RETIREMENT SERVICES

Strategies for managing risk

Always Designing for People®

All investments have some risk

In general, the more risk an investment carries, the greater the potential for a higher return. Investments with less risk generally offer lower potential return.

Market risk – the change in the value of an investment in response to stock market conditions. An investment's value may be up or down depending upon market conditions.

Inflation risk – the risk that your money may not maintain its purchasing power due to inflation.

Your ideal asset allocation is the mix of investments that work best for your long-term goals. Asset allocation does not guarantee a profit or protect against loss in declining markets.

Remember your retirement savings goals

Saving for retirement is a long-term goal. Your retirement savings may be invested for 30 years or more. However, during times of market volatility, it may be tempting to stop saving or change your investment strategy. Instead:

- Avoid reacting emotionally to market changes.
- Keep a long-term view of retirement saving in mind.
- Remember that selling investments during a market decline can lock in losses.

Know and monitor your risk tolerance

Know how much risk you are comfortable with and monitor it over time.

- Your tolerance for risk may change, so you may wish to rethink your risk tolerance regularly.
- Diversifying can help manage market risk, and knowing your investor type can help you maintain a comfortable level of risk and invested to outpace inflation.
- If you have questions about company stock and how it can affect your retirement savings, please consult with your Plan Administrator or Financial Advisor.

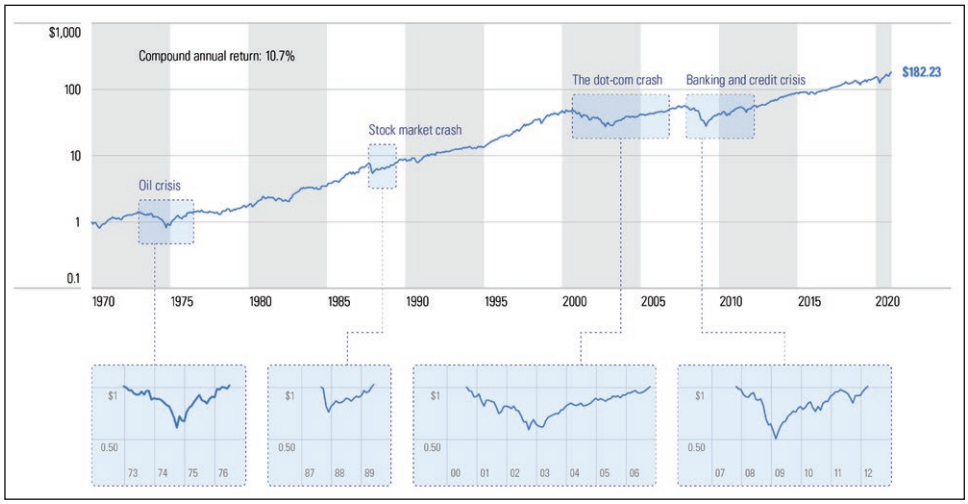
The Personal Investor Profiler on page 5 can help you create an asset allocation that may be right for your needs and goals.

Invest for the long-term

The expression "buy low, sell high" is a common investing strategy. Selling investments after a stock market drop means the investor may be losing money by selling shares for less than they were purchased, along with locking in the loss by exiting the market. Instead, keep in mind:

- Riding out periods of market declines may offer the opportunity to recover losses.
- Historically, patient investors have been rewarded by the long-term performance of the stock market despite occasional and sometimes severe market volatility, as shown in the chart.

