

# Glossary of terms

*Definitions as of 11-19-2020.*

## 12b-1 fee

A fee assessed on certain mutual funds or share classes permitted under an SEC rule to help cover the costs associated with marketing and selling the fund. 12b-1 fees may also be used to cover shareholder servicing expenses.

## A

### Accidental death and dismemberment (AD&D)

Coverage available on a life or disability policy, or an option benefit, which pays scheduled amounts in the event of an accidental death or dismemberment.

### Active management

The trading of securities to take advantage of market opportunities as they occur, in contrast to passive management. Active managers rely on research, market forecasts and their own judgment and experience in selecting securities to buy and sell.

### Activities of daily living (ADLs)

Routine daily activities essential to self-care and independent living, including: bathing, dressing, toileting, continence, transferring, mobility and eating.

### Adjusted gross income

An amount used in the calculation of income tax liability. Gross income (salary, dividends and interest, capital gains, business income, etc.) less certain adjustments.

### After-tax return

The return on an investment taking into account the effect of any taxes due.

### Agency issues

Debt securities (bonds) issued by various agencies of the U.S. government, such as the Federal National Mortgage Association, the Government National Mortgage Association and the Federal Home Loan Bank.

### Aggressive

An investment approach that accepts above-average risk of loss in return for potentially above-average investment returns.

### Aggressive growth fund

A mutual fund whose investment objective is long-term capital growth. Aggressive growth funds carry a high degree of risk. Mutual funds are sold by prospectus; a prospectus contains complete information on risks, fees and expenses, and should be read carefully before investing.

### Alternate care facility

A non-nursing home facility that offers around-the-clock personal assistance that can't be provided effectively in your home.

### AMEX Major Market Index (XMI)

An index that is an average of 20 blue chip industrial stocks.

### Amortized cost

If the deviation between the portfolio's amortized value per share and its market-based net asset value per share results in material dilution or other unfair results to shareholders, the portfolio's board will take action to counteract these results, including potentially suspending redemption of shares or liquidating the portfolio.

### Annual report

A yearly report or record of an investment's (e.g., a mutual fund's or company's) financial position and operations.

### Annual rate of return

The annual rate of gain or loss on an investment expressed as a percentage.

### Annuity

A contract issued by a life insurance company designed to provide regular payments immediately, or at some point in the future. As a long-term savings vehicle, a deferred annuity may be fixed or variable. A fixed annuity provides for a guaranteed minimum amount of interest, whereas a variable annuity's earnings are based on the performance of the underlying subaccounts. Any earnings accumulate tax-deferred until withdrawn.

### Annuity commencement date

The date set forth in the annuity contract on which annuity payments will start. Also known as the "annuity start date."

### Appreciation

An increase in the value of an investment.

### Asset transfer program

The portfolio is subject to unique risks because of its use in connection with certain guaranteed benefit programs, frequently associated with insurance contracts. To fulfill these guarantees, the advisor may make large transfers of assets between the portfolio and other affiliated

portfolios. These transfers may subject the shareholder to increased costs if the asset base is substantially reduced and may cause the portfolio to have to purchase or sell securities at inopportune times.

### **Assessment**

The process of placing a value on an asset.

### **Asset**

Something of value.

### **Asset allocation**

A method of investing that distributes assets among different asset classes, such as stocks, bonds and cash. The goal of asset allocation is to help manage the risk of the overall portfolio. Doesn't ensure a profit or protect against loss.

### **Asset class**

There are three broad asset classes: stocks, bonds and cash/cash equivalents.

### **Assisted daily living facility**

A housing facility which provides food, shelter and limited personal care along with the capacity to respond to unscheduled medical needs.

### **Attending physician statement (APS)**

A report completed by a physician, documenting the current and prior health history of a patient. This report is used in underwriting applications for life and disability insurance, and for processing claims under life and disability insurance.

### **Average annual total return**

The yearly average percentage increase or decrease in an investment's value that includes dividends, gains and changes in share price.

## **B**

### **Back-end load**

A fee imposed by some funds when shares are redeemed (sold back to the fund) during the first few years of ownership. Also called a contingent deferred sales charge.

### **Balanced fund**

A fund with an investment objective of both long-term growth and income, through investment in both stocks and bonds.

### **Bank loans**

Investments in bank loans, also known as senior loans or floating-rate loans, are rated below-investment grade and may be subject to a greater risk of default than are investment-grade

loans, reducing the potential for income and potentially leading to impairment of the collateral provided by the borrower. Bank loans pay interest at rates that are periodically reset based on changes in interest rates and may be subject to increased prepayment and liquidity risks.

### **Banker's acceptances**

A short-term credit investment that is created by a non-financial firm and whose payment is guaranteed by a bank. Often used in importing and exporting and as a money market fund investment.

### **Barclay's Capital Aggregate U.S. Bond Index**

A common index widely used to measure performance of U.S. bond funds.

### **Basis point**

One-hundredth of one percent, or 0.01 percent. For example, 20 basis points equal 0.20 percent. Investment expenses, interest rates and yield differences among bonds are often expressed in basis points.

### **Bear market**

An extended period of declining values in the financial markets, usually by 20 percent.

### **Benchmark**

A reference point that is chosen for the purposes of comparing related values.

### **Beneficiary**

The person, persons or entity designated to receive benefits upon the death of the insured.

### **Benefit period**

The length of time specified in a policy that benefits will be paid to an insured.

### **Blue chip stock fund**

A mutual fund that consists of a portfolio of large or well-known companies for the purposes of achieving growth. Refer to the fund's prospectus for complete information on risks, fees and expenses.

### **B of A Merrill Lynch High Yield Master Index**

An index used to gauge the general performance of high yield (junk) debt securities. An index is unmanaged and you cannot invest directly in an index.

### **Bond**

A bond is an IOU issued by a corporation, the government or its agencies. The issuer promises to pay bondholders a stated rate of interest and to repay the principal at maturity.

### **Bond fund**

A fund that invests primarily in bonds and other debt instruments.

## **Bond rating**

A rating or grade that is intended to indicate the credit quality of a bond, considering the financial strength of its issuer and the likelihood that it will repay the debt. Agencies such as Standard & Poor's, Moody's Investors Service, and Fitch issue ratings for different bonds, ranging from AAA (highly unlikely to default) to D (in default).

## **Broker**

A person who acts as an intermediary between the buyer and seller of a security, insurance product or mutual fund, often paid by commission. The terms broker, broker-dealer and dealer are sometimes used interchangeably.

## **Brokerage firm**

A firm that sells securities. Brokerage firms are most known for the sale of stock.

## **Brokerage window**

A plan feature that permits participants to purchase investments that are not included among the plan's general menu of designated investment alternatives.

## **Bull market**

A good market in which prices of securities increase greatly over a specific time period.

## **Business overhead expense**

Coverage that helps keep a business operating when a business owner is disabled. Provides short-term benefits to cover fixed operating expenses during total or partial disability.

## **C**

### **Capitalization**

The total market value of a company's outstanding equity.

### **Capital appreciation**

Capital appreciation is the increase in the value of your original investment.

### **Capital appreciation fund**

An investment fund that seeks growth in share prices by investing primarily in stocks whose share prices are expected to rise.

### **Capital gain**

An increase in the value of an investment, calculated by the difference between the net purchase price and the net sale price.

### Capital loss

The loss in the value of an investment, calculated by the difference between the purchase price and the net sale price.

### Capital preservation

An investment goal or objective to keep the original investment amount (the principal) from decreasing in value.

### Cash drag

The portfolio may fail to meet its investment objective because of positions in cash and equivalents.

### Cash equivalent

An investment that is short term, highly liquid and has high credit quality.

### Cash refund annuity

An annuity that makes periodic payments for the life of an individual and a benefit payable to a beneficiary upon death equal to the premium(s) paid less payments made to the individual.

### Cash reserves

Cash deposits, short-term bank deposits, money market instruments and Treasury bills.

### Cash surrender value

The amount of money that an insurance policy owner will receive as a refund if the policy owner cancels certain types of insurance policies.

### Cash transactions

Redemptions of exchange-traded fund shares for cash, rather than in-kind securities, may require the portfolio to sell securities. This may increase shareholder tax liability, potentially through capital gain distributions.

### Certificates of deposit (CD)

A savings instrument offered by a bank that offers a specified interest rate for a specified period of time. Bank CDs are FDIC insured and offer a fixed rate of return.

### Claim

A request for payment under the terms of a policy.

