

The “Avoiding Common Investing Mistakes” Challenge



Presented by Daren L. Derfler, CRC®



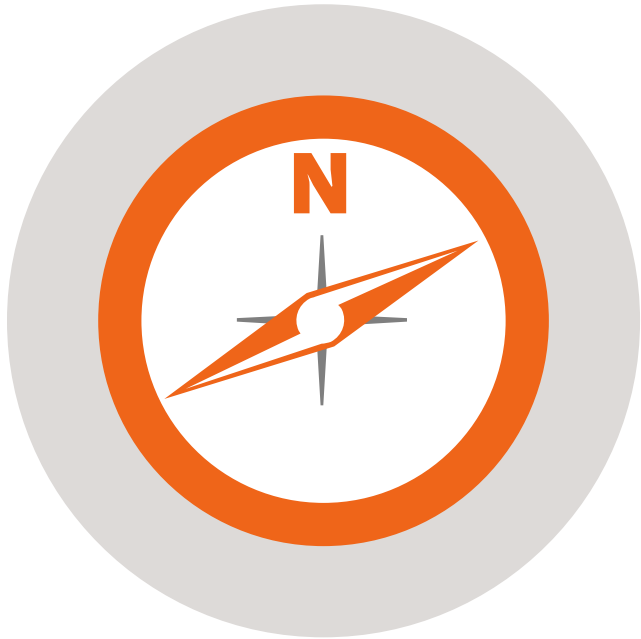
Sheet Metal Workers Local 25 New Jersey Annuity Plan



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Mistake: Not having a strategy



Develop a strategy by identifying:

- Long-term savings goals and objectives
- Investment styles and tolerance for risk
- Years to retirement
- How much you can afford to invest
- Your retirement income needs

Getting started is the first step:

- Starting early pays off now...and later
- It's never too late to start saving!

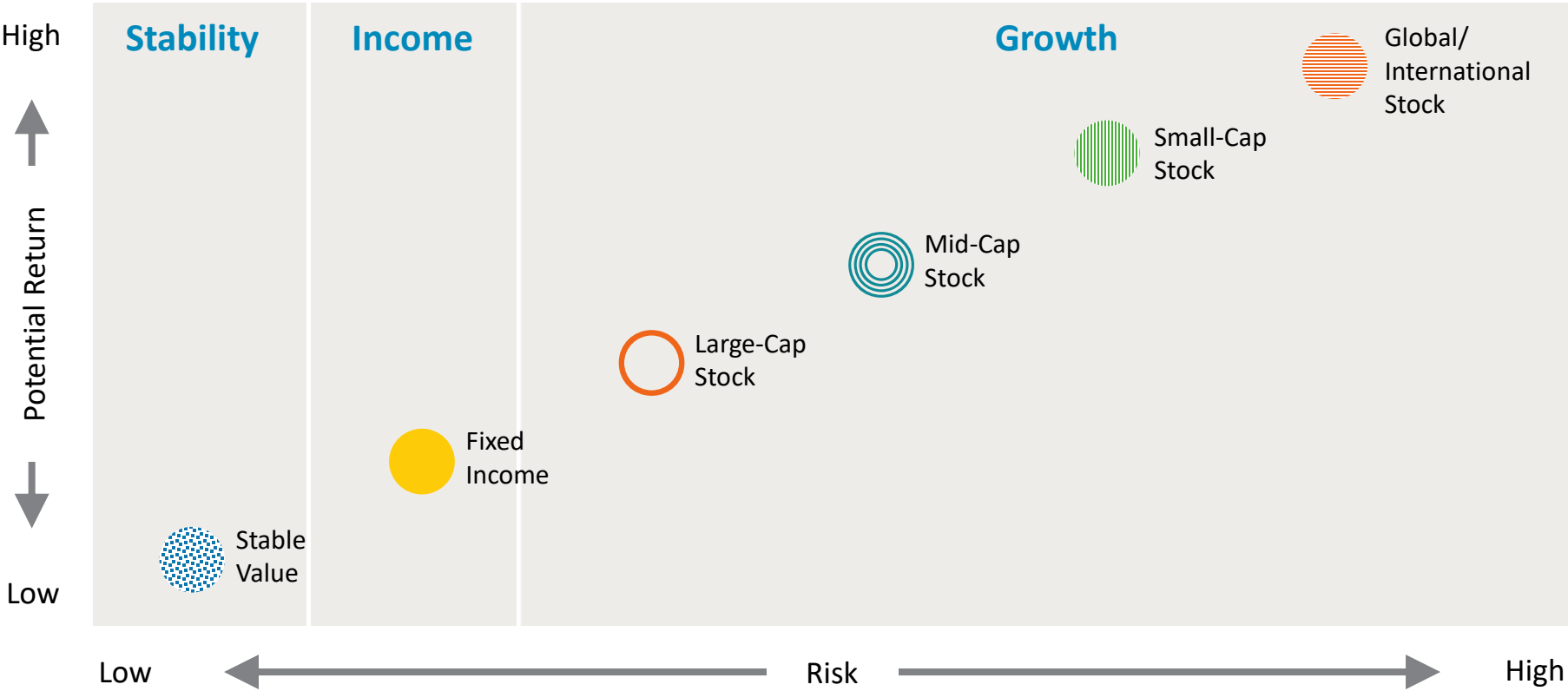
Mistake: Failing to diversify investments

