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Using Mutual Funds For Retirement Investing

It's no wonder more and more educators are choosing mutual funds for their 403(b), 457(b) and other retirement accounts. Mutual funds can allow you to invest into the equity and fixed income markets which historically have significantly outperformed fixed annuities over the long run. In addition, mutual funds usually have lower internal charges than variable annuities and do not come wrapped with insurance contract features you may not need.

Also, because mutual funds offer a wide variety of investment types and objectives, they are ideally suited for a long-term asset allocation strategy. What's more, when you invest in mutual funds through your district's 403(b) or 457(b) plan, you receive the same tax benefits of a fixed or variable annuity. These benefits are what have made mutual funds one of the most popular retirement investment choices for retirement investors.

Don't Be Fooled

Many people have thought they were purchasing mutual funds only to find out that they purchased a variable annuity, which is an insurance product. This is because many insurance companies sell variable annuities that use well-recognized mutual fund companies as their underlying investment managers. While variable annuities also allow you to invest directly in the financial markets, they often carry surrender charges and additional fees for insurance features you may not need. Variable annuities are typically most suitable when used after you have maximized contributions to IRA, 403(b), 457(b), 401(k) and other qualified savings plans. When used outside of a qualified retirement plan, mutual funds cannot provide the tax-deferred growth advantage available through a variable annuity.

So how do you tell a mutual fund from a variable annuity? The best way is to ask the agent directly. Also pay close attention to all the marketing materials and paperwork you are provided. If it comes with an insurance contract or says "annuity" anywhere, then it's a variable annuity product and not a mutual fund.

If you would like to know more about investing in mutual funds through your district or employer plan, or if you are unsure about what you already own, contact me at the phone number or email address at the above left. I'll be happy to explain the different choices available and help you determine which might be most appropriate for your individual needs.

Mutual Fund Advantages

Professional investment management

Diversification—funds invest in a wide range of underlying securities

Numerous investment choices including different types of stocks, bonds and money market investments

Many different investment objectives such as growth, income and stability

Complete ownership of fund shares

No insurance contracts or built-in fees for additional services you may not need



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Before investing carefully read the prospectus(es) which contain information about investment objectives, risks, charges, expenses and other information, all of which should be carefully considered before investing. For current prospectus(es) call (800) 874-6910. The investment return and principal value will fluctuate and, when redeemed, the investment may be worth more or less than the original purchase price. Mutual funds and money market funds are not insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of \$1 per share, it is possible to lose money by investing in these funds. Asset allocation or the use of an investment advisor does not ensure a profit nor guarantee against loss.

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