### Closed-end fund (CEF)

A type of fund that offers only a fixed number of shares, usually sold through a brokerage firm by a broker.

### Closing price

The price of a stock or other security at the end of the day.

### **Cognitive impairment**

A diminished mental capacity such as difficulty with short-term memory, often associated with Alzheimer's Disease or Senile Dementia.

### **Collective investment fund**

Investments created by a bank or trust company for employee benefit plans, such as 401(k) plans, that pool the assets of retirement plans for investment purposes. They are governed by rules and regulations that apply to banks and trust companies instead of being registered with the SEC. These funds are also referred to as collective or commingled trusts.

### **Commercial papers**

Short-term debt (due in less than 90 days) issued by corporations. Commercial paper has no collateral backing it.

### **Commission**

Compensation paid to a broker or other salesperson for his or her role when investments are bought or sold.

### **Commodity**

Investments in commodity-related instruments are subject to the risk that the performance of the overall commodities market declines and that weather, disease, political, tax and other regulatory developments adversely impact the value of commodities, which may result in a loss of principal and interest. Commodity-linked investments face increased price volatility and liquidity, credit and issuer risks compared with their underlying measures.

### **Common stock**

The shares offered by a corporation giving a shareholder partial ownership of the company as well as privileges including voting rights and receipt of dividends.

### **Community-based care setting**

Programs which provide services at a convenient location in the community. Commonly these programs provide assistance with meals, transportation or homemaking and also may include professional nursing or therapy services provided by licensed care givers in the home.

### **Company stock fund**

A fund that invests primarily in employer securities that may also maintain a cash position for liquidity purposes.

### **Competing funds**

An investment fund that is identified by the investment manager of another fund that is subject to special rules relating to an investor's ability to buy and sell investments between the two funds. See Equity wash restriction.

## Compounding

The cumulative effect that reinvesting an investment's earnings can have by generating additional earnings of their own.

## Compound interest

Interest earned on the original investment and accumulated earnings.

## Conflict of interest

A conflict of interest may arise if the advisor makes an investment in certain underlying funds based on the fact that those funds are also managed by the advisor or an affiliate or because certain underlying funds may pay higher fees to the advisor. In addition, an advisor's participation in the primary or secondary market for loans may be deemed a conflict of interest and limit the ability of the investment to acquire those assets.

## Conservative

An investment approach that accepts lower rewards in return for potentially lower risks.

## Consumer Price Index

An investment approach that accepts lower rewards in return for potentially lower risks.

## Contrafund

A fund with an investing strategy that seeks the stock of out-of-favor companies that have good fundamentals, such as low debt or good potential earnings, in the belief that the stock will increase in value. Refer to the fund's prospectus for complete information on risks, fees and expenses.

## Convertible securities

Investments in convertible securities may be subject to increased interest-rate risks, rising in value as interest rates decline and falling in value when interest rates rise, in addition to their market value depending on the performance of the common stock of the issuer. Convertible securities, which are typically unrated or rated lower than other debt obligations, are secondary to debt obligations in order of priority during a liquidation in the event the issuer defaults.

## Corporate bonds

Debt instruments issued by a private corporation, as distinct from those issued by a government agency or a municipality. Corporates typically have four distinguishing features: (1) they are taxable; (2) they have a par value of \$1,000; (3) they have a term maturity – which means they come due all at once; (4) they are traded on major exchanges.

## Cost of living rider

A benefit that can be added to a disability policy that increases the monthly benefit annually during a claim.

## Country or region

Investments in securities from a particular country or region may be subject to the risk of adverse social, political, regulatory or economic events occurring in that country or region. Country- or region-specific risks also include the risk that adverse securities markets or exchange rates may impact the value of securities from those areas.

## Credit and counterparty

The issuer or guarantor of a fixed-income security, counterparty to an OTC derivatives contract, or other borrower may not be able to make timely principal, interest or settlement payments on an obligation. In this event, the issuer of a fixed-income security may have its credit rating downgraded or defaulted, which may reduce the potential for income and value of the portfolio.

## Credit default swaps

Credit default swaps insure the buyer in the event of a default of a fixed-income security. The seller of a credit default swap receives premiums and is obligated to repay the buyer in the event of a default of the underlying creditor. Investments in credit default swaps may be subject to increased counterparty, credit and liquidity risks.

## Credit quality

Credit quality is a measure of the likelihood that a debt (i.e., bond) issuer will make interest payments on schedule, as well as repay the principal on the promised date. A high-quality rating indicates that the debt issuer may be in a good position to meet interest payments and repay the principal as scheduled.

## Credit risk

The risk of default, in which a bond issuer may not make the complete payments. Any bond mutual fund may risk loss from credit risk.

## Currency

Investments in securities traded in foreign currencies or more directly in foreign currencies are subject to the risk that the foreign currency will decline in value relative to the U.S. dollar, which may reduce the value of the portfolio. Investments in currency hedging positions are subject to the risk that the value of the U.S. dollar will decline relative to the currency being hedged, which may result in a loss of money on the investment as well as the position designed to act as a hedge. Cross-currency hedging strategies and active currency positions may increase currency risk because actual currency exposure may be substantially different from that suggested by the portfolio's holdings.

## Currency risk

Variability in return caused by change in foreign exchange rates.

## Current yield

The current rate of return of an investment calculated by dividing its expected income payments by its current market price.

## Custody

Foreign custodial and other foreign financial services are generally more expensive than they are in the United States and may have limited regulatory oversight. The investment may have trouble clearing and settling trades in less-developed markets, and the laws of some countries may limit the investment's ability to recover its assets in the event the bank, depository or agent holding those assets goes into bankruptcy.

## Custodial care

Custodial care consists primarily of attention to personal needs, such as help in walking, bathing and eating.

## D

### Deferred annuity

An annuity contract under which periodic income payments begin at a future date. See Annuity commencement date.

### Deferred compensation plan

A plan established by an employer to provide benefits to an employee at a later date, such as after retirement.

## Deflation

Deflation is a decrease in the general price level of goods and services.

## Depository receipts

Investments in depository receipts generally reflect the risks of the securities they represent, although they may be subject to increased liquidity risk and higher expenses and may not pass through voting and other shareholder rights. Depository receipts cannot be directly exchanged for the securities they represent and may trade at either a discount or premium to those securities.

## Depreciation

The decrease in the value of a security.

## Derivatives

Investments in derivatives may be subject to the risk that the advisor doesn't correctly predict the movement of the underlying security, interest rate, market index or other financial asset, or that the value of the derivative doesn't correlate perfectly with either the overall market or the underlying asset from which the derivative's value is derived. Because derivatives usually involve a small investment relative to the magnitude of liquidity and other risks assumed, the resulting gain or loss from the transaction will be disproportionately magnified. These investments may result in a loss if the counterparty to the transaction doesn't perform as promised.

## Designated investment alternative

The investment options picked by your plan into which participants can direct the investment of their plan accounts.

## Disability income insurance coverage

Health insurance under which benefits are payable in regular installments designed to replace some of the insured's income when he or she is totally disabled as defined in the policy.

## Distressed investments

Investments in distressed or defaulted investments, which may include loans, loan participations, bonds, notes and issuers undergoing bankruptcy organization, are often not publicly traded and face increased price volatility and liquidity risk. These securities are subject to the risk that the advisor doesn't correctly estimate their future value, which may result in a loss of part or all of the investment.

## Distributions

The amount of money per share of a mutual fund that is paid to shareholders, coming from the income or the interest earned by the securities contained in the portfolio.

## Diversification

Within a fund, diversification is owning securities from a wide variety of unrelated businesses or industries. It allows the investor to help reduce the risk associated with a single security. For example, if one security experiences a price decline, it may be that another security's price will rise, off-setting the decline in the first security. Diversification cannot eliminate the risk of investment losses. Refer to the fund's prospectus for complete information on risks, fees and expenses.

## Dividends

Income distributed to shareholders. Dividends can be received from the ownership of stock or from mutual funds.

## Dollar-cost averaging

A system of investing in which an individual deposits or contributes money into the same investments or mutual fund on a regular basis; usually monthly. This strategy may help lower the average share price of the investment. Using dollar cost averaging doesn't assure a profit or protect against loss in a declining market. Also, using this investment method involves continuous investment in securities regardless of fluctuating price levels of securities. Therefore, an investor should consider their financial ability to continue purchasing through periods of low price levels.