Understand the fundamentals of asset allocation to help direct contributions:

- Risk and return
- Investment categories
- Investment style

Keep in mind that application of asset allocation and diversification concepts does not ensure a profit or protect against loss. **You can lose money by investing in securities.**

Understand Risk vs. Reward



This is a simplified illustration of the relationship between investment risk and potential rate of return. There is no assurance that higher risk investments will provide greater returns over time. Past performance is not indicative of future performance.

Take advantage of your plan's asset allocation solution

Your plan offers:

- Target Date Investment
- Investor Style Quiz

Keep in mind that application of asset allocation and diversification concepts does not ensure a profit or protect against loss. **You can lose money by investing in securities.**

Important information

The target-date is the approximate date when investors plan to retire and may begin withdrawing their money. The asset allocation of the target-date funds will become more conservative as the target-date approaches by lessening your equity exposure and increasing your exposure in fixed income investments. The principal value of an investment in a target-date fund is not guaranteed at any time, including the target-date. There is no guarantee that the fund will provide adequate retirement income. A target-date fund should not be selected solely based on age or retirement date. Before investing, participants should carefully consider the fund's investment objectives, risks, charges and expenses, as well as their age, anticipated retirement date, risk tolerance, other investments owned, and planned withdrawals. The stated asset allocation may be subject to change. It is possible to lose money in a target-date fund, including losses near and following retirement. Investments in the funds are not deposits or obligations of any bank and are not insured or guaranteed by any governmental agency or instrumentality.

Mistake: Investing in products you don't understand



Do your homework:

- Read about the investment products you're considering
- Seek advice from investment professionals
- Understand the importance of asset allocation and diversification
- Avoid investing in products you don't feel comfortable with

“Investment must be rational; if you don't understand it, don't do it.”

— Warren Buffett (October 21, 1991)

Mistake: Letting emotions rule your decision-making

Once you've chosen the right mix of investments—stick to your plan:

- Avoid trying to “time the market”
- Apply prudent decision-making—avoid making big changes based on short-term events
- Invest regularly in all market conditions so investments can have the potential to grow
- Invest even in a down market—it may provide the opportunity to buy more shares when prices are low

Potential Mistake: Investing in multiple target-date funds



Select the best one(s) that fits your needs. Target-date funds:

- Combine a mix of different investments
- Match an investment strategy based on expected retirement date
- Choosing more than one target-date fund may skew your desired allocation
- May result in only one investment needed to see you to retirement

The target-date is the approximate date when investors plan to retire and may begin withdrawing their money. The asset allocation of the target-date funds will become more conservative as the target-date approaches by lessening your equity exposure and increasing your exposure in fixed income investments. The principal value of an investment in a target-date fund is not guaranteed at any time, including the target-date. There is no guarantee that the fund will provide adequate retirement income. A target-date fund should not be selected solely based on age or retirement date. Before investing, participants should carefully consider the fund's investment objectives, risks, charges and expenses, as well as their age, anticipated retirement date, risk tolerance, other investments owned, and planned withdrawals. The stated asset allocation may be subject to change. It is possible to lose money in a target-date fund, including losses near and following retirement. Investments in the funds are not deposits or obligations of any bank and are not insured or guaranteed by any governmental agency or instrumentality.

