 **Glossary of Financial Terms │**

**Asset** An item of value owned; items on a balance sheet showing the book value of property owned.

**Asset Class**

An asset class is a grouping of investments that exhibit similar traits and are subject to the same laws and regulations. Equities (stocks), fixed Income (bonds), cash and cash equivalents, real estate, commodities, futures, and other financial derivatives are examples of asset classes.

**Asset Allocation**

Asset allocation is the implementation of an investment strategy that attempts to balance risk across varied assets asset (cash, stock, bonds), versus reward by adjusting the percentage of each in an investment portfolio according to the investor's risk tolerance, goals and investment time frame.

**Balance**

1. Balancing: Voya Financial Wellness term for Life Stage defined as stage 3 of 5

By Stage 3, many consumers are at established points in their careers, and have family members who rely on them financially. Spending begins to shift more toward experiences rather than on material goods. Retirement begins to feel more real. (All life stages: Starting out, Gaining Momentum, Balancing, Nearing Retirement, Retirement)

1. Balance as: Consumer usage to describe balancing living for today while saving financially for tomorrow.
   * 1. Consumer usage to describe balance your spending and saving.
2. Balance as: Account balance - Check your retirement savings plan balance, make changes to contribution rates and investments

**Beneficiary**

In the financial world, a beneficiary typically refers to someone eligible to receive distributions from a trust, will or life insurance policy. Beneficiaries are either named specifically in these documents or have met the stipulations that make them eligible for whatever distribution is specified.

**Bond**

Bonds provide moderate long-term returns and lower potential overall risk than stocks. Commonly referred to as fixed income, bonds are loans by a corporation or Government. Examples of bonds; cash alternatives like CDs, money market funds, Treasury-bills, US bonds, Treasury inflation protection securities, emerging market bonds and or high yield bonds.

**Cash**

Money in any form, especially that which is immediately available.

**Compounding**

Calculate (earnings, such as interest or dividends) on previously accumulated earnings, e.g., "the yield at which the interest is compounded"

(e.g., based on a $100 monthly contribution with a 6% rate of return compounding monthly over time, in 30 years you would have $57,451)

**Contributions**

Money placed in an individual retirement account (IRA), an employer-sponsored retirement plan, or other retirement plan for a particular tax year. Contributions may be deductible or nondeductible, depending on the type of account.

**Contribution limits**

The amount annually you can contribute to a retirement account. The 401(k) contribution limit for 2020 has been set by the IRS at $19,500. Contribution limits for 403(b) and 457 plans have also been raised from $19,000 to $19,500. 403(b) and 457 plans operate in similar fashion to 401k plans but cover employees of non-profits and the government rather than corporations.

The maximum contribution limit for both Traditional and Roth IRAs for 2019/2020 is $6,000. If you are aged 50+, you can make catch-up contributions to $7,000 annually.

**Catch-up contributions**

A catch-up contribution is a type of retirement savings contribution that allows people aged 50 or older to make additional contributions to their 401(k) accounts and/or individual retirement accounts (IRAs).

**Cybersecurity –** a proactive Cybersafe approach using professional people, processes and technology preventing, detecting and responding to attack.

**Deferred Contribution Plan**

A defined-contribution (DC) plan is retirement plan that's typically tax-deferred, like a 401(k) or a 403(b). An employer-sponsored plan would allow employees to contribute a fixed amount or a percentage of their paychecks into the plan intended to fund their retirements.

**Deferred income tax (tax-deferred)**

A tax-deferred savings plan is an investment account that allows a taxpayer to postpone paying taxes on the money invested including interest, dividends and capital gains, until it is withdrawn after retirement and include Traditional Individual Retirement Accounts (IRAs) and 401(k) plans.

**Distribution & Withdrawals**

A rollover is a distribution and doesn't trigger any penalties because the money is not coming to you. Conversely, a distribution that's categorized as a "withdrawal", the difference is the funds are sent to you and you cash the check and spend the money. An ‘in-service’ withdrawal is when someone takes money before age 59.5 out of their retirement fund. In this case, taxes and penalties for early withdrawal would apply.

**Diversification**

Simply put, diversification is a deep dive to investing, spreading your money and risk out over a number of different investments within a specific category (cash, stocks, bonds etc.)

**Employer contribution, match, company match, employer match**

Employer matching of your 401(k) contributions means that your employer contributes to your retirement savings plan based on how much you contribute. Employer usually matches a % of the contribution, up to a certain point of the total salary.

**Enrollment**

The act of signing up for a benefit. Open enrollment is an employee's annual opportunity to choose a worker benefits including retirement savings plans.