## Dollar rolls

Dollar rolls transactions may be subject to the risk that the market value of securities sold to the counterparty declines below the repurchase price, the counterparty defaults on its obligations, or the portfolio turnover rate increases because of these transactions. In addition, any

investments purchased with the proceeds of a security sold in a dollar rolls transaction may lose value.

### Dow Jones Industrial Average

The Dow Jones Industrial Average is considered representative of the general state of the stock market. It's a price-weighted index computed by summing the prices of the 30 companies and then dividing that total by an adjusted value to reflect stock splits over the years.

## E

### EAFE® International

EAFE® International is one of the most widely used benchmarks by international portfolio managers. This is an index created by Morgan Stanley Capital International to track the development markets of Europe, Australia and the Far East. It's widely used as the target to beat for global investing. An index is unmanaged and you cannot invest directly in an index.

### Early close/late close/trading halt

The investment may be unable to rebalance its portfolio or accurately price its holdings if an exchange or market closes early, closes late or issues trading halts on specific securities, or restricts the ability to buy or sell certain securities or financial instruments. Any of these scenarios may cause the investment to incur substantial trading losses.

### Elimination period

The policy deductible, or the amount of time (usually a number of days) before disability or long-term care benefits are paid.

### Emerging markets

Investments in emerging- and frontier-markets securities may be subject to greater market, credit, currency, liquidity, legal, political and other risks compared with assets invested in developed foreign countries.

### Employer securities

Securities issued by an employer of employees covered by a retirement plan that may be used as a plan investment option.

### Endorsement

An endorsement is an addition to your policy.

### Equity

Ownership in property or securities. Generally refers to an asset's market value minus debts against it.

## Equity securities

The value of equity securities, which include common, preferred and convertible preferred stocks, will fluctuate based on changes in their issuers' financial conditions, as well as overall market and economic conditions, and can decline in the event of deteriorating issuer, market or economic conditions.

## Equity wash restriction

A provision in certain stable value or fixed income products under which transfers made from the stable value or fixed income product are required to be directed to an equity fund or other non-competing investment option of the plan for a stated period of time (usually 90 days) before those funds may be invested in any other plan-provided competing fixed income fund, such as a money market fund.

## ERISA

Employee Retirement Income Security Act (ERISA) of 1974.

## Exchange-traded fund (ETF)

An investment company, such as a mutual fund, whose shares are traded throughout the day on stock exchanges at market-determined prices.

## Exchange-traded notes (ETN)

Investments in exchange-traded notes may be subject to the risk that their value is reduced because of poor performance of the underlying index or a downgrade in the issuer's credit rating, potentially resulting in default. The value of these securities may also be impacted by time to maturity, level of supply and demand, and volatility and lack of liquidity in underlying markets, among other factors. The portfolio bears its proportionate share of fees and expenses associated with investment in ETNs, and its decision to sell these holdings may be limited by the availability of a secondary market.

## Event-driven investment/arbitrage strategies

Arbitrage strategies involve investment in multiple securities with the expectation that their prices will converge at an expected value. These strategies face the risk that the advisor's price predictions will not perform as expected. Investing in event-driven or merger arbitrage strategies may not be successful if the merger, restructuring, tender offer, or other major corporate event proposed or pending at the time of investment is not completed on the terms contemplated.

## Execution

The term used to describe the completion of a transaction in which a stock is sold by a broker and purchased by a shareholder.

## Expense ratio

A measure of what it costs to operate an investment, expressed as a percentage of its assets or in basis points. These are costs the investor pays through a reduction in the investment's rate of return. See Operating expenses and Total annual operating expenses.

## Expenses

Mutual fund shareholders pay expenses that go towards the operation and management of a fund. Refer to a fund's prospectus for complete information on risks, fees and expenses.

## Extension

The issuer of a security may repay principal more slowly than expected because of rising interest rates. In this event, short- and medium-duration securities are effectively converted into longer-duration securities, increasing their sensitivity to interest-rate changes and causing their prices to decline.

## F

### Federal Deposit Insurance Corporation

A federal agency that insures money on deposits in member banks and thrift institutions.

### Financial Industry Regulatory Authority (FINRA)

A self-regulatory organization for brokerage firms doing business in the United States. FINRA operates under the supervision of the SEC. The organization's objectives are to protect investors and ensure market integrity.

### Financial sector

The financial sector is a category of the economy made up of firms that provide financial services to commercial and retail customers. This sector includes banks, investment funds, insurance companies and real estate.

### Financial statements

The written record of the financial status of a fund or company, usually published in the annual report. The financial statements generally include a balance sheet, income statement, and other financial statements and disclosures.

### Fixed annuity

An annuity contract in which the insurance company makes fixed or guaranteed payments to an individual for the term of the contract.

### Fixed income fund

A fund that invests primarily in bonds and other fixed-income securities, often to provide shareholders with current income.

### Fixed income securities

The value of fixed-income or debt securities may be susceptible to general movements in the bond market and are subject to interest-rate and credit risk.

## Fixed return investments

An investment that provides a specific rate of return to the investor.

## Foreign securities

Investments in foreign securities may be subject to increased volatility as the value of these securities can change more rapidly and extremely than the value of U.S. securities. Foreign securities are subject to increased issuer risk because foreign issuers may not experience the same degree of regulation as U.S. issuers and are held to different reporting, accounting and auditing standards. In addition, foreign securities are subject to increased costs because there are generally higher commission rates on transactions, transfer taxes, higher custodial costs, and the potential for foreign tax charges on dividend and interest payments. Many foreign markets are relatively small, and securities issued in less-developed countries face the risks of nationalization, expropriation or confiscatory taxation, and adverse changes in investment or exchange control regulations, including suspension of the ability to transfer currency from a country. Economic, political, social or diplomatic developments can also negatively impact performance.

## Forwards

Investments in forwards may increase volatility and be subject to additional market, active management, currency, and counterparty risks as well as liquidity risk if the contract cannot be closed when desired. Forwards purchased on a when-issued or delayed-delivery basis may be subject to risk of loss if they decline in value prior to delivery, or if the counterparty defaults on its obligation.

## Front-end load

A sales charge on mutual funds or annuities assessed at the time of purchase to cover selling costs.

## Fund family

A group or "complex" of mutual funds, each typically with its own investment objective, and managed and distributed by the same company. A fund family also could refer to a group of collective investment funds or a group of separate accounts managed and distributed by the same company.

## Fund of funds

A mutual fund, collective investment fund or other pooled investment that invests primarily in other mutual funds, collective investment funds or pooled investments rather than investing directly in individual securities (such as stocks, bonds or money market securities). A fund of this nature may be more expensive than other investment options because it has additional levels of expenses.

## Futures contract

Futures contract is a standardized contract between two parties to buy or sell a specified asset of standardized quantity and quality for a price agreed upon today (the futures price or strike price) with delivery and payment occurring at a specified future date, the delivery date.

## G

### **Glide path**

The change over time in a target date fund's asset allocation mix to shift from a focus on growth to a focus on income.

### **Global fund**

A fund that invests primarily in securities anywhere in the world, including the United States.

### **Government securities**

Any debt obligation issued by a government or its agencies (e.g., Treasury bills issued by the United States).

### **Group annuity contract**

An annuity contract entered into between an insurance company and an owner for the benefit of a designated group, such as retirement plan participants.

### **Group insurance**

The type of insurance that provides coverage for a group of people under one contract, called a master contract. The master contract is issued to the group policy holder and the insured group members are not parties to the group contract.

### **Group long-term disability**

Disability income insurance issued as a master policy to an employer to provide income for employees should they suffer a long-term disability.

### **Growth fund**

A fund that invests primarily in the stocks of companies with above-average risk in return for potentially above-average gains. These companies often pay small or no dividends and their stock prices tend to have the most ups and downs from day to day.

### **Growth and income fund**

A fund that has a dual strategy of growth or capital appreciation and current income generation through dividends or interest payments.

### **Growth investing**

Growth securities may be subject to increased volatility as the value of these securities is highly sensitive to market fluctuations and future earnings expectations. These securities typically trade at higher multiples of current earnings than do other securities and may lose value if it appears their earning expectations may not be met.

### **Guaranteed interest account**

An account within a fixed annuity or a variable annuity that's guaranteed by the insurance company to earn at least a minimum rate of interest while invested in the contract.

### **Guaranteed investment contract**

A contract issued by an insurance company that guarantees a specific rate of return on an investment over a certain time period.