LONG-TERM STOCK MARKET PERFORMANCE
January 1970 – December 2020



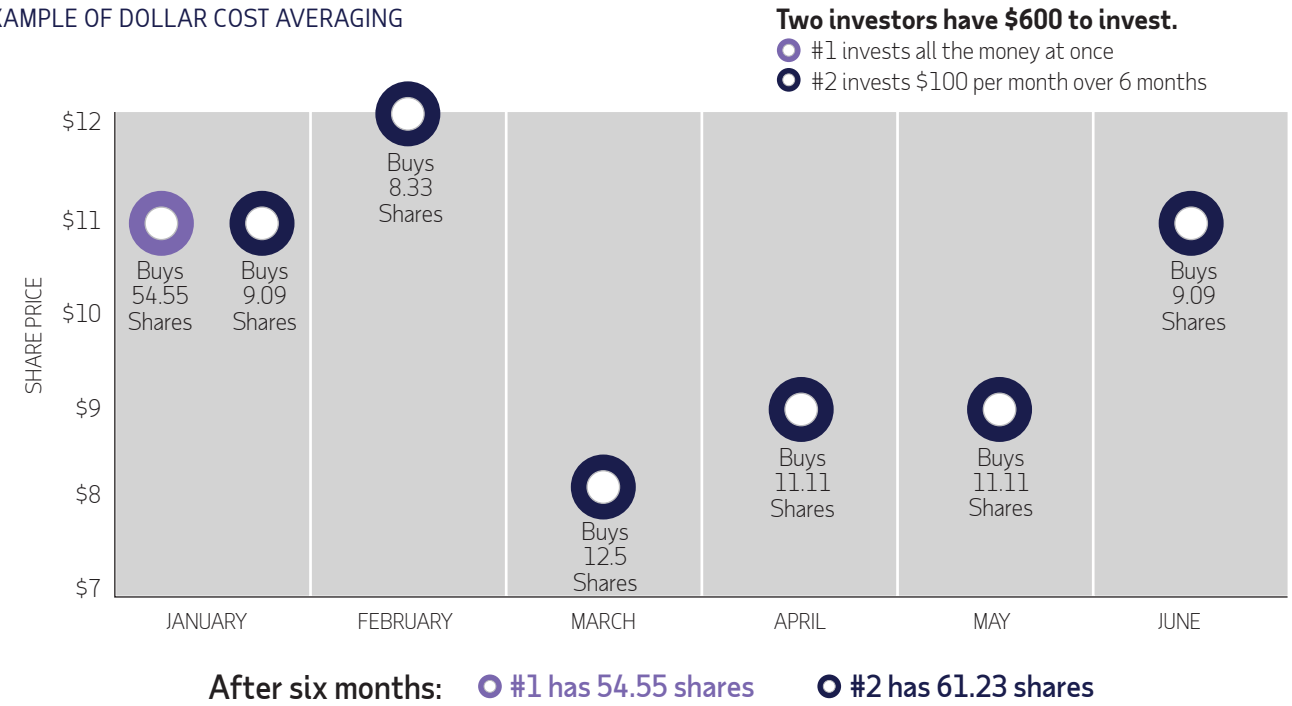
The graph illustrates the growth of $1 invested in U.S. large stocks at the beginning of 1970, and four major market declines that have occurred subsequently, including the recent banking and credit crisis. Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Four market crises defined as a drop of 25% or more in the Ibbotson® Large Company Stock Index.

Invest regularly to leverage dollar cost averaging

You can benefit from investing regularly over the long-term through dollar cost averaging. Here's how:

- When you save in your retirement plan, you invest regularly through automatic payroll deductions. Your regular contributions buy shares of investments.
- Investing the same amount at regular intervals can help your money buy more shares if prices are low and fewer shares if prices are high.
- The sum of all the shares purchased over time divided by the number of shares purchased is the average price per share. This is called dollar cost averaging.
- Dollar cost averaging may help you purchase more shares at a lower price than purchasing all your investments at once.

EXAMPLE OF DOLLAR COST AVERAGING



This is for illustrative purposes only and not indicative of any investment. Dollar cost averaging does not assure a profit or protect against loss in declining financial markets. There is no guarantee your balance will increase over time.

Taking time to **understand and manage risk** can help you achieve your future financial goals

The Personal Investor Profiler

PERSONAL INVESTOR PROFILE

The asset allocations provided by this Personal Investor Profile are provided for educational purposes only and should not be construed as investment advice. In applying any asset allocation model to your individual situation, you should consider your other assets, income and investments in addition to any balance you may have in a retirement plan. See your financial advisor before making any decision as to your asset allocation.

Answer the following questions with the corresponding point value to determine your investor profile score.

1. How would you best describe your investment experience and knowledge?

- I am very experienced and knowledgeable about investments. *(4 points)*
- I have some experience and knowledge about investments. *(2 points)*
- I have very little or no investment experience and knowledge. *(0 points)*

2. The main objective for my account is to:

- Avoid losses. *(0 points)*
- Keep pace with inflation. *(2 points)*
- Keep pace with the stock market. *(4 points)*

3. If my account lost 30% of its value over a short period of time, I would be:

- Extremely uncomfortable – I cannot accept large short-term losses. *(0 points)*
- Slightly uncomfortable – I may be ok with a short-term loss as long as I have time to regain those losses. *(2 points)*
- Comfortable – Because I have time to regain those losses. *(4 points)*

4. I am willing to accept a greater risk of losing money in my account for the potential of higher long-term returns:

- Strongly Agree *(4 points)*
- Agree *(3 points)*
- Neutral *(2 points)*
- Disagree *(1 point)*
- Strongly Disagree *(0 points)*

5. My account has $100,000 in it. I would move my money to a lower risk investment if it lost _____ in one year. *(Fill in the blank.)*

- $5,000 (5%) *(0 points)*
- $10,000 (10%) *(1 point)*
- $15,000 (15%) *(2 points)*
- $20,000 (20%) *(3 points)*
- I would not move my money at all. *(4 points)*

6. When attempting to achieve my investment goals:

- I do not want my account to lose any value, even if it will take longer to achieve my investment goals. *(0 points)*
- I will accept small fluctuations in my account's value. *(1 point)*
- I will accept moderate fluctuations in my account's value. *(2 points)*
- I will accept large fluctuations in my account's value. *(3 points)*
- I will accept extreme fluctuations in my account's value. *(4 points)*

Total the points for your score.

