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LEONARD FINANCIAL

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Do You Want to Grab a COLA and Head to GAP?

The financial industry is notorious for using a list of acronyms and lingo to describe the services that we provide. Here are some common terms associated with your retirement plan and what they mean to you.

12b-1 Fee: A fee included as part of the annual operating expenses of an investment used to compensate financial advisors or other intermediaries for marketing/distributing the investment. The 12b-1 fee is included in the internal expense of the investment and not a separate charge.

Administrative Expenses: Fees that may be charged to participant accounts for legal, accounting, administration, and recordkeeping services associated with a plan. These are the fees that were the focus of the participant disclosure regulations.

Annual Operating Expenses: The annual fees associated with investing in an investment, including but not limited to asset management, recordkeeping, legal, accounting, and auditing. The annual fee, also referred to as operating expenses or expense ratio, may include compensation paid to third-parties for distribution of the investment option or other services, 12b-1 fees.

Basis Point: A measurement unit used to express annual operating expenses or investment returns. One basis point is equal to .01%. In other words, 150 basis points is equal to 1.50%.

Contingent Deferred Sales Charge (CDSC): A fee that may be charged in connection with selling an investment. This type of fee, also referred to as a back-end load or redemption fee, typically decreases over time and is disclosed in the investment materials, if applicable. It is also known as a redemption fee.

Cost of Living Adjustment (COLA): COLA is an adjustment made to Social Security and supplemental security income in order to adjust benefits to counteract the effects of inflation. Adjustments are also made to the limits that you are allowed to contribute to your 401(k) plan and individual retirement accounts.

Elective Deferral: A participant-elected contribution that is deposited in the 401(k) plan. If you did not choose to deposit the money into the plan, you could have chosen to receive it in cash in the form of your paycheck.

Gap: Your gap as it pertains to your retirement account is the amount of income that your 401(k) can produce on a monthly basis versus the amount of money that you may need to reproduce 80% of your current monthly salary. The difference between the two numbers is your monthly income gap.



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Individual Expenses: Fees that are generally charged directly to an individual participant's account in connection with actions taken by the participant, such as plan distributions or loans. These fees were also detailed on the participant fee disclosure and should be made known to you as the participant before you request a loan or distribution. This is also known as Participant Expenses.

Market Capitalization: The market value of a company's stock (stock price multiplied by number of outstanding shares). Market capitalization is used to measure the size of a company and is commonly expressed as large cap, mid cap or small cap.

Net Asset Value (NAV): The price of a share or unit of an investment traded in the open market. NAVs are typically calculated as of the close of each business day.

Prospectus: A document that discloses important investor information about an investment, such as objectives, current holdings, and related fees and expenses. There are strict regulatory requirements regarding the information that must be included within a prospectus. Prospectuses must be delivered to you for each investment offered in the plan; the delivery requirements are met through the vendor's website (most common) or in hard copy.

Return: The gain or loss for a specific investment, portfolio of investments, or investment vehicle for a given period of time. This is most commonly expressed as a percent.

Sales Charge: A commission or fee paid to an advisor in connection with the purchase or sale of an investment. Sales charges vary by investment and investment class and are disclosed in the investment materials, if applicable.

Want to learn more about terms and phrases associated with your retirement?

As the Financial Advisors who help represent the participants in your company's retirement plan, we're here to help start or enhance your road to retirement! If you'd like to learn more about how Grinkmeyer Leonard Financial can help you, contact us today or visit us online at www.retirementplanready.com.



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