### **Guaranteed lifetime withdrawal benefit or Guaranteed minimum withdrawal benefit**

A feature that may be offered under an annuity contract in which the insurance company promises an individual may withdraw a specified amount from an account, even if the account balance is reduced to zero: (1) for the life of the individual, or the joint lives of two individuals (e.g., the individual and spouse); or (2) for a specified period of time.

### **Guarantee of insurability**

An optional disability income policy benefit that enables an insured to make increases to the policy on specified dates with evidence of financial insurability only required. No evidence of medical insurability is required.

### **Guaranteed minimum death benefit**

Variable annuity contract owners may have the option of assuring that their beneficiaries will receive a guaranteed minimum death benefit that protects their principal against market fluctuations. With this option, beneficiaries receive either the contract value on the date the claim is approved or the highest contract value on any policy anniversary date, whichever is greater. There may be an additional cost for this benefit. Refer to the variable annuity's prospectus for complete information on risks, fees and expenses.

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### **Immediate annuity**

An annuity contract under which periodic income payments begin within 12 months of purchase.

### **Inception date**

The date that a fund begins operations.

### **Income**

Stock dividends, bond interest and cash interest.

### **Income fund**

A fund that primarily seeks current income rather than capital appreciation.

### **Income yield**

The portion of the company's return that comes from dividend income.

### **Increase in expenses**

The actual cost of investing may be higher than the expenses listed in the expense table for a variety of reasons, including termination of a voluntary fee waiver or losing portfolio fee

breakpoints if average net assets decrease. The risk of expenses increasing because of a decrease in average net assets is heightened when markets are volatile.

## Index

A measure of securities used for the purposes of comparing the movement of securities of similar companies. An index is not managed and you cannot invest directly in an index.

## Index fund

A fund that specializes in the purchase of securities that match or represent a specific index. These funds charge fees that will reduce overall performance. Refer to the fund's prospectus for complete information on risks, fees and expenses.

## Index correlation/tracking error

A portfolio that tracks an index is subject to the risk that certain factors may cause the portfolio to track its target index less closely, including if the advisor selects securities that are not fully representative of the index. The portfolio will generally reflect the performance of its target index even if the index does not perform well, and it may underperform the index after factoring in fees, expenses, transaction costs, and the size and timing of shareholder purchases and redemptions.

## Individual annuity contract

An annuity contract generally entered into between an insurance company and a person or persons.

## Individual Retirement Account (IRA) or annuity

A retirement savings plan for individuals. There are various types of IRAs, such as traditional and Roth.

## Industry or sector investing

Concentrating assets in a particular industry, sector of the economy or markets may increase volatility because the investment will be more susceptible to the impact of market, economic, regulatory and other factors affecting that industry or sector compared with a more broadly diversified asset allocation.

## Inflation

The loss of purchasing power due to a general rise in the prices of goods and services.

## Inflation/deflation

A change of asset value may occur because of inflation or deflation, causing the portfolio to underperform. Inflation may cause the present value of future payments to decrease, causing a decline in the future value of assets or income. Deflation causes prices to decline throughout the economy over time, impacting issuers' creditworthiness and increasing their risk for default, which may reduce the value of the portfolio.

## **Inflation-protected securities**

Unlike other fixed-income securities, the values of inflation-protected securities are not significantly impacted by inflation expectations because their interest rates are adjusted for inflation. Generally, the value of inflation-protected securities will fall when real interest rates rise and rise when real interest rates fall.

## **Interest**

What a borrower pays a lender for the use of money. This is the income you receive from a bond, note, certificate of deposit or other form of IOU.

## **Interest rate**

Most securities are subject to the risk that changes in interest rates will reduce their market value.

## **Intermediate care**

Intermediate care calls for occasional nursing care on a skilled level.

## **International fund**

A type of mutual fund which invests primarily in foreign stocks. International investing involves special risks not found in domestic investing, including increased political, social and economic instability, differences in regulation of financial data, and reporting and currency exchange differences.

## **Intraday price performance**

The investment is rebalanced according to the investment objective at the end of the trading day, and its reported performance will reflect the closing net asset value. A purchase at the intraday price may generate performance that's greater or less than reported performance.

## **Inverse floaters**

Investments in inverse floaters may be subject to increased price volatility compared with fixed-rate bonds that have similar credit quality, redemption provisions and maturity. The performance of inverse floaters tends to lag fixed-rate bonds in rising long-term interest-rate environments and exceed them in falling or stable long-term interest-rate environments.

## **Investment advisor**

A person or organization hired by an investment fund or an individual to give professional advice on investments and asset management practices.

## **Investment company**

A corporation or trust that invests pooled shareholder dollars in securities appropriate to the organization's objective. The most common type of investment company, commonly called a mutual fund, stands ready to buy back its shares at their current net asset value.

### Investment-grade securities

Investments in investment-grade debt securities that aren't rated in the highest rating categories may lack the capacity to pay principal and interest compared with higher-rated securities and may be subject to increased credit risk.

### Investment objective

Investments in investment-grade debt securities that aren't rated in the highest rating categories may lack the capacity to pay principal and interest compared with higher-rated securities and may be subject to increased credit risk. The goal that an investment fund or investor seeks to achieve (e.g., growth or income).

### Investment return

The gain or loss on an investment over a certain period, expressed as a percentage. Income and capital gains or losses are included in calculating the investment return.

### Investment risk

The possibility of losing some or all the amounts invested or not gaining value in an investment.

### Investor services

Services offered to shareholders, such as telephone transaction services and automatic withdrawal plans.

### IPO

Investing in initial public offerings may increase volatility and have a magnified impact on performance. IPO shares may be sold shortly after purchase, which can increase portfolio turnover and expenses, including commissions and transaction costs. Additionally, IPO shares are subject to increased market, liquidity and issuer risks.

### Issuer

An issuer is a legal entity that develops, registers and sells securities to finance its operations. Issuers may be corporations, investment trusts, or domestic or foreign governments.

## J

### Joint and last survivor annuity

An annuity that provides periodic payments for the joint lives of two individuals with benefits payable upon the death of one individual to the surviving individual at, for example, 50 percent, 75 percent or 100 percent of the original payment amount depending on the terms of the contract.

## K

### Key person policy

An insurance policy that reimburses a business for financial loss during a key employee's disability until recovery or a suitable replacement can be found.

## L

### Large cap

A large-sized company or a mutual fund that invests in the stock of large, established companies. Large-cap is a shortened version of large market capitalization.

### Large cap fund

A fund that invests primarily in large cap stocks.

### Lending

To give for temporary use on the condition that the same or its equivalent be returned.

### Leverage

Leverage is a business term that refers to how a business acquires new assets for startup or expansion. If a business is "leveraged," it means that the business has borrowed money to finance the purchase of assets. Businesses can also use leverage through equity by raising money from investors.

### Lien

A creditor's claim against property. For example, a mortgage is a lien against a house; if the mortgage is not paid on time, the house can be seized to satisfy the lien. Similarly, a bond is a lien against a company's assets; if interest and principal aren't paid when due, the assets may be seized to pay the bondholders. As soon as a debt is paid, the lien is removed. Liens may be granted by courts to satisfy judgments.

### Life annuity

An annuity that makes periodic payments only for the life of one individual. Also known as single life annuity.

### Life expectancy

The age an average person is expected to live, as calculated by an actuary. Insurance companies base their projections of benefit payouts on actuarial studies of such factors as sex, heredity and health habits and base their rates on actuarial analysis. Life expectancy can be calculated at birth or at some other age and generally varies according to age. Life expectancy projections determine such matters as the ages when an individual may start and finish withdrawing funds from an Individual Retirement Account. Annuities payable for lifetimes are usually based on separate male or female tables, except that a qualified plan or trust must use unisex tables.

## Life insurance

A type of insurance that provides a sum of money when the person who is insured dies while the policy is in effect.

## Lifecycle fund

A fund designed to provide varying degrees of long-term appreciation and capital preservation based on an investor's age or target retirement date through a mix of asset classes. The mix changes over time to become less focused on growth and more focused on income. Also known as target date retirement or age-based funds.

## Lifestyle fund

A fund that maintains a predetermined risk level and generally uses words such as conservative, moderate or aggressive in its name to indicate the fund's risk level. Used interchangeably with target risk fund.