**(Auto) Enrollment**

Automatic enrollment allows an employer to automatically deduct contributions from an employee's wages unless the employee makes an election not to contribute or to contribute a different amount. Auto enrollment serves to overcome a worker’s inaction to save for the future and plans (such as a 401(k) or SIMPLE IRA plan) can have this feature.

**Estate Planning**

Estate planning is the preparation of an individual’s assets in the event of their incapacitation or death. The planning includes the bequest of assets to heirs and the settlement of estate taxes. Most estate plans are set up with the help of an attorney experienced in estate law.

**Fiduciary**

Fiduciary duty is a legal obligation for one party to act in the best interest of another with integrity. The party charged with the obligation is the fiduciary, or one entrusted with the care of property or money.

**Financial Professional**

A financial professional provides expertise and guidance for clients' decisions around personal money matters and investments. They can be independent or work for a larger financial firm.

**Hardship Withdrawals**

An emergency removal of funds from a retirement savings plan and can be penalty free if it meets certain eligibility requirements like a catastrophic loss of home or medical emergencies.

**Interest rate**

It is the rate of interest paid or charged. It’s the amount of interest due per period, as a proportion of the amount lent, deposited or borrowed usually expressed as a percentage of the principal amount.

**Investment elections**

A selection of funds within an investment such as a retirement plan. The plan administrator or investment house will allocate your contributions according to the instructions you provide.

**Individual Retirement Accounts (IRAs)**

Individual retirement accounts or IRAs, boast a wealth of tax benefits that can give your savings a boost. Traditional and Roth IRAs each have benefits and limits, and both can give you a tax-break either now, or later.

* Traditional IRA - your contributions are made before tax so earnings reinvest improving potential savings growth over time.
* Roth IRA - your contributions are made after taxes for a tax-free income in retirement.
* Spousal IRA - If only one spouse earns income, they can contribute to their own IRA and a (non-working) Spousal IRA within the same year.

**Plan administrator**

A plan administrator is the person or company your employer selects to manage its retirement savings plan, e.g., Voya and both employer and administrator work together to ensure the plan meets gov’t regulations.

**Plan sponsor**

A plan sponsor is usually a company or employer—that sets up a healthcare or retirement plan, such as a 401(k), for the benefit of its employees.

**Plan participant**

An employee of a plan sponsor enrolled in one or more of its benefits plans.

**Rebalance**

Rebalancing your portfolio is one of the keys to successful investing over time. Rebalancing means buying and selling certain stocks, funds, or other securities—to help maintain your established asset allocation to get back to your desired goals.

**RMDs (Required Minimum Distributions)**

Required Minimum Distributions (RMDs) for Traditional IRAs are amounts that U.S. tax law requires one to withdraw annually from traditional IRAs and employer-sponsored retirement plans. As of the 2019 SECURE Act, RMDs have changed from age 70.5 to age 72.

**Retirement plan**

A retirement plan can be a 401(k) or IRA or other type of legal retirement plan. Contributing to a plan has tax advantages such as tax-deferred methods of saving, or as with a Roth IRA tax-free withdrawals, varied investment options, and ultimately distribution of money meant to sustain one's self during retirement.

**Risk/Risk Tolerance**

Risk is a part of investing. Risk tolerance is the level of volatility an investor is willing to manage around financial planning and investing.

**Rollover**

A rollover is when funds are removed at the request of its owner, from one eligible retirement plan to another, such as from a 401(k) to a Rollover IRA.

**SECURE Act of 2019**

First major change to retirement system in a decade, the SECURE Act is intended to help address the nation's retirement crisis by expanding access to workplace retirement plans for millions of full- and part-time workers, particularly small business employees, while making changes to existing retirement laws.

**Shares**

Shares represent the proportion of investment and are a unit of ownership in a company that can pay dividends.

**Stock**

A collection of shares in the value of a company, which can be bought, sold, or traded as an investment. Stocks provide the highest long-term return potential and the highest potential risk. Stocks represent ownership in specific companies that make up the asset portfolio.

**Spousal consent**

When one spouse has an employer sponsored retirement account and wants to name another beneficiary in place of, or in addition to, another person(s), spousal consent is required by law.

**Target Date Funds**

Target Date Funds, also called age-based funds, are designed to auto-adjust risk by becoming more conservative as the target date (usually retirement) approaches. You can simply choose the fund with the date closest to when you turn 65 or when you plan to retire. An investment in a target date fund is not guaranteed at any time, including on or after the target date.

**Tax (advisor) professional**

Any tax professional with an IRS Preparer Tax Identification Number (PTIN) is authorized to prepare federal tax returns. Tax professionals with these credentials may represent their clients on any matters including audits, payment/collection issues, and appeals.