Mistake: Neglecting to revisit and rebalance your account

Use your account tools to monitor and rebalance your account as needed to help ensure:

- You are on track to meet your goals
- Your money is working hard for you
- You have the right mix of investments

Take advantage of Automatic Rebalancing

- Your money will automatically move among your investments to maintain your chosen allocation

Register online at prudential.com/online/retirement to track your progress at any time!

Mistake: Taking a loan

When you need money on a short-term basis, here's why borrowing money from your plan account may not make sense:

- The money you borrow loses potential for market growth—and you could have less money for retirement
- If you leave your employer and do not repay your outstanding loan balance, you may owe income taxes as well as a potential 10% penalty if you are under age 59½

The long-term effect of borrowing

Account Activity	Ken (with a loan)	Maria (without a loan)
Annual contribution Years 1–4	\$1,500	\$1,500
Loan in year 5	\$3,500	\$0
Annual Loan Payment Years 5–9	\$793	\$0
Annual Contribution Years 5–9	\$707	\$1,500
Annual Contribution Years 10–30	\$1,500	\$1,500
Total Account Balance After 30 years	\$103,566	\$118,587

Assumes a 6% annual return compounded annually, and that a loan taken in year five has an interest rate of 5% for a five-year loan payoff. Ken's total account balance at year 10 upon loan payoff is \$15,087 compared to \$19,771 for Maria. The compounding concept is hypothetical, for illustrative purposes only and not intended to represent performance of any specific investment, which may fluctuate. No taxes are considered in the calculations; generally, withdrawals are taxable at ordinary rates. **You can lose money by investing in securities.**

Mistake: Cashing out



Roll over funds into an IRA or a new employer's plan when changing jobs to avoid:

- Loss of tax deferral
- Taxes on the distribution
- Penalties or early withdrawal fees

This information has been provided for your benefit and is not intended or designed to be tax advice. Neither Prudential Retirement, nor any of its representatives, may give legal or tax advice. Rollover assets may be assessed fees or other surrender charges. Please contact current account provider for this information.

Amounts withdrawn are subject to income taxes and potentially a 10% federal income tax penalty if taken before age 59½.

Prudential Financial and its representatives are not tax or legal advisors. Consult your own legal or tax advisor with specific questions.

Mistake: Failing to designate or update your beneficiary



Review information periodically, particularly following life changes, to:

- Ensure your beneficiary information is current
- Update outdated or incomplete information

Next steps



Review your asset allocation to determine whether it suits your long-term investment goals



Learn more about planning for retirement at [PrepareWithPru.com](https://www.preparewithpru.com), available in English and Spanish



Re-evaluate your plan at least once a year

Keeping asset allocation working for you

Three important elements



Monitoring



Rebalancing
(at least once a year)