## Limited partnership

An organization made up of a general partner who manages a project and limited partners, who invest money but have limited liability, aren't involved in day-to-day management and usually cannot lose more than their capital contribution. Usually limited partners receive income, capital gains and tax benefits; the general partner collects fees and a percentage of capital gains and income. Typical limited partnerships are in real estate, oil and gas and equipment leasing, but they also finance movies, research and development and other projects. Typically, public limited partnerships are sold through brokerage firms, for minimum investments of \$5,000, whereas private limited partnerships are put together with fewer than 35 limited partners who invest more than \$20,000 each.

## Lipper

A leading mutual fund research and tracking firm. Lipper categorizes funds by objective and size, and then ranks fund performance within those categories.

## Liquid asset

Cash or assets easily convertible into cash. Some examples include money-market fund shares, U.S. Treasury bills and bank deposits.

## Liquidity

The degree to which an investment may be quickly sold in exchange for cash.

## Load

A sales charge assessed on certain investments to cover selling costs. A front-end load is charged at the time of purchase. A back-end load is charged at the time of sale or redemption.

## Long run or long term

A period of time in which short-term volatility or risk of the market doesn't play a significant role. Long term can be considered a time period of 10 years or more.

### Longevity risk

The risk that you will live longer than expected with the potential result that you run out of money before you die.

### Long-term outlooks and projections

The investment is intended to be held for a substantial period of time, and investors should tolerate fluctuations in their investment's value.

### Low risk investments

Investments considered stable with respect to capital preservation.

### Lump sum distribution

A single payment to a beneficiary covering the entire amount of an agreement. Participants in individual retirement accounts, pension plans, profit sharing and executive stock option plans generally can opt for a lump sum distribution if taxes aren't too burdensome when they become eligible.

## M

### Maintenance fee

An annual charge to maintain certain types of brokerage accounts.

### Management fee

A fee or charge paid to an investment manager for its services.

### Manager

A mutual fund may be run by one manager or a team of managers who make decisions regarding the fund's portfolio. Holdings are chosen according to the goal of the mutual fund, as stated in the prospectus and according to the manager's unique investment strategy.

### Market

Refers to the exchanges, traders and investors involved in the transfer of goods and services and securities, as in the stock market. The term also may refer to goods and services in general, the producers who produce them and/or the consumers who buy them.

### Market capitalization or market cap

The total market value of a company's outstanding securities, excluding current liabilities.

### Market/market volatility

An investment account whose value fluctuates with the market prices of the specific securities within the account's portfolio and offers no guarantee of principal and interest.

## Market risk

Refers to the potential of loss that is possible as a result of short-term volatility in the stock market. Factors include political, social and economic events.

## Market timing

Market timing involves trying to predict what the market will do and purchasing or selling stocks to benefit from movements of the market. It has not been proven that anyone can time the market successfully for any length of time.

## Market trading

Because shares of the investment are traded on the secondary market, investors are subject to the risks that shares may trade at a premium or discount to net asset value. There is no guarantee that an active trading market for these shares will be maintained.

## Market-valued account

An investment account whose value fluctuates with the market prices of the specific securities within the account's portfolio and offers no guarantee of principal and interest.

## Master/feeder

The master/feeder structure is a technique for structuring investment funds. It allows asset managers to capture the efficiencies of larger pools of assets, while fashioning investment funds to separate market niches. One or more investment vehicles pool their portfolios within another vehicle, and several smaller feeder funds contribute to one master fund.

## Master limited partnership (MLP)

A master limited partnership (MLP) is a limited partnership that's traded publicly on an exchange. An MLP combines tax benefits of a limited partnership with the liquidity offered by publicly traded securities, such as stocks and bonds.

## Maturity

In finance, maturity or maturity date refers to the final payment date of a loan or other financial instrument, at which point the principal (and all remaining interest) is due to be paid. The term fixed maturity is applicable to any form of financial instrument under which the loan is due to be repaid on a fixed date. Annuities have a specific maturity date. You can annuitize your contract at maturity. Monthly income payments are based on the value of the annuity at maturity.

## Mid cap

A medium sized company or a mutual fund that invests almost exclusively in medium sized companies. A company's size is usually determined by the dollar value of its assets and earnings.

## Mid cap fund

A fund that invests primarily in mid-cap stocks.

## Mid cap stocks

Stocks of companies with a medium market capitalization. Mid caps are often considered to offer more growth potential than larger caps (but less than small caps) and less risk than small caps (but more than large caps).

## Money market fund

Money market funds are subject to the risk that they may not be able to maintain a stable net asset value of \$1 per share. Investments in money market funds aren't a deposit in a bank and aren't guaranteed by the FDIC, any other governmental agency or the advisor itself.

## Money market investments

Money market investments are short-term securities that carry little risk, such as banker's acceptances, commercial paper, repos, negotiable certificates of deposit and Treasury bills. Money market mutual funds invest in these types of short-term investments. As a result, the risk of losing any of the principle investment is lower. Although the fund seeks to preserve the value of your investment at \$1 per share, it's possible to lose money. A money market mutual fund isn't insured or guaranteed by the FDIC.

## Morningstar

A leading mutual fund research and tracking firm. Morningstar categorizes funds by objective and size, and then ranks fund performance within those categories.

## Mortgage-backed and asset-backed securities

Investments in mortgage-backed and asset-backed securities may be subject to increased price volatility because of changes in interest rates, issuer information availability, credit quality of the underlying assets, market perception of the issuer, availability of credit enhancement and prepayment of principal. The value of ABS and MBS may be adversely affected if the underlying borrower fails to pay the loan included in the security.

## Mortgage-backed securities

Securities backed by a pool of mortgages. Mortgage payments are "passed through" to the investor. Mortgage-backed securities are primarily issued by federal agencies.

## MSCI EAFE Index

An index known by an acronym for the Europe, Australasia and Far East markets produced by Morgan Stanley Capital International (MSCI). Markets are represented in the index according to their approximate share of world market capitalization. The index is a widely used benchmark for managers of international stock fund portfolios.

## MSCI World Index

An index of major world stock markets, including the United States. The index is a widely used benchmark for managers of global stock fund portfolios.

## Multi-manager

A multi-manager investment is an investment product that consists of multiple specialized funds. Each specialized fund may invest across different sectors and markets, or have managers with different investment styles investing in the same asset class.

## Municipal obligations, leases and AMT-subject bonds

Investments in municipal obligations, leases and private activity bonds subject to the alternative minimum tax have varying levels of public and private support. The principal and interest payments of general-obligation municipal bonds are secured by the issuer's full faith and credit and supported by limited or unlimited taxing power. The principal and interest payments of revenue bonds are tied to the revenues of specific projects or other entities. Federal income tax laws may limit the types and volume of bonds qualifying for tax exemption of interest and make any further purchases of tax-exempt securities taxable.

## Municipal project-specific

Investments in municipal bonds that finance similar types of projects, including those related to education, health care, housing, transportation, utilities and industry, may be subject to a greater extent than general obligation municipal bonds to the risks of adverse economic, business or political developments.

## Mutual company

A life insurance company owned by policy owners rather than stockholders.

## Mutual fund

An investment company registered with the SEC that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal (investment objective). Mutual funds can have actively managed portfolios, where a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively managed portfolios, in which the adviser seeks to parallel the performance of a selected benchmark or index.

## N

### NASDAQ Composite Index

The NASDAQ Composite Index is generally considered representative of high growth stocks. It's a market-weighted index where each company's stock value affects the index in proportion to its market value. An index is not managed and you cannot invest directly in an index.

### Negotiable certificates of deposit

A CD with a very large denomination, usually \$1 million or more. Usually bought by institutional investors. Also called a jumbo CD.

### Net asset value (NAV)

The value of a mutual fund share. Determined by dividing the total value of the fund's assets by the number of outstanding shares. This value is calculated daily by the fund.

## Net assets

The value resulting from assets minus liabilities.

## New fund

Investments with a limited history of operations may be subject to the risk that they don't grow to an economically viable size in order to continue operations.

## New York Stock Exchange Composite Index

The New York Stock Exchange Composite Index is an average of the price changes of all the common stocks listed and traded on the New York Stock Exchange. It's expressed in index points relating the current index value to a base index value. (The base for the NYSE Composite Index was set at 50.00 on Dec. 31, 1965.) The NYSE Composite Index is the only major measure that reflects the whole NYSE market.

## Non-diversification

Non-diversified investment companies usually invest in one specific asset category or industry, and in a few securities within each industry. A non-diversified investment, as defined under the Investment Act of 1940, may have an increased potential for loss because its portfolio includes a relatively small number of investments. Movements in the prices of the individual assets may have a magnified effect on a non-diversified portfolio. Any sale of the investment's large positions could adversely affect stock prices if those positions represent a significant part of a company's outstanding stock.

