

# How to manage investment risk

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Retirement Education for LIFE<sup>SM</sup>

## 1 Identify the main types of investing risk

Fill in the missing risk name (on the left) or risk characteristic (on the right)

1	Volatility	
2		Inflation
3	Business risk	
4	Interest rate risk	
5		Not having enough for retirement

## 2 Possible ways to reduce investment risk

- A Match investments to your time horizon. My time horizon is \_\_\_\_\_ years.
- B Diversification is the principle of \_\_\_\_\_ your assets around, or not putting all your \_\_\_\_\_ in one basket.
- C \_\_\_\_\_ is a system of automatically buying more shares when prices are lower, and fewer shares when prices are higher, by investing fixed dollars amounts at regular intervals
- D Does the method help manage the risk?

## 3 What's best for you?

Things you can do to reduce your investment risk:

- 1 \_\_\_\_\_
- 2 \_\_\_\_\_
- 3 \_\_\_\_\_
- 4 \_\_\_\_\_

Risk Type	Time Horizon	Diversification	Dollar Cost Averaging
Volatility			
Purchasing power			
Business risk			
Interest rate risk			
Accumulation			

## How a small increase could be a big help!

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Deferral Per Pay	Actual Pay Reduction	Annual Deferral	Annual Pay Reduction	Accumulation 20 Years	Accumulation 25 Years	Accumulation 30 Years
\$25	18.75	650	488	30,966	49,468	76,655
\$50	37.50	1,300	975	61,931	98,937	153,310
\$75	56.25	1,950	1,463	92,897	148,405	229,965
\$100	75.00	2,600	1,950	123,862	197,874	306,620
\$125	93.75	3,250	2,438	154,828	247,342	383,275
\$150	112.50	3,900	2,925	185,794	296,810	459,930
\$175	132.79	4,550	3,453	216,759	346,279	536,585
\$200	154.04	5,200	4,005	247,725	395,747	613,240
\$225	175.29	5,850	4,558	278,691	445,215	689,895
\$250	196.54	6,500	5,110	309,656	494,684	766,550
\$275	217.79	7,150	5,663	340,622	544,152	843,205
\$300	239.04	7,800	6,215	371,587	593,621	919,860
\$325	260.29	8,450	6,768	402,553	643,089	996,515
\$350	281.54	9,100	7,320	433,519	692,557	1,073,170
\$375	302.79	9,750	7,873	464,484	742,026	1,149,825
\$400	324.04	10,400	8,425	495,450	791,494	1,226,480
\$425	345.29	11,050	8,978	526,415	840,962	1,303,135
\$450	366.54	11,700	9,530	557,381	890,431	1,379,790
\$460	375.04	11,960	9,751	569,767	910,218	1,410,452

*This table shows the cumulative value of 26 bi-weekly deferral amounts over 20, 25, and 30 years, assuming a compound annual rate of 8% and a 25% federal tax rate, for a single person with an annual salary of \$38,000 and one deduction for federal tax purposes. Actual investment returns will vary from year to year, and the value of your account after the specified periods of years shown in the table may be less or more than the amounts shown. This illustration is hypothetical and is not intended to serve as a projection of the investment results of any specific investment. If fees and expenses were reflected, the returns would have been less.*

### How to use this table

1. In Column B, choose the actual pay reduction that is comfortable for your budget. Underline it.
2. Now circle the amount next to it in Column A.
3. Transfer the amount from Column A to your deferral form, or choose another amount to defer.
4. Experiment with other deferral amounts, and/or number of accumulation years, to see the difference a change in deferral could make for your financial future.

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### Action steps

- Meet with my representative today and review my investment options
- Get more information:
  - With my Retirement Specialist  
Name: \_\_\_\_\_  
Phone # \_\_\_\_\_
  - By phone with Reps-on-Call at 877-677-3678
  - On the Web at: \_\_\_\_\_
- Explore transferring or rolling over my other retirement dollars.
- Attend more workshops to learn about:  
\_\_\_\_\_