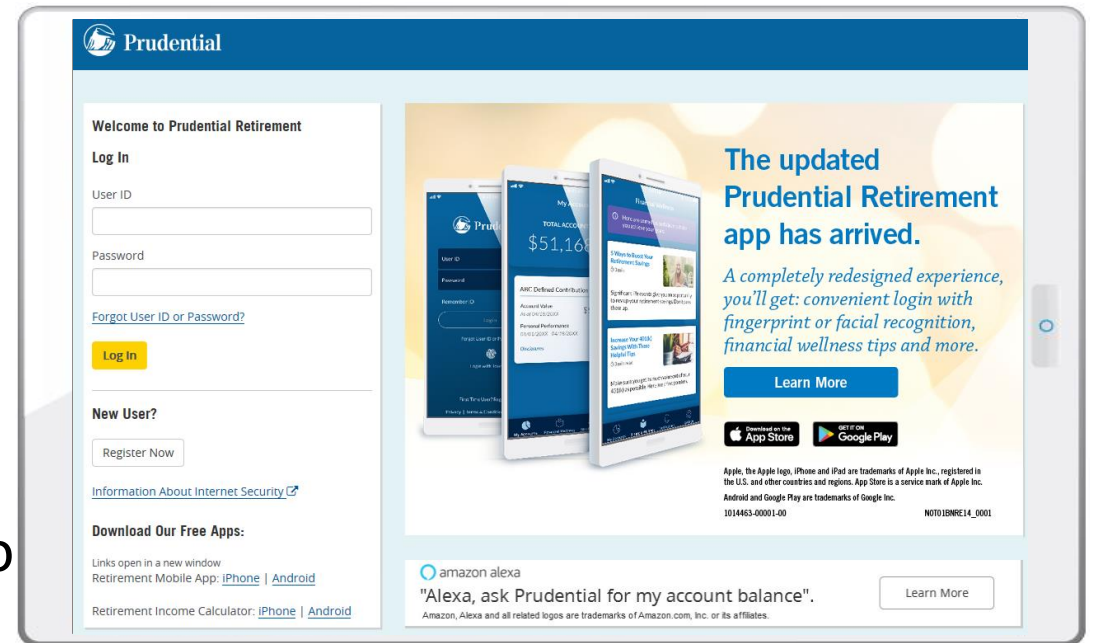
Adjusting over time

Keep in mind that application of asset allocation and diversification concepts does not assure a profit or protect against loss in a declining market. It is possible to lose money by investing in securities.

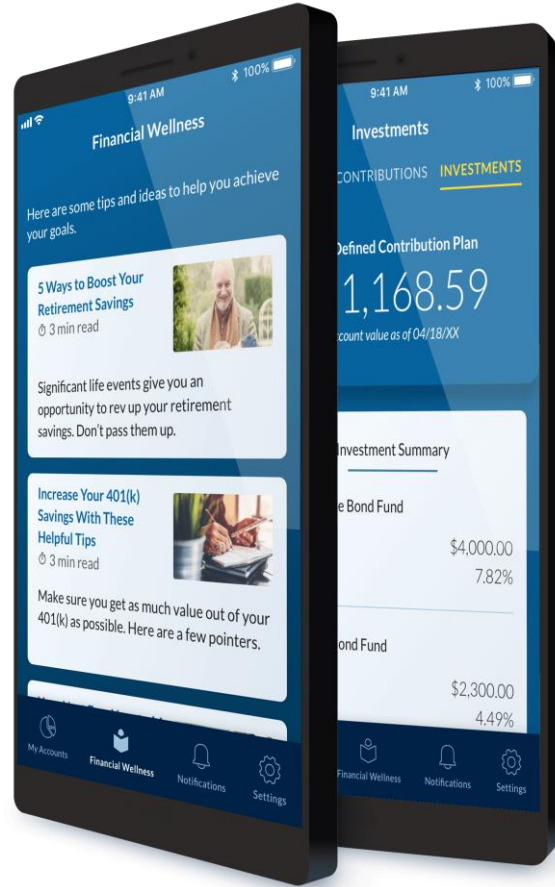
Access your account—register online

- Track your account balances and performance
- Make changes to your investments
- Perform transactions
- Update your contact information
- Get electronic delivery of all of your account info

prudential.com/online/retirement



Access your account – on the go!



- Designed with ease-of-use and convenience in mind
- Log in with a thumbprint or facial recognition
- Track account balances and personal performance
- Get financial wellness information
- Available for iOS and Android

