Building a Brilliant Retirement.

Retirement Plan Glossary

Use this handy guide to better understand some retirement and investing terms and phrases.

This information is provided as a quick reference guide for plan participants. The definitions contained herein do not replace or supercede terms as defined in any documents or agreement issued by MassMutual or any other company. Incases of conflict in the definition of any term or phrase, the original document will rule over this document.

Annuity — An annuity is a contract for the payment of funds on a regular basis over a fixed period of time for the recipient's lifetime. There are many different types of annuities, some of which offer the continuation of benefits to your beneficiary after your death.

Asset Allocation — Asset allocation is dividing investment funds among different asset categories, such as cash, bond or stock investments. Investors should consider their own risk tolerance and investment objectives, risks, charges and expenses carefully before investing.

Bonds — A bond is an interest-bearing or discounted government or corporate security that promises to pay the investor a fixed return, usually within established time periods. The principal amount of the loan is paid at maturity.

Capital Gain/Loss — When an investment is sold, the capital gain or loss is the profit or loss realized by the investor from the cost of acquiring the investment.

Compounding — Compounding is earnings gained on principal plus existing earnings left in an investment. Over time, compounding has the potential to make investments grow.

Defined Benefit Plan — Generally, defined benefit plans provide eligible participants with a fixed monthly benefit for life. These benefits are promised by the company providing the plan and insured by a government agency — the Pension Benefit Guaranty Corporation (PBGC).

Defined Contribution Plan — Defined contribution plans, such as 401(k) and 403(b) plans, offer benefits that depend on the amount contributed by the employee/employer and any earnings.

Dollar Cost Averaging — Dollar cost averaging is a strategy of investing a fixed amount in a given investment at regular intervals, regardless of the price. This strategy is intended to reduce risk. It does not ensure a profit or protect against loss in a declining market, and involves continuous investment in securities regardless of fluctuating prices. An investor should consider his/her ability to continue investing through periods of low price levels.

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Distribution (from a retirement plan) — A distribution is the payout of funds from a retirement plan according to Internal Revenue Service rules.

Diversification — Diversification is a way of spreading investment risk by putting money in different types of investments. Diversification does not ensure a profit and does not protect against loss in a declining market.

Fixed Income Investment — A fixed income investment pays a set rate of return usually for a fixed period of time. Bonds and certificates of deposit are two examples.

Growth Investments — Growth investments are designed to earn long-term capital gains rather than generate earnings from current income as a result of dividends or interest. Growth investments tend to be riskier and more volatile than other investments.

Inflation — Inflation is the rise in the price of goods and services.

Investment — An investment is an asset purchased with the intent to make money.

Investment Risk — Investment risk is the possibility that an investment will be worth less than its value when the initial investment was made.

Life Expectancy — Life expectancy is the average number of years a person can expect to live.

Lump Sum Distribution — A lump sum distribution is the payment of all funds accumulated within one taxable year.

Money Market Fund — An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

Mutual Fund — A mutual fund is formed when an investment company pools money from shareholders and invests it. Investments can include stocks, bonds, gold or government securities.

Portfolio — A portfolio is all of the different investments made by a given individual or institution.

Prospectus — A prospectus is a legal document issued by a company as a formal written offer to sell stocks, bonds or other securities to potential investors. A prospectus sets forth the formal business plan and includes facts about the company and the investment's objectives, risks, charges and expenses. An investor should carefully consider the information and know where to obtain a prospectus before investing.

Qualified Retirement Plan — A defined benefit or defined contribution retirement plan that receives special tax treatment because it meets certain Internal Revenue Code requirements is also referred to as a qualified retirement plan.

Return — The return is the amount earned relative to the amount invested, typically expressed as a percentage.

Risk Tolerance — Risk tolerance is the degree to which an investor is willing to take risk in the hopes of a certain level of returns.

Rollover — A rollover is the tax-free transfer of funds from one plan to another.

Stock — To own stock in a company means to be a part owner of the company.

T**ax-Deferred** — Tax-deferred is the postponement of the payment of taxes.

Tax-Free or Tax-Exempt — Tax-free or tax-exempt means taxes are not owed.

Vested — Participants become vested in a plan or gain ownership to some or part of their benefits.

Yield — Yield is the return of an investment, generally expressed as a percentage of the original investment.

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