## No-load mutual fund

A fund that doesn't charge a sales fee. However, funds may charge 12(b)1 fees as well as other management expenses.

## Not FDIC insured

The investment isn't a deposit or obligation of, or guaranteed or endorsed by, any bank and isn't insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other U.S. governmental agency.

## O

### Occupation class

The category assigned to an insured by the insurance company based on the individual's job duties. The insured's category dictates the policy premium and contractual grouping.

### Offering price

The price to buy one share of a specific stock or mutual fund.

## Ongoing expenses

Fund expenses that are incurred annually, including management fees.

## Open-end mutual fund

A mutual fund that doesn't have a fixed number of shares and will offer as many shares as investors are willing to buy.

## Operating expenses

Expenses associated with running or operating an investment fund. Operating expenses may include custody fees, management fees and transfer agent fees. See Expense Ratio and Total Annual Operating Expenses.

## Options

Options are a financial derivative sold by an option writer to an option buyer. The contract offers the buyer the right, but not the obligation, to buy (call option) or sell (put option) the underlying asset at an agreed-upon price during a time period or on a specific date. Investments in options may be subject to the risk that the advisor doesn't correctly predict the movement of an option's underlying stock. Option purchases may result in the loss of part or all the amount paid for the option, plus commission costs. Option sales may result in a forced sale or purchase of a security at a price higher or lower than its current market price.

## Options contract

A contract that allows the holder to buy or sell an underlying security at a given price, known as the strike price.

## Over-the-counter (OTC)

Investments traded and privately negotiated in the over-the-counter market, including securities and derivatives, may be subject to greater price volatility and liquidity risk than transactions made on organized exchanges. Because the OTC market is less regulated, OTC transactions may be subject to increased credit and counterparty risk.

## Own occupation

A term defining the most liberal interpretation of total disability where only one test is applied to determine the insured's eligibility for total disability benefits: the ability to perform the duties of one's own occupation.

## P

### Partial disability

Built into some disability policies, available as a rider with others, this provision pays a portion of the total disability benefit to insureds unable to perform one or more of their occupational duties because of disability.

## Passive management

The process or approach to operating or managing a fund in a passive or non-active manner, typically with the goal of mirroring an index. These funds are often referred to as index funds and differ from investment funds that are actively managed.

## Pension fund

A fund set up by a corporation, labor union, governmental entity or other organization to pay the pension benefits of retired workers.

## Performance

The performance of an investment is the increase (or decrease) in its value over time. Past performance, however, isn't a guaranteed indicator of future performance.

## Period certain

A payment feature that may be available in an annuity contract that guarantees periodic payments for no less than a set period of time. For example, in a life annuity, periodic payments would be made for the longer of either: (1) the guaranteed period, to the individual or a beneficiary, or (2) the life of the individual.

## Policy

Policy is a contract between the insurer and the insured that determines the claims the insurer is required to pay in exchange for premium payments. The insurer pays for claims covered under the policy language. Insurance contracts are designed to meet specific needs and thus have many features not found in many other types of contracts.

## Portfolio

The group of individual securities and/or mutual funds held by a person or an institution.

## Portfolio diversification

In finance and investment planning, portfolio diversification is the risk management strategy of combining a variety of assets to reduce the overall risk of an investment portfolio. Investments that concentrate their assets in a relatively small number of issuers, or in the securities of issuers in a particular market, industry, sector, country or asset class, may be subject to greater risk of loss than is a more widely diversified investment.

## Portfolio manager

The individual, team or firm who makes the investment decisions for an investment fund, including selecting individual investments.

## Portfolio turnover

Portfolio turnover refers to the percentage of stocks or bonds that are bought and sold each year within the fund.

## Prepayment (call)

The issuer of a debt security may be able to repay principal prior to the security's maturity because of an improvement in its credit quality or falling interest rates. In this event, this principal may have to be reinvested in securities with lower interest rates than the original securities, reducing the potential for income.

## Preferred stock

The shares offered by a company that pay a pre-stated dividend, issued before common stock dividends are issued. The benefits of owning preferred stock are realized if the company ever goes bankrupt. If this occurs, preferred stock shareholders receive their money first. Common stockholders may not receive any money, if none remains after paying preferred stockholders.

## Premium

The payment, or one of a series of payments, required by the insurer to put an insurance policy in force and keep it in force.

## Pre tax

Most contributions are made to a retirement plan before taxes are calculated. Your taxable pay is reduced by the amount contributed to a retirement plan. Taxes will be due upon distribution.

## Price appreciation

Price appreciation is the increase in the value of your original investment.

## Price earnings ratio

Ratio of the price of a stock to the total earnings of the company. Companies with very high ratios are considered to be overpriced. Company stocks with a low ratio are considered undervalued and potentially good investments. Mutual funds with a value investment strategy seek a portfolio consisting of stocks which have low ratios, with the expectation that they will increase in price.

## Price fluctuation

Price fluctuation refers to changes in the price of a security. Stocks tend to have more price fluctuation than bonds, although any security that is actively traded will experience changes in price.

## Price-to-book ratio

A measure of the current price of a stock compared to its book value (assets minus liabilities). Price-to-book ratios are one commonly used measure to determine whether stocks are "cheap" or "expensive."

## Price-to-earnings ratio

The current stock price divided by annual earnings per share. Price-to-earnings calculations are one measure used to determine whether stocks are "cheap" or "expensive."

### Price-to-sales ratio

A measure that compares the sales per share to the market price of a stock. This measure is used to identify the relative value of stocks within a common industry.

### Pricing

Some investments may not have a market observed price; therefore, values for these assets may be determined through a subjective valuation methodology. Fair values determined by a subjective methodology may differ from the actual value realized upon sale. Valuation methodologies may also be used to calculate a daily net asset value.

### Principal

The original amount of money invested or loaned.

### Property inventory

A written record of personal property owned, along with price paid and current value, used for tax or insurance purposes.

### Prospectus

A formal written offer to sell securities, which sets forth the plan for a proposed business enterprise or the facts concerning an existing one that an investor needs to make an informed decision. Prospectuses also are issued by mutual funds, describing the history, background of managers, fund objectives, a financial statement and other essential data including the risks and fees associated with investing. The prospectus contains financial information and a description of the company's business history, officers, operations, pending litigation (if any) and plans (including the use of the proceeds from the issue). Offerings of limited partnerships also are accompanied by prospectuses. Real estate, oil and gas, equipment leasing and other types of limited partnerships are described in detail and pertinent financial information, the background of the general partners and supporting legal opinions also are given. A prospectus should be read carefully before investing.

## Q

### Quantitative investing

Holdings selected by quantitative analysis may perform differently from the market as a whole, based on the factors used in the analysis, the weighting of each factor and how the factors have changed over time.

## R

### Real Estate/REIT Sector

Concentrating assets in the real estate sector or real estate investment trusts (REITs) may disproportionately subject the portfolio to the risks of that industry, including loss of value because of changes in real estate values, interest rates and taxes, as well as changes in zoning, building, environmental and other laws, among other factors. Investments in REITs may be

subject to increased price volatility and liquidity risk, and shareholders indirectly bear their proportionate share of expenses because of their management fees.

### Recurrent disability

Term used to describe situations where a disability occurs, the insured recovers for a short period of time, then experiences a recurrence of the same or a related disability. Insureds with recurrent disabilities may not have to wait until their elimination period is over before they receive benefits.

### Redemption

To sell fund shares back to the fund. Redemption can also be used to mean the repayment of a bond on or before the agreed upon pay-off date.

### Redemption fee

A fee, generally charged by a mutual fund, to discourage certain trading practices by investors, such as short-term or excessive trading. If a redemption fee is charged it's done when the investment is redeemed or sold.

### Regulation/government intervention

The business of the issuer of an underlying security may be adversely impacted by new regulation or government intervention, impacting the price of the security. Direct government ownership of distressed assets in times of economic instability may subject the portfolio's holdings to increased price volatility and liquidity risk.

### Reinvestment

Payments from debt securities may have to be reinvested in securities with lower interest rates than the original securities.

### Replication management

The investment doesn't seek investment returns in excess of the underlying index. Therefore, it will not generally sell a security unless it was removed from the index, even if the security's issuer is in financial trouble.