prudential.com/app



Access your accounts – My Accounts

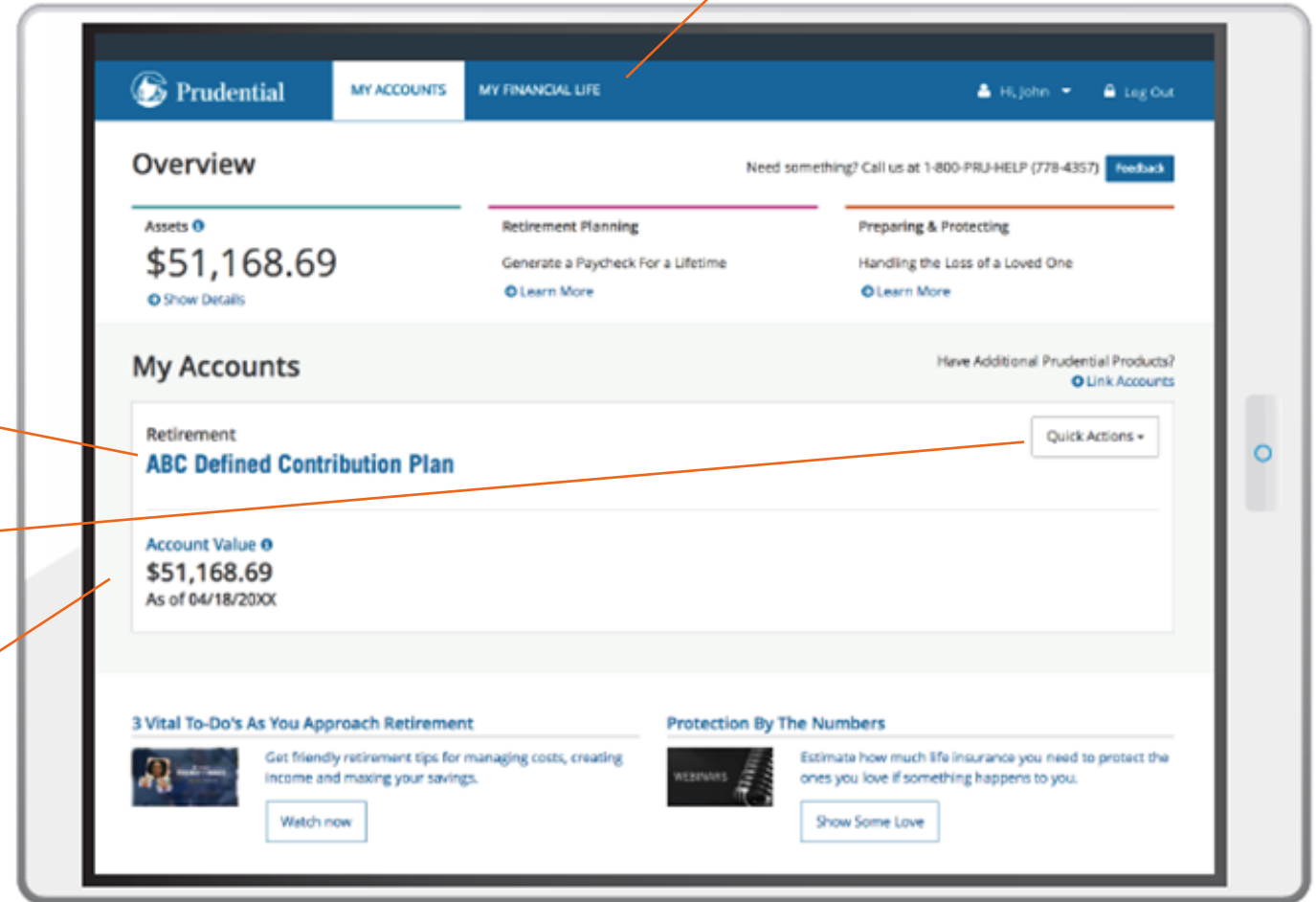
One click access to My Financial Life

The **My Accounts** homepage provides a consolidated view of all your Prudential accounts.

Plan Name hyperlinks to your Retirement plan home page

- Drop down access includes
- View Account Details
 - Go to Payment Settings
 - View/Print Statement & Documents

