

Financial terms you need to know.

YourROCKforRETIREMENT

As a retirement investor, it's important that you stay on top of what's going on in the financial markets—especially during difficult economic times. In order to do so most effectively, it's critical that you understand common financial- and investment-related terms frequently used in the media.

To help guide you, we've provided below an explanation of common terms you may hear or read about these days. We've grouped these terms into two categories—those that are related to investments, and those that are related to the economy.

Action Plan for Retirement Investors

- Call **1-877-778-2100** and say "Retirement Counselor" when prompted to obtain complimentary personalized retirement planning assistance.
- Visit **www.prudential.com/prep/yourmoney** for valuable information about investing in these challenging times.
- Use the Retirement Income Calculator (**www.prudential.com/online/retirement**) to help you plan for a secure retirement.

Investment-related terms

- **Asset:** Any item of economic value owned by an individual or corporation. Examples include cash, investments, a house or other property.
- **Asset class:** A type of investment category, such as stocks, bonds and cash equivalents.
- **Bond:** A debt instrument issued by companies, governments and institutions in order to raise money. The investor is lending a certain amount of money (the bond's face value) to the bond issuer. The bond issuer is agreeing to repay the principal amount of the loan at a certain time (maturity date). Prior to maturity, most bonds also periodically pay interest to the investor.
- **Fixed income investment:** An investment that seeks to provide income. Common examples include many bonds, preferred stock and guaranteed funds available through 401(k) and other retirement plans.
- **Mutual fund:** An investment company that combines the money from a large number of investors to buy a variety of "underlying investments," including stocks and bonds.
- **Stable value investment:** Stable value investments emphasize safety of principal while seeking income and liquidity.
- **Stock/equity investment:** When you buy stocks, you are investing directly in the shares of a corporation. Stocks provide investors a chance to participate in the profits—or losses—of those companies.
- **Yield:** The return on an investment.

Economic-related terms

- **Bear market:** A market in which prices trend downward over a prolonged period of time. Since late 2007, U.S. stocks have been in a bear market.
- **Bull market:** A market in which prices trend upward over a prolonged period of time. In the late 1990's, U.S. stocks were in a bull market.
- **Credit crunch:** A period during which it is difficult for individuals or corporations to borrow money—and even if money can be borrowed, the interest rates charged for the borrowed funds are very high. In the U.S., we have been experiencing a credit crunch since late 2007.
- **Deflation:** An economy-wide decrease in prices, often caused by a reduction in the supply of money or credit. Deflation can cause increased unemployment, since there is a lower level of demand in the economy.
- **Economic cycle:** A period of time during which a country's economy moves from strength to weakness—and back to strength. This cycle is an ongoing process. It is nearly impossible to predict the length of any economic cycle, although certain economic indicators can help economists make projections about its duration.
- **Economic indicator:** Any statistic that helps to illustrate the direction of the economy. Examples of economic indicators include the unemployment rate, the Consumer Price Index ("CPI," which measures the prices of certain consumer goods) and the number of classified employment ads.
- **GDP (gross domestic product):** The total market value of what consumers, investors and the government spend in a given period of time.

Economic-related terms (continued)

- **Inflation:** An economy-wide increase in prices, generally due to the passage of time or a decrease in the supply of goods and services. Inflation erodes purchasing power.
- **Liquidity:** The ability to convert an asset to cash quickly. Money deposited in a regular bank account is considered a liquid asset. A house, on the other hand, is not considered a liquid asset, since it takes some time to sell—and if you must sell a house quickly, you often lose money in the process.
- **Recession:** A time frame when there is general economic decline, marked by two or more consecutive quarters of decline in the GDP (gross domestic product). (See the GDP definition above.)
- **Subprime mortgage:** A type of mortgage granted to individuals with low credit ratings, who typically cannot qualify for loans with lower interest rates. Because the default risk on subprime mortgages is greater than that of standard mortgages, lenders charge a higher interest rate on subprime loans.

The support you need to make sense of it all

Prudential Retirement® offers retirement plan investors both online and personalized support to help participants understand today's challenging economic environment—and to support them in their retirement planning decisions.

A valuable online resource

To learn more about investing for the long term in today's volatile investment environment, be sure to visit "Managing Your Money in Difficult Markets," at www.prudential.com/prep/yourmoney. This website offers you a wide selection of tools designed to help you understand the current market conditions—including articles that provide you with valuable information that can help you make wise retirement planning choices.

Personalized assistance when you need it

For one-on-one assistance, you may wish to speak with your financial professional. If you prefer, a Prudential Retirement Counselor would be happy to assist you. Call **1-877-778-2100** and say "Retirement Counselor" when prompted to obtain complimentary personalized retirement planning assistance. Retirement Counselors are available Monday through Friday, from 8 a.m. to 6 p.m. ET.

Through it all, please remember: Planning for retirement is a long-term journey. But by staying on top of current market conditions and learning all you can about their impact, you'll enable yourself to make educated choices that can help you evaluate and implement your personal retirement savings and investment strategy.

This information has been provided for your benefit and is not intended or designed to be investment advice. Neither Prudential Retirement, nor any of its representatives, may give investment advice.

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