage of the price of the security, a measurement of the interest return from owning a security.
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