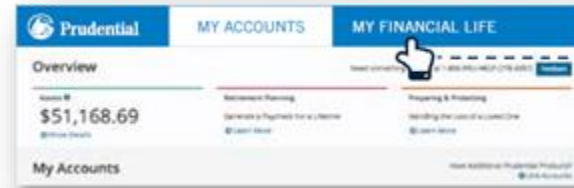
Displays account value



Access education & tools – My Financial Life

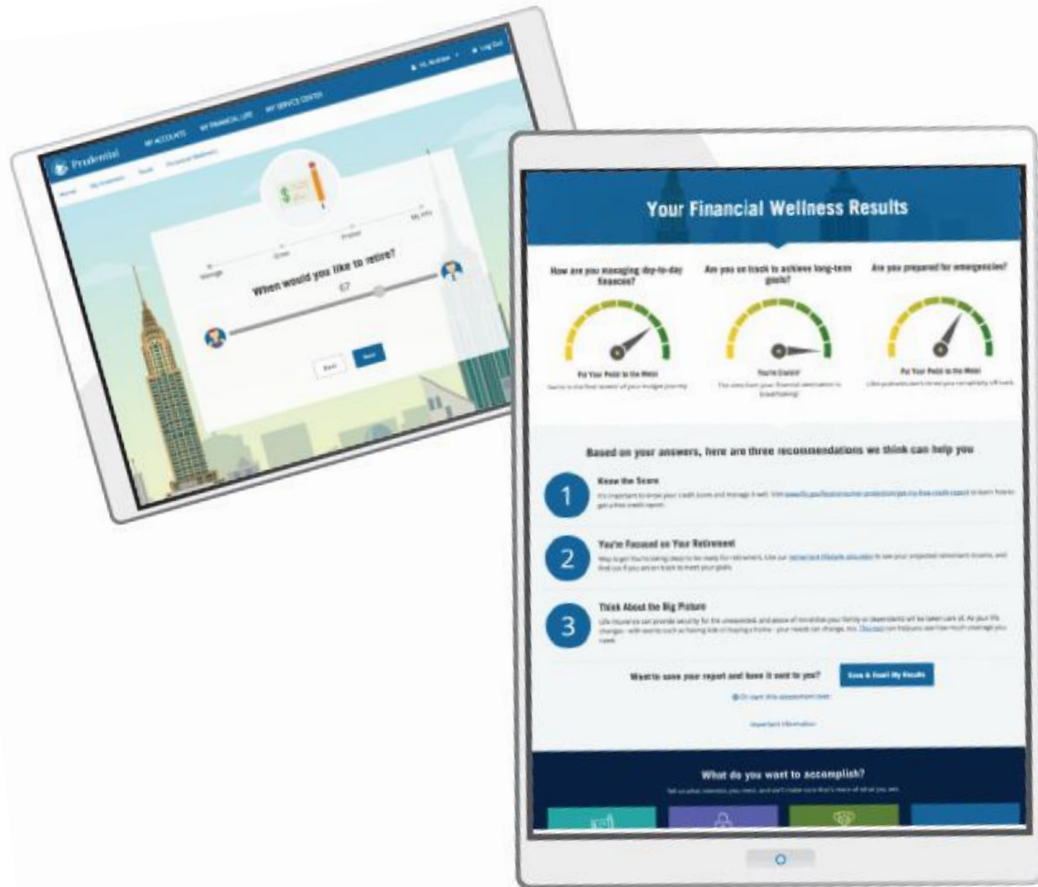
The **My Financial Life** tab contains education and tools and is accessible anytime, from any device.

Just log in to get started.



prudential.com/online/retirement

Access tools – Financial Wellness Assessment



Financial Wellness Assessment tool

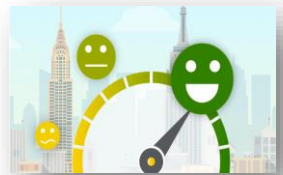
Answer a few simple questions to get personalized tips for:

- Managing day-to-day finances
- Achieving long-term savings goals
- Preparing for emergencies

