



# UNDERSTANDING HOW IT ALL WORKS

## THE BASICS OF INVESTING

### Brooks Rehabilitation Retirement Plan

As you plan for retirement, it's beneficial to understand how it all works. Start by identifying your financial goals. When do you want to retire and how much of your final salary will you need to live on?

#### LEARN THE KEY CONCEPTS

**Asset allocation** is the process of deciding how much you want to invest in the three main types of investment asset classes: equities (stocks), fixed income (bonds), and cash equivalents (money markets).

**Diversification** represents the different types of stocks, bonds, or cash equivalents you can own. For example, you can invest in small, medium, or large company stocks all within the equity asset class.

**Risk/reward** describes how aggressive or conservative you want to be with your investments. Stocks typically are more risky investments but have the potential to make more money over time. Everyone's risk tolerance is different, and you should seek a comfortable balance that is right for you.

**Rebalancing** is the process of periodically moving money in your portfolio to achieve the asset allocation and diversification you need. Over time, different investments grow at different rates, which can make your portfolio shift. As your time horizon and risk tolerance potentially change, it is a good idea to review and rebalance your portfolio to make sure it is still aligned with your goals.

**Compounding** is a powerful concept that allows your investments' earnings to be reinvested into your account to generate additional earnings. Regular contributions to your account over time allows for more potential compounding and possibly larger growth.

**Dollar cost averaging** means making regular contributions to the same investment over a period of time. Sometimes you may buy at a higher price. Other times you may buy at a lower price. Consistently purchasing the same investment over many years can reduce the average price, which can provide for greater growth over time.

## PLAN FOR THE LONG HAUL

Don't be intimidated. Familiarize yourself with basic investing concepts and gradually expand your knowledge. Consider including some investments in your mix that may carry higher risk and the potential for higher return, provided you have an overall diversified portfolio that can help balance these risks. Focus on long-term goals, not short-term performance, and keep investing steadily to let the power of compounding and dollar cost averaging put time on your side.

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Diversification and dollar cost averaging do not guarantee a profit or protect against a loss in a declining market, so you should consider your ability to continue investing through periods of adverse market conditions.

All investments involve risk, including loss of principal, and there is no guarantee of profits. Investors should carefully consider their objectives, risk tolerance, and time horizon before investing. There is no assurance that any investment will meet its stated objective.

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