### Repos

A contract in which the seller of debt securities, usually Treasury bills, agrees to buy them back at a specified time and price. Also known as a repurchase agreement or buy back.

### Residual disability benefit

Built into some policies, available as an option with others, this benefit pays the insured a portion of the total disability benefit after a return to work based on the percentage of income lost due to the disability.

### Restricted/illiquid securities

Restricted and illiquid securities may fall in price because of an inability to sell the securities when desired. Investing in restricted securities may subject the portfolio to higher costs and liquidity risk.

### Return

The gain or loss on an investment. A positive return indicates a gain, and a negative return indicates a loss.

### Risk

Uncertainty regarding the expected rate of return and/or principal value or loss of an investment.

### Risk tolerance

The ability of an investor to tolerate the risk of losing money for the potential to make money.

### Round trip restriction

A policy that limits the number of times an investor can exchange into and out of a fund within a given time frame. This is intended to discourage frequent trading that increases the costs to all the fund's investors.

### Russell 2000® Index

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8 percent of the total market capitalization of the Russell 3000® Index. As of the latest reconstitution, the average market capitalization was approximately \$580 million.

## S

### Statement of additional information (SAI)

Statement of additional information, which can be requested in addition to the prospectus.

### SEC-required performance

There may be two sets of performance numbers shown for a registered insurance product, such as a variable annuity or mutual funds. The first set, which is obligatory, called SEC required performance numbers, includes deduction of the surrender charges along with all the usual charges that apply if one withdraws funds early (within one, five or 10 years of the last calendar quarter, or since inception). The SEC required performance also is called standardized performance. The second set of performance figures, which is optional but must be used in conjunction with the SEC required performance numbers, doesn't include surrender charges but does include the other charges and fees that must apply to the contract.

### Sales charge

A charge for buying an investment.

## Sampling

Although the portfolio tracks an index, it maintains a smaller number of holdings than the index. Use of this representative sampling approach may lead the portfolio to track the index less closely.

## Sector funds

A type of mutual fund that invests in the stocks of companies representing a specific industry, such as technology, utilities or health care. Funds that concentrate investments in one industry may carry greater risk than more broadly diversified funds.

## Securities

Stocks, bonds or other types of investments that represent equity ownership or a debt obligation. The holdings of a mutual fund are securities.

## Securities and Exchange Commission (SEC)

The Securities and Exchange Commission is a commission created by Congress to regulate the securities markets and protect investors. The SEC doesn't guarantee an investor against the loss of money from an investment.

## Separate account

An insurance company account that's segregated or separate from the insurance company's general assets. Also refers to a fund managed by an investment adviser for a single plan.

## Share

A representation of ownership in a company or investment fund.

## Share class

Some investment funds and companies offer more than one type or group of shares, each of which is considered a class (e.g., Class A, advisor or institutional shares). For most investment funds each class has different fees and expenses, but all the classes invest in the same pool of securities and share the same investment objectives.

## Shareholder

What an investor who holds mutual fund or stock shares is called.

## Shareholder activity

Frequent purchases or redemptions by one or multiple investors may harm other shareholders by interfering with the efficient management of the portfolio, increasing brokerage and administrative costs and potentially diluting the value of shares. Additionally, shareholder purchase and redemption activity may have an impact on the per-share net income and realized capital gains distribution amounts, if any, potentially increasing or reducing the tax burden on the shareholders who receive those distributions.

## Shareholder-type fees

Any fee charged against your investment for purchase and sale, other than the total annual operating expenses.

## Short sale

In finance, a short sale is the sale of an asset not owned by the seller. The seller effects this type of sale by borrowing the asset to deliver it to the buyer. Selling securities short may be subject to the risk that an advisor doesn't correctly predict the movement of the security, resulting in a loss if a security must be purchased on the market above its initial borrowing price to return to the lender, in addition to interest paid to the lender for borrowing the security.

## Short term

Usually one year or less, often used to refer to bonds or loans.

## Short-term disability

Usually associated with group insurance, this type of insurance pays a monthly benefit for total disability after a brief waiting period for a short period of time (typically up to three, six, nine or 12 months).

## Small cap

Refers to either small companies or mutual funds that hold the stock of small companies. Small caps have higher volatility and higher potential for greater capital gains. The illiquidity of the small-cap market may adversely affect the value of these investments so that shares, when redeemed, may be worth more or less than their original cost. Many small-cap funds come under the heading of an aggressive growth mutual fund.

## Small-cap fund

A fund that invests primarily in small-cap stocks.

## Small-cap stocks

Stocks of companies with a smaller market capitalization. Small caps are often considered to offer more growth potential than large caps and mid caps, but with more risk.

## Socially conscious

Adhering to social, moral or environmental criteria may preclude potentially profitable opportunities in sectors or firms that would otherwise be consistent with the investment objective and strategy.

## Sovereign debt

Investments in debt securities issued or guaranteed by governments. These are subject to the risk that an entity may delay or refuse to pay interest or principal on its sovereign debt because of cash flow problems, insufficient foreign reserves, or political or other considerations. In this event, there may be no legal process for collecting sovereign debts that a governmental entity has not repaid.

## S&P 500 Index

The S&P 500 Index is considered the most accurate reflection of the U.S. stock market. It's the benchmark used to judge overall performance of money management. It's a large capitalization market-weighted index where each company's stock value affects the index in direct proportion of the company's market value relative to the total market value of the index. An index is unmanaged and you cannot invest directly in an index.

## S&P BARRA Growth

The S&P BARRA Value is a capitalization-weighted index comprised of stocks of the S&P 500 with high book-to-price ratios relative to the S&P 500 as a whole. Each company of the S&P 500 is assigned to either the value or growth index so the sum of the two indices reflects the total S&P 500.

## S&P BARRA Value

The S&P BARRA Value is a capitalization-weighted index comprised of stocks of the S&P 500 with high book-to-price ratios relative to the S&P 500 as a whole. Each company of the S&P 500 is assigned to either the value or growth index so the sum of the two indices reflects the total S&P 500.

## S&P Midcap 400 Index

The S&P Midcap 400 Index is a widely recognized, unmanaged index of 400 medium capitalization stocks.

## Stable value fund

An investment fund that seeks to preserve principal, provide consistent returns and liquidity. Stable value funds include collective investment funds sponsored by banks or trust companies or contracts issued by insurance companies.

## Statement of additional information (SAI)

A statement of additional information (SAI) is a supplementary document to the prospectus of a mutual fund or variable annuity that contains additional information about the fund and further disclosure regarding its operations. A statement of additional information can be requested in addition to the prospectus.

## Stock company

A company initially funded by the sale of ownership shares (stock) in a corporation.

## Stock fund

A fund that invests primarily in stocks.

## Stock symbol

An abbreviation using letters and numbers assigned to securities to identify them. Also see ticker symbol.

## Stocks

A stock investment represents ownership in a public company.

## Structured products

A structured product, also known as a market-linked investment, is a pre-packaged investment strategy based on a single security, a basket of securities, options, indices, commodities, debt issuance or foreign currencies and, to a lesser extent, derivatives. Investments in structured products may be more volatile, less liquid and more difficult to price than other assets. These securities bear the risk of the underlying investment as well as counterparty risk. Securitized structured products including CMOs, CDOs and other securitized products may increase volatility and be subject to increased liquidity and pricing risks compared with investing directly in the assets securitized within the product. Assets invested in structured products may be subject to full loss of value if the counterparty defaults on its obligation.

## Suitability

Investors are expected to select investments whose investment strategies are consistent with their financial goals and risk tolerance.

## Summary prospectus

A short-form prospectus that mutual funds generally may use with investors if they make the long-form prospectus and a statement of additional information available online or on paper upon request.

## Swaps

A swap is a derivative in which two counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. Investments in swaps, such as interest-rate swaps, currency swaps and total return swaps, may increase volatility and be subject to increased liquidity, credit and counterparty risks. Depending on their structure, swaps may increase or decrease the portfolio's exposure to long- or short-term interest rates, foreign currency values, corporate borrowing rates, security prices, index values, inflation rates, credit or other factors.

## T

### Target date

Target-date funds, also known as lifecycle funds, shift their asset allocation to become increasingly conservative as the target retirement year approaches. Investment in target-date funds may lose value near, at, or after the target retirement date, and there is no guarantee they will provide adequate income at retirement.

### Target-date fund

A fund designed to provide varying degrees of long-term appreciation and capital preservation based on an investor's age or target retirement date through a mix of asset classes. The mix changes over time to become less focused on growth and more focused on income. Also known as a lifecycle fund.