Your Score

The Personal Investor Profiler – continued

Find your total score in the chart below, along with your retirement timeline, to see what type of investment profile may be best for you. This chart should only serve as a guide to help you determine your own investing comfort zone.

YEARS TO MY RETIREMENT	MY INVESTOR SCORE				
	0-2 points	**3-8 points**	**9-16 points**	**17-21 points**	**22-24 points**
0-3 years	Conservative	Conservative	Conservative	Conservative	Conservative
3-5 years	Conservative	Moderate Conservative	Moderate Conservative	Moderate Conservative	Moderate Conservative
5-7 years	Conservative	Moderate Conservative	Moderate	Moderate	Moderate
7-12 years	Conservative	Moderate Conservative	Moderate	Moderate Aggressive	Moderate Aggressive
12+ years	Conservative	Moderate Conservative	Moderate	Moderate Aggressive	Aggressive

The results of this quiz are intended to help you identify what type of investor you may be. This quiz is not intended to recommend a particular asset allocation or to provide individual advice.

Profiles

Conservative Profile

This profile may be right for you if you want to avoid a potential loss of account value, or if you are nearing retirement. You should be willing to go without the potential for higher long-term returns in exchange for a more stable and predictable return.

Moderate Conservative Profile

This profile may be right for you if your primary goal is to avoid short-term losses. However, you also want higher long-term returns to offset the effects of inflation. Your account will likely have relative stability, but in order to keep up with inflation, some fluctuations in your account value should be expected.

Moderate Profile

This profile may be right for you if you are interested in balancing your level of risk and return. You want to have returns in excess of inflation and an increase in your account value over the long term, and, you should be willing to accept short-term losses and fluctuations in your account value.

Moderate Aggressive Profile

This profile may be right for you if you have more time until retirement and can tolerate higher-than-average fluctuations in your account value. This type of allocation provides the potential for higher-than-average returns over the long term. You should be willing to accept short-term losses and less stable returns.

Aggressive Profile

This profile may be right for you if you are willing and able to stay the course through short-term gains and losses because you want the potential for higher returns over the long term. You should have a long time until retirement and a high tolerance for risk. You should be willing to accept frequent short-term losses and extreme fluctuations in account value.

Investor Profiles

Match your investor profile to one of the sample asset allocation models.

Conservative	Moderate Conservative	Moderate	Moderate Aggressive	Aggressive
20% Equity	40% Equity	60% Equity	75% Equity	90% Equity
69% Fixed Income	53% Fixed Income	37% Fixed Income	25% Fixed Income	10% Fixed Income
11% Cash or Cash Equivalents	7% Cash or Cash Equivalents	3% Cash or Cash Equivalents	0% Cash or Cash Equivalents	0% Cash or Cash Equivalents

LOW — RISK/REWARD POTENTIAL — HIGH

■ Equity ■ Fixed Income ■ Cash or Cash Equivalents

These risk-based asset allocation models were created using the following three asset classes: Domestic Equity; Intermediate-Term Domestic Bond; and Cash Equivalents (Money Market).

Maintain your asset allocation

Changes in the stock market can alter your asset allocation over time, as illustrated in the chart. Once you have decided your asset allocation, it is important to keep it aligned with your risk tolerance and investing goals:

- An imbalance in your account allocation can expose you to more risk than you are comfortable with and impact your investment results.
- You can rebalance your account yourself by regularly reviewing your allocation and making necessary adjustments.
- Or, you can elect the automatic Account Rebalancing feature to rebalance your account. This feature allows you to rebalance your account according to your original allocation as often as quarterly, semi-annually or annually. You can find more information and elect this feature online at www.My.ADP.com.

Diversification does not assure a profit or protect against market loss.

You can elect the automatic **Account Rebalancing** feature to rebalance your allocation regularly.

ADP RETIREMENT SERVICES 71 Hanover Road Florham Park, NJ 07932

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Go to **https://bit.ly/Achieve401kResources** to access helpful retirement resources and planning tools.

You can also scan the QR code from your camera or QR code reader.

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