

Insight

First Quarter 2020



JB Pritzker, Governor



Compounding: It can really grow on you.

Physicist Albert Einstein is credited with saying that compound interest (or simply, compounding) is the most powerful force in the universe.

And over time, compounding can do some pretty amazing things for your retirement savings account—like help increase the value of your account.

Test your compounding knowledge with this compounding Quick Quiz.

A word of caution, though: As powerful as compounding can be, no strategy can guarantee a positive return. Markets do fluctuate, and investments can lose money.

If you have a while before retirement, put aside as much as you can now for maximum potential. The longer you consistently invest, the better the outcome you can create for your retirement savings.

If you're closer to retirement, compounding can still work for you. Try bumping up your contributions. Keep in mind that the IRS will allow “catch-up” contributions if you're 50 or over.

QUICK QUIZ: COMPOUNDING

1. WHO DESCRIBED COMPOUNDING AS “THE MOST POWERFUL FORCE IN THE UNIVERSE”?

- A. Thomas Jefferson
- B. George Washington
- C. Albert Einstein

Answer: C—Albert Einstein.

2. IF YOU INVEST \$20 A MONTH AND ENJOY AN ANNUAL AVERAGE RETURN OF 7%, HOW MUCH MONEY COULD YOU HAVE IN JUST 10 YEARS?

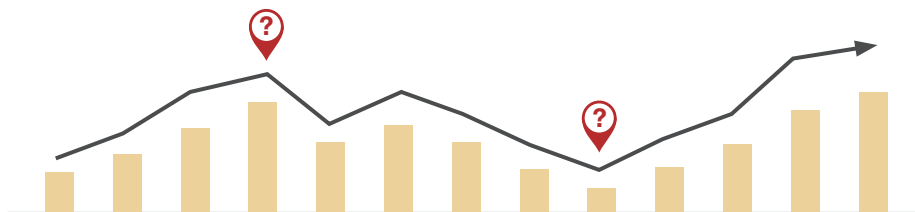
- A. \$1,000
- B. \$2,000
- C. \$3,440

Answer: C—\$3,440. *That's because as your earnings pile up, they earn, too. So even a fairly small invested amount can grow quickly.*

This answer assumes a 7% annual return net of fees, with earnings compounded monthly. This example is for illustrative purposes only and does not represent the performance of any of your Plan's investment options. The \$20 monthly contribution is assumed to be invested at the beginning of each period.

Dollar cost averaging— compounding’s cousin

Is there really such a thing as the “best time” to start investing? Or a “right time” to get out of stock investments **before** the market drops?



QUICK QUIZ: DOLLAR COST AVERAGING

1. IS TIMING FINANCIAL MARKETS A GOOD INVESTMENT STRATEGY?

- A. Yes
- B. Sometimes
- C. No

Answer: C—Even experienced investors can’t always predict which way the markets will go next.

HOW IT WORKS

With dollar cost averaging, you invest the same amount every time—for example, \$100 a month. The table at right shows how \$100 buys fewer shares when the market and share prices are high. And when the market drops, \$100 buys more shares.

By staying in the market and investing consistently, your savings will be there when the market rebounds. And if you contribute regularly to your retirement account, you’re already putting dollar cost averaging to work for you.

Again, a word of caution: No investment strategy can guarantee a profit. It is possible to lose money. But dollar cost averaging can help you take advantage of a down market while being ready for the next upturn.

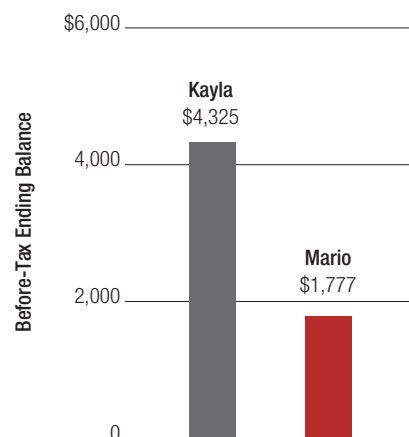
DOLLAR COST AVERAGING

MONTHLY INVESTMENT	SHARE PRICE	NUMBER OF SHARES BOUGHT
\$100	\$10	10.0
\$100	\$8	12.5
\$100	\$5	20.0
\$100	\$5	20.0
\$100	\$8	12.5
\$100	\$10	10.0
Total Investment: \$600	Average Market Price: \$7.67	Shares Purchased: 85

YOUR AVERAGE COST: \$7.06
(\$600 DIVIDED BY 85 SHARES)

This example is hypothetical and is not intended to represent the return of any particular investment.

A PATIENT, LONG-TERM APPROACH COMPARED WITH A MARKET-TIMING APPROACH†



Kayla took the long-term approach. She had many years until she planned to retire and use her savings, so she put her money into stocks—and left it alone for 30 years.

Mario used a market-timing strategy. Since he kept moving his money into and out of the stock market, he ended up missing out on the 10 best-performing months for stocks during that 30-year period.

INFORMATION BUILDS CONFIDENCE

To find out more about how compounding and dollar cost averaging can work for you, visit the Education Library in the Plan & Learn section of the website, and check out articles such as: **Time Is Your Greatest Ally**. Or call a T. Rowe Price retirement specialist at **1-888-457-5770**.

†Source: T. Rowe Price calculated based on the applicable vendor benchmark data.

This example is based on the results of an initial balance of \$250 and uses the performance of the S&P 500 Stock Index from 12/31/1988 to 12/31/2018. In Mario’s case, a corresponding Citigroup 1-Month Treasury Bill Index return was used for each of the 10 months the S&P 500 Stock Index was highest, and it was assumed that Mario’s market-timing strategy had him out of the market during those times.

This chart is for illustrative purposes only. This is not meant to represent the performance of the investment options in your Plan. It is not possible to invest directly in an index.

Past performance can not guarantee future results. Unlike stocks, U.S. Treasury bills are guaranteed as to the timely payment of interest and principal. The S&P 500 Stock Index tracks the stocks of 500 U.S. companies. The Citigroup 1-Month Treasury Bill Index is a short-term U.S. government debt instrument.

All investments involve risk, including possible loss of principal.

Benefit choice period reminder.

The Group Health Insurance Benefit Choice Period is May 1, 2020, through May 31, 2020. Elections will be effective July 1, 2020.

While you don't have to wait until May to make changes to your Plan, it is a good time to review your beneficiary designations. Consider increasing your contribution amounts as well.

Help is here when you need it.

Contact T. Rowe Price

Visit rps.troweprice.com to manage your account, change investment elections, review investment information, use planning tools, and more. Or call **1-888-457-5770** to speak with a T. Rowe Price representative on business days between 6 a.m. and 9 p.m. central time.

Contact CMS

To enroll in the Plan or to change your contribution amount, contact CMS at **1-800-442-1300**. You can download CMS forms at www2.illinois.gov/cms/benefits/Deferred/Pages/DeferredCompensation.aspx.

TELEPHONE NUMBERS	
DEFERRED COMPENSATION Plan Rules/Options Information 1-800-442-1300/1-217-782-7006 TDD/TTY: 1-800-526-0844 Internet: state.il.us/cms/employee/defcom	RECORDKEEPER T. Rowe Price Retirement Plan Services, Inc. Account Value Information and Investment Changes: 1-888-457-5770 or TDD/TTY: 1-800-521-0325 Internet Access: 1-800-541-3022 Internet: rps.troweprice.com

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