To access the Financial Wellness Assessment Tool

Go to: My Accounts ▶ My Financial Life

▶ Tools ▶ **Tool: Financial Wellness Assessment**



Access tools – Set goals



Let My Interests help you stay focused

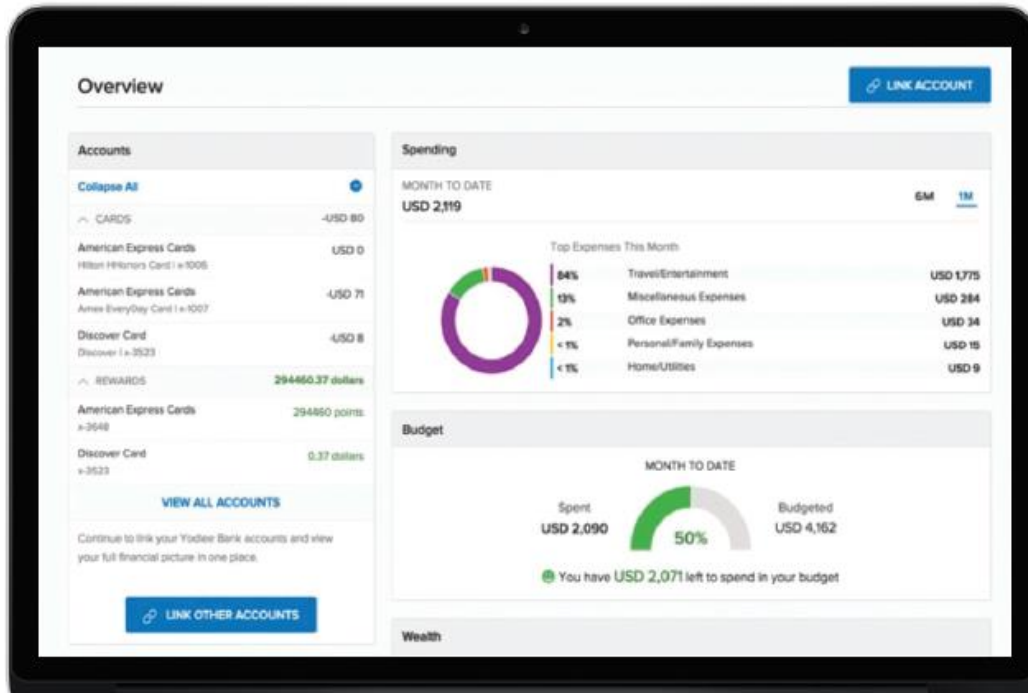
- Select the goals most important to you
- Helps personalize content to your interests
- Keeps your priorities front and center

To access My Interests

Go to: My Accounts My Financial Life

My Interests

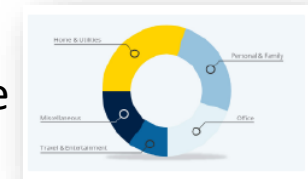
Access tools – budgeting tool



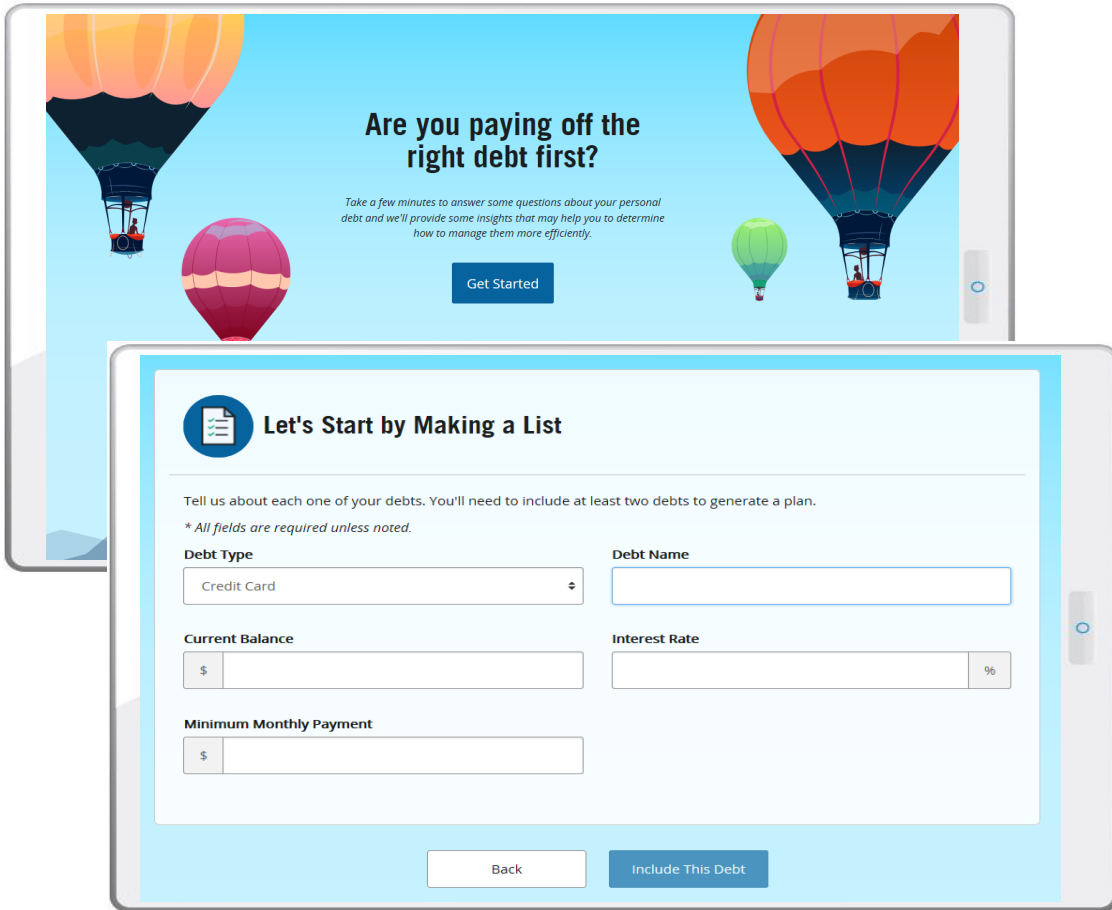
Aggregating your accounts with the budgeting tool