### Target-risk fund

A fund that maintains a predetermined asset mix and generally uses words such as conservative, moderate or aggressive in its name to indicate the fund's risk level. Often used interchangeably with lifestyle fund.

### Tax deferred

Federal or state income tax is not paid on contributions or earnings until the money is withdrawn.

### Tax-deferred annuity

There are basically two parts to an annuity contract: the accumulation phase, when deposits are made; and the pay-out phase, when the annuitant receives income. During the accumulation phase of an annuity contract the capital accumulates on a tax-deferred basis. This accumulation isn't taxed until it's withdrawn (at a later date, usually retirement). Withdrawals taken prior to age 59 1/2 may incur a 10 percent federal income tax penalty.

### Tax-exempt securities

Tax-exempt securities could be reclassified as taxable by the IRS or a state tax authority, or their income could be reclassified as taxable by a future legislative, administrative or court action. This may result in increased tax liability as interest from a security becomes taxable, and such reclassifications could be applied retroactively.

### Tax risk

Investors may be liable to pay state and federal taxes on income and capital gains distributions paid out by the investment.

### Technology sector

Concentrating assets in the technology sector may disproportionately subject the portfolio to the risks of that industry, including loss of value because of intense competitive pressures, short product cycles, dependence on intellectual property rights, legislative or regulatory changes, and other factors.

### Temporary defensive measures

Temporary defensive positions may be used during adverse economic, market or other conditions. In this event, up to 100 percent of assets may be allocated to securities, including cash and cash equivalents that are normally not consistent with the investment objective.

### Term life insurance

Life insurance under which the benefit is paid if the insured dies during a specified time period. Benefits aren't payable if the insured survives to the end of the term.

### Ticker symbol

An abbreviation using letters and numbers assigned to securities and indexes to identify them. Also see stock symbol.

## Time horizon

An abbreviation using letters and numbers assigned to securities and indexes to identify them. Also see stock symbol. The amount of time that an investor expects to hold an investment before taking money out.

## Total annual operating expenses

A measure of what it costs to operate an investment, expressed as a percentage of its assets, as a dollar amount, or in basis points. These are costs the investor pays through a reduction in the investment's rate of return. See Expense ratio and Operating expenses.

## Total disability

Insureds are considered totally disabled if they are unable to perform the important duties of their regular occupation because of injury or sickness, aren't working in another gainful occupation and are under a physician's care.

## Treasury bill index (90 days)

A commonly used benchmark to gauge the performance of money market, short-term securities. An index is unmanaged. You cannot invest directly in an index.

## Treasury bills

A negotiable debt obligation issued by the U.S. government and backed by its full faith and credit, having a maturity of one year or less. Treasury bills are exempt from state and local taxes.

## Trustee

A person or entity (e.g., bank, trust company or other organization) that's responsible for the holding and safekeeping of trust assets. A trustee may also have other duties, such as investment management. A trustee that is a "directed trustee" is responsible for the safekeeping of trust assets but has no discretionary investment management duties or authority over assets.

## U

### Underlying funds/Fund of funds

The investment in a mutual fund, a variable annuity's separate account fund or another fund are considered the fund's underlying investments. A fund of funds is an investment strategy in which a fund invests in other types of funds. This strategy invests in a portfolio that contains different underlying assets instead of investing directly in bonds, stocks and other types of securities.

## Unit

A representation of ownership in an investment that doesn't issue shares. Most collective investment funds are divided into units instead of shares. See share.

## Unit holder

An owner of units in an investment. See shareholder.

## Unit class

Investment funds that are divided into units (e.g., collective investment funds) instead of shares may offer more than one type or group of units, each of which is considered a class (e.g., Class A). For most investment funds, each class has different fees and expenses but all of the classes invest in the same pool of securities and share the same investment objectives.

## Unit value

The unit value (accumulation unit or annuity unit) is a standard measurement for exchange. The unit is used to calculate the contract value on the variable portion of a variable annuity or life contract. For example, if you own 100 units of a given fund (or subaccount) and the unit value of each unit is \$2.35, your account value for that fund would be \$235. If the unit value increases to \$3, the value of your account is \$300. It's important to note that the number of units doesn't change; you still own 100 units. The account value equals the unit value x the number of units owned.

## Universal life insurance

A form of life insurance first marketed in the early 1980s that combines the economical protection of term life insurance with a cash value portion. Premiums are invested in a tax-deferred account earning interest. The policy is flexible; that is, as age and income change, a policyholder can increase or decrease premium payments and coverage, or shift a certain portion of premiums into the account, without additional sales charges.

## Unrated securities

Investments in unrated securities may be subject to increased interest, credit and liquidity risks if the advisor doesn't accurately assess the quality of those securities.

## U.S. federal tax treatment

Changes in the tax treatment of dividends, derivatives, foreign transactions and other securities may have an impact on performance and potentially increase shareholder liability. Additionally, this includes the risk that the fund fails to qualify as a regulated investment company, potentially resulting in a significantly higher level of taxation.

## U.S. government obligations

Investments in U.S. government obligations are subject to varying levels of government support. In the event of default, some U.S. government securities, including U.S. Treasury obligations and Ginnie Mae securities, are issued and guaranteed as to principal and interest by the full faith and credit of the U.S. government. Other securities are obligations of U.S. government-sponsored entities but are neither issued nor guaranteed by the U.S. government.

## U.S. Treasury notes

An IOU issued by the U.S. government. These are considered to be generally low risk investments if held to maturity. Notes are issued from 2-10-year time periods.



## Valuation time

Net asset value isn't calculated on days and times when the U.S. exchange is closed, though foreign security holdings may still be traded. In this event, the net asset value may be significantly impacted when shareholders aren't able to buy or sell shares. Conversely, performance may vary from the index if the NAV is calculated on days and times when foreign exchanges are closed.

## Value fund

A fund that invests primarily in stocks that are believed to be priced below what they are really worth.

## Value investing

Value securities may be subject to the risk that these securities cannot overcome the adverse factors the advisor believes are responsible for their low price or that the market may not recognize their fundamental value as the advisor predicted. Value securities aren't expected to experience significant earnings growth and may underperform growth stocks in certain markets.

## Variable annuity

An annuity contract under which the insurance company promises to make payments beginning immediately or at some future date. The value of the annuity and amount of the benefits paid by the insurance company will vary depending on the performance of the investment options.

## Variable-rate securities

Investments in variable-rate securities, which periodically adjust the interest-rate paid on the securities, may be subject to greater liquidity risk than are other fixed-income securities. Because variable-rate securities are subject to less interest-rate risk than other fixed-income securities, their opportunity to provide capital appreciation is comparatively reduced.

## Variable return investments

Investments for which the return isn't fixed. This term includes stock and bond funds as well as investments that seek to preserve principal but don't guarantee a particular return, e.g., money market funds and stable value funds.

## Variable universal life

Variable universal life provides a death benefit where the cash value varies with performance of an underlying portfolio of investments.

## Volatility

The degree to which a securities share price will change in value.

## W

### Waiver of premium

A policy provision that exempts insureds from making premium payments until they recover once they've been disabled for a specified number of days.

### Warrants

Investments in warrants may be subject to the risk that the price of the underlying stock doesn't rise above the exercise price. In this event, the warrant may expire without being exercised and lose all value.

### Whole life insurance

Life insurance under which coverage remains in force during the insured's entire lifetime, provided premiums are paid as specified in the policy.

### Withdrawal

To redeem shares of a mutual fund or stock. In a mutual fund, partial or full redemptions may be made over the phone. Some funds may impose an extra redemption fee to discourage market timers from pulling their money immediately after investing. If this is a fund's policy, it will be stated in the prospectus.

### Wrap fee

A fee or expense that's added or "wrapped around" an investment to pay for one or more product features or services.

### Workers' compensation

A system administered at the state level that provides benefits to workers who are hurt or contract an illness on the job.

## Y

### Yield

The return of an investment expressed as a percentage of cost or market. These include the income or dividends received from a security or mutual fund.

## Z

### Zero-coupon bond

The return of an investment expressed as a percentage of cost or market. These include the income or dividends received from a security or mutual fund. Investments in zero-coupon

bonds, which don't pay interest prior to maturity, may be subject to greater price volatility and liquidity risks than are fixed-income securities that pay interest periodically. Still, interest accrued on these securities prior to maturity is reported as income and distributed to shareholders.

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LCN 3078997-050820