



Retirement Choice Glossary

This glossary provides you with a reference to use to help clarify these commonly-used retirement planning terms.

ACTIVELY-MANAGED INVESTMENT

“Active” management involves investing in a range of investments the fund’s managers believe are suitable for the fund’s objective, with the goal of producing gains and minimizing losses. The fund managers make their decisions based on their belief that a particular company, investment sector or asset class gives them the opportunity to deliver returns for the fund.

ANNUITY

An insurance product that guarantees the payment of income for either a stated duration or for a lifetime. Income payments during retirement are based on your contributions and the value of your account at retirement.

ASSET ALLOCATION

An investment process that can be used to balance investment risk versus reward by adjusting the percentage of each asset in an investment portfolio according to your risk tolerance, goals and investment time frame.

ASSET CLASS

A group of securities that exhibits similar characteristics, behaves similarly in the marketplace, and is subject to the same laws and regulations. The three main asset classes are stocks, bonds and money market investments.

BROKERAGE SERVICES

Through Brokerage Services, you can invest in thousands of available mutual funds, many of which have no transaction fees, meaning that you do not pay a fee when you buy or sell the investments.

COMPOUNDING

The process an investment generating earnings which are then reinvested to generate their own earnings.

DEFINED CONTRIBUTION PLAN

The JHU 403(b) Retirement Plan is a defined contribution plan. In this retirement plan both you and the university may

contribute. You choose how the money in your account is invested and bear the investment risk. Your savings are portable when you leave Johns Hopkins University.

DIVERSIFICATION

Diversification basically means “don’t put all your eggs in one basket.” It’s spreading your contributions across different types of investment options to help minimize overall risk.

EQUITY

Stock or any other financial security representing an ownership interest in a company.

FIXED INCOME

A security - often a bond - that pays a fixed rate of return.

403(b) PLAN

Section 403(b) of the Internal Revenue Code allows employees of institutions like Johns Hopkins University to establish tax-deferred retirement plans.

IN-SERVICE WITHDRAWAL

A withdrawal made from a 403(b) plan account before you leave the university. While still employed by the university, an in-service withdrawal of voluntary and rollover contributions can be taken upon reaching age 59 ½.

INCOME DEFERRAL PLAN

The Retirement Plan offered by the university to residents, interns and postdoctoral fellows.

INDEX FUND

An index fund is a fund whose managers attempt to mirror the performance of a specific market index. For instance, a well-known “index” is the Standard & Poor’s 500 (S&P 500), which contains 500 leading companies publicly traded in the U.S. stock market. Because these funds invest in only the stocks in the index, they offer investors performance returns that are similar to the returns from companies in the index.



INVESTMENT EARNINGS

Interest and/or dividend income that you earn on your investment.

INVESTMENT FEES

An investment company usually charges these amounts as a percentage of the total assets under management. Some common fees include charges for investment management, administration and distribution services.

INVESTMENT RISK

The probability that the actual return on an investment is lower than your expectations. All investments have some level of risk based on the unpredictability of the financial markets.

IRS PRE-TAX LIMITS

The Internal Revenue Service sets limits each year on the amount of money you may contribute to a 403(b) Plan. The limit for tax year 2019 is \$19,000, if you are under age 50. If you are age 50 or older, you may also make annual catch-up contributions, up to \$6,000 for tax year 2019.

JHU SELECT FUNDS

A group of investments chosen by the university based on investment performance and cost. This was done in consultation with independent consultants, and approved by the Board of Trustees of the university.

LUMP SUM

A form of payment that allows you to receive your defined contribution benefit in a single payment after you leave Johns Hopkins University.

MONEY MARKET FUND

A fund or annuity that invests in short-term debt instruments. Interest rates change daily, but the Net Asset Value of one share generally stays at \$1.

MUTUAL FUND

An investment made up of a pool of money collected from many investors for the purpose of investing in stocks, bonds or other securities. You own shares of a fund and can buy or sell your shares at any time.

NET ASSET VALUE

A mutual fund's price per share or exchange-traded fund's (ETF) per-share value. In both cases, the per-share dollar amount of the fund is calculated by dividing the total value of all the securities in its portfolio, less any liabilities, by the number of fund shares outstanding.

PARTICIPANT

An employee who is eligible to either make contributions to the retirement plan or to share in the university's contributions to the plan.

PASSIVELY-MANAGED INVESTMENT

A money management strategy that seeks to match the return and risk characteristics of a market segment or index, by mirroring its composition.

The idea is to minimize investing fees and to avoid the adverse consequences of failing to correctly anticipate the future. The JHU Select Funds are passively-managed investments.

PORTABILITY

The ability to take the total value of your benefit with you when your employment ends. The 403(b) Plan offers portability because you can roll over the full value of your account into another tax-qualified plan should you leave Johns Hopkins University for any reason.

PROSPECTUS

A formal legal document that provides details about an investment offering. It is required by and filed with the Securities and Exchange Commission and should contain the facts that an investor needs to make an informed investment decision.

QUALIFIED DEFAULT INVESTMENT ALTERNATIVE (QDIA)

If you fail to direct the investment of all (or any portion) of your 403(b) Plan account, the undirected amounts are invested in a "Qualified Default Investment Alternative" or "QDIA" under the Plan. The QDIAs under the university's 403(b) Retirement Plans are the Vanguard Institutional Target Retirement Funds on the JHU Select Funds menu with TIAA.



REAL ESTATE FUND

A fund that seeks a favorable rate of return by investing in a real estate portfolio, which might include income-producing properties, or larger investments frequently structured through Limited Partnerships.

REBALANCING

The process of buying or selling assets in your retirement account investment portfolio to maintain your desired asset allocation.

REQUIRED MINIMUM DISTRIBUTION

By law, the amount that you must begin withdrawing from certain tax-deferred retirement accounts by April 1 of the year after you turn age 70 1/2. Note: Different rules may apply if you're still working.

RISK TOLERANCE

An investor's ability to handle a decline in his or her portfolio.

ROLLOVER

The direct reinvestment of your Johns Hopkins University retirement benefits into another eligible employer retirement plan or an IRA.

TARGET RETIREMENT FUND

A one-step investing option, offering a diversified portfolio in a single fund. The investment mix gradually becomes more conservative as your year of retirement approaches, reducing overall risk. The year given in the fund name refers to the approximate year you plan to retire.

VESTING

Your right to receive your retirement benefit when you retire or leave Johns Hopkins University. In the 403(b) Plan, you are 100% vested in contributions made by you and the university upon becoming a plan participant.