- Manage your personal finances and budget in one place
- Track spending by category
- Get a consolidated view of bank and credit card accounts

To access the Plan a Budget tool
Go to: My Accounts My Financial Life
 Tools **Keep track of your money**



Access tools – Debt management tool



Try Debt Manager

- Helps determine what debt to pay first
- Easy to use
- Immediate recommendations

To access the Debt Manager tool
Go to: My Accounts ▶ My Financial Life
▶ Tools ▶ **Tool: Debt Manager**



Access tools – Student Loan Assistance

VAULT ADVISOR

WEB TOOL

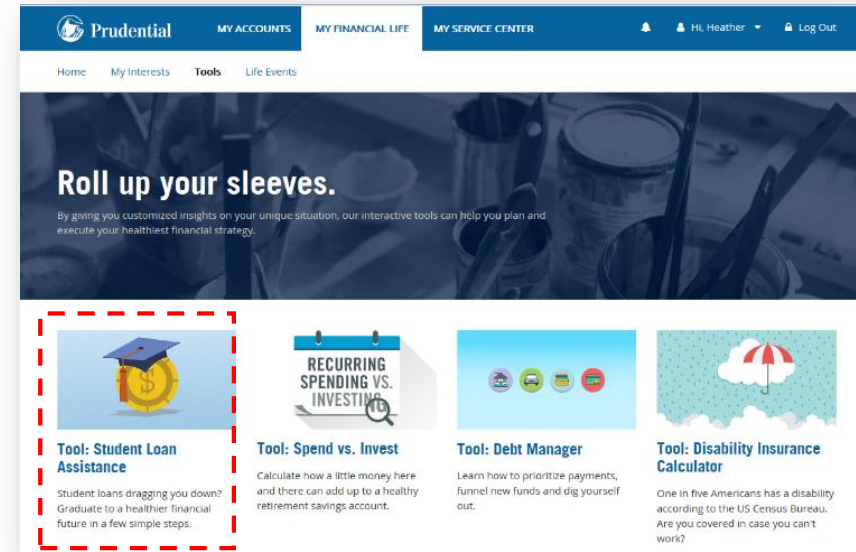
- Choose your goal – lower payment, pay off faster, refinance
- Compare and choose the most appropriate of 70+ repayment scenarios

IMPACT CALCULATOR

- Measure the impact of a repayment choice

1:1 SUPPORT

- Virtual 1:1 repayment counseling



To access the Student Loan Assistance tool
Go to: My Accounts ▶ My Financial Life
▶ Tools ▶ **Tool: Student Loan Assistance**



Notes: Student Loan Assistance is provided via a third-party vendor; pilot results based on five current customer pilots (one pilot began in Q4 2016 and four in Q1 2017)
Student loan assistance is offered through Vault. Vault is not an affiliate of Prudential Financial.

Account tools to stay connected and informed



- prudential.com/online/retirement
- Mobile app
- Amazon Alexa skill
- Retirement statement
- Toll-free number 877-778-2100

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Amounts withdrawn before age 59½ may be subject to a 10% federal income tax penalty, applicable taxes and plan restrictions. Withdrawals are taxed at ordinary income tax rates. Penalty does not apply to 457(b) plans.

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