DIVERSIFIERS

AND HOW THEY CAN HELP YOUR RETIREMENT SAVINGS

IT'S THE LONG HAUL YOU WANT TO KEEP IN FOCUS.

Peering under the microscope may show lots of ups and downs, but a diversified strategy helps keep you on a steady path to your retirement goals.

INVESTING CAN BE EASY

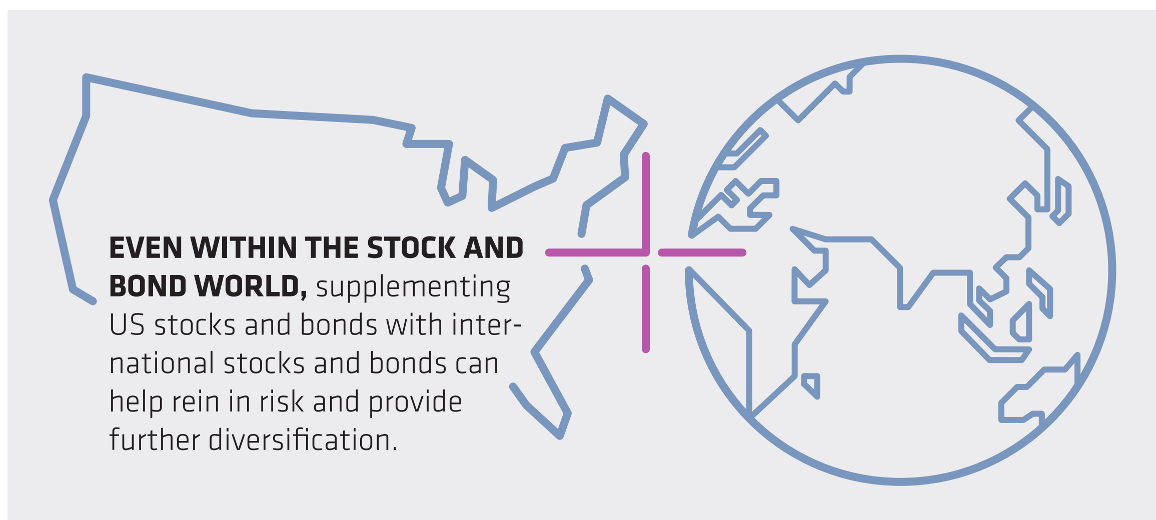
CHOOSE A STRATEGY THAT LOOKS TO KEEP YOU COVERED FOR THE LONG HAUL—BECAUSE THE MARKETS HAVE A WAY OF ZIGGING JUST WHEN YOU HOPED THEY'D ZAG

You probably know that the investments in a retirement plan are typically made of up of stocks and bonds. But did you realize they alone may not be enough to get you to and through retirement?

Traditional thinking says you can weather short-term storms in the markets by investing in a mix of stocks and bonds. That's the logic of diversification. Over the long term, stocks have been the most likely route for racking up strong returns. Bonds have been seen as steadier, more stable: they might not generate huge returns, but they also weren't likely to suffer the major downturns that stocks sometimes do. But today's economic environment is anything but traditional—that's why diversification today probably needs to look further afield, for both better potential returns and better potential protection. What can you do to make sure that you don't end with a retirement savings short fall?

WHAT ARE DIVERSIFIERS?

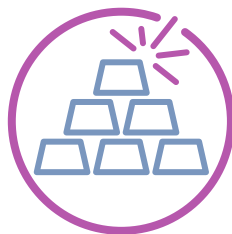
Diversifiers are nontraditional assets that provide exposure to different groups of investment opportunities. They are complementary assets that sometimes include real assets, real estate, currency, alternative stocks and alternative bonds. The benefit they bring is that they behave differently from traditional stocks and bonds, and these different return patterns can help further diversify a portfolio. Some diversifiers are particularly helpful when inflation is higher, because they tend to fare better than financial assets. For example, TIPS (Treasury Inflation-Protected Securities) are specifically designed to provide inflation protection.



An example of another type of diversifier is what's called "real assets." Real assets are physical or tangible assets that have value, such as energy products (petroleum, oil, natural gas), precious metals (like gold and silver), soft commodities (coffee, sugar, cocoa, and cotton), real estate, and currencies tend to do particularly well when either inflation or interest rates start to climb—both of which seem likely to happen over the next few years.

No one area of the market wins all the time, and as the world turns, economies, industries and innovations shift, often yielding investment surprises—good and bad—where and when you least expect them. Better diversification—incorporating these and other diversifiers—helps create a more consistent level of growth over the long term. And it's the long term that needs to remain the primary focus for investing wisely for retirement.

OIL



PRECIOUS METALS

COFFEE

REAL ESTATE

TARGET-DATE FUNDS HAVE BUILT-IN DIVERSIFICATION

You could build your own diversified portfolio from your company's menu of investments, but that takes a lot of time and effort, including monitoring and shifting those allocations as you near retirement. If you don't put in that time and effort, you might take too much risk from short-term market fluctuations at a point when your savings no longer have the time to recover.

Instead of going it alone, consider investing in your company's target-date fund. Diversification is exactly what they do. And your company's target-date fund may use a wide range of traditional and nontraditional strategies to reduce market risk, while keeping an eye on tomorrow's investing opportunities.

TARGET-DATE FUNDS ARE:

1–2–3

SIMPLE

DIVERSIFIED

EFFECTIVE

ABOUT AB

AllianceBernstein (AB) is a leading global investment management firm that offers high-quality research and diversified investment services to institutional investors, individuals and private wealth clients in major world markets. We are one of the largest investment management firms in the world and foster a diverse, connected, collaborative culture that encourages different ways of thinking and differentiated insights. We embrace innovation to address increasingly complex investing challenges. And we pursue responsibility at all levels of the firm—from how we work and act to the solutions we design for clients.

WHAT'S A TARGET-DATE FUND?

"Target-date" in a fund's name refers to the approximate year when a plan participant expects to retire and begin withdrawing from his or her account. Target-date funds are a mix of different investments or asset classes—typically, stocks to potentially generate higher growth and bonds to keep things steadier during difficult markets. And target-date funds gradually adjust that investment mix, lowering the amount of riskier assets, like stocks, as a participant nears retirement. However diversification does not eliminate risk or ensure profit.

Investments in target-date funds are not guaranteed against loss of principal at any time, and account values can be more or less than the original amount invested—including at the time of the fund's target date. Also, investing in target-date funds does not guarantee sufficient income in retirement.

A WORD ABOUT RISK:

Market Risk: The Market values of the portfolio's holdings rise and fall from day to day, so investments may lose value. **Derivatives Risk:** Investing in derivative instruments such as options, futures, forwards or swaps can be risker than traditional investments, and may be more volatile, especially in a down market. **Credit Risk:** A bond's credit rating reflects the issuer's ability to make timely payments of interest of principal—the lower the rating, the higher the risk of default. If the issuer's financial strength deteriorates, the issuer's rating may be lowered, and the bond's value may decline.

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