**Tax penalty**

The IRS levies tax penalties for a variety of reasons; taxpayers who fail to file tax returns on time, pay late, bounce checks etc., an entire list can be found on irs.gov. Tax penalties also refer to non-eligible early withdrawals from retirement accounts.

**Tax-free**

Tax-free refers to certain types of goods and financial securities (such as municipal bonds) that are not taxed and may incentivize individuals and business entities to increase spending or investing, resulting in economic stimulus. It can also mean in the case of a Roth IRA investment, tax-free withdrawals. Some investments may be federally tax-free, but are still subject to state taxes.

**Tax-deductible**

A tax deduction lowers a person's tax liability by lowering their taxable income. Deductions can be applied against or subtracted from ones gross income in order to figure out how much tax is owed.

**Trust**

A trust is traditionally used for minimizing estate taxes and can offer other benefits as part of a well-crafted estate plan. A trust is a fiduciary arrangement that allows a third party, or trustee, to hold assets on behalf of a beneficiary or beneficiaries.

**Voya Specific Terms:**

The **Voya Cares®** program is committed to being a leader in making a positive difference in the lives of people with disabilities and special needs from birth through aging, by providing advocacy, resources and solutions. This program -- and our level of commitment to this community -- is not only unique to Voya, it’s at the heart of our culture.

**Voya - myOrangeMoney®** is a custom online, interactive experience that helps you shift from money accumulation to retirement income, and you’ll be able to see how much money you may need in retirement and if enough is being saved.

IMPORTANT: The illustrations or other information generated by the calculators are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. This information does not serve, either directly or indirectly, as legal, financial or tax advice and you should always consult a qualified professional legal, financial and/or tax advisor when making decisions related to your individual tax situation.

**Voya Learn** is an educational live and video on-demand coaching platform where virtual training meets retirement planning with access to topics anywhere, anytime.

**Voya Financial Advisors** offers tailored investment advice based on where employees and participants are in life and where they need to go. Financial Professionals are Investment Advisor Representatives of and offer securities and investment advisory services through Voya Financial Advisors, Inc. (member SIPC)

**Voya Specific Terms Continued…**

**Voya - Financial Wellness** is about the healthy balance between living for today while preparing financially for tomorrow. It's not necessarily about being wealthy; it’s about achieving a state of mental well-being where one feels they have control over their current finances, is prepared for the unexpected and has confidence in their financial decisions and their future.

Our multi-channel Financial Wellness Experience™is integrated with myOrangeMoney®, and helps employees address, balance and prioritize competing financial interests. This includes the Financial Wellness Assessmentfor people to get a holistic health check and improve money habits over six pillars of financial health; Protection, Spending & Saving, Emergency Fund, Retirement, Debt and Other Savings.

**Voya Behavioral Finance (Be-Fi)**

Behavioral finance is the study of the influence of psychology on the behavior of investors or financial analysts.

The Voya Behavioral Finance Institute for Innovation is differentiated by its ability to merge behavioral science and retirement outcomes with the speed and scale of the digital world, making it easier for plan participants make smart decisions.  The Institute leads a series of pioneering studies translating into large-scale solutions capable of helping Americans retire better. The Institute supports Voya’s broader mission to make a secure financial future possible - one person, one family, one institution at a time.

**Voya Lifestage Guidance** – Voya segments consumers into 5 distinct life stages defined by vital financial considerations for each specific stage. Age is not a primary factor as anyone can find themselves in a particular life stage based on circumstances. Life stage guidance refers to the educational content around financial wellness applied to each life stage to help them take specific steps to become financially healthier.

**Life Stage Profiles:**

* **Starting out** - Just starting out, these consumers have few personal ties and responsibilities. Externally-driven, they are exploring their world in the hopes of finding their passion and laying a foundation for the rest of their lives.
* **Gaining Momentum** - while those in Stage 2 continue to have their eyes set on the future, they also have the ability to reflect on how much they’ve made and find happiness in the present. Their understanding of success is also changing, allowing other perspectives to extend and grow with them.
* **Balancing -** by Stage 3, many consumers are at established points in their careers, and have family members who rely on them financially. Spending begins to shift more toward experiences rather than on material goods. Retirement begins to feel more real.
* **Nearing Retirement** - Close to retiring, these consumers have been working towards their goals for many years. Although ready to relax and prioritize work less than before, they remain action-oriented when it comes to their finances in order to make sure they actually reach their goals.
* **Retirement -** in this phase we assist in the process of helping individuals execute their retirement income plan and withdrawal strategies.

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