THE UNIVERSITY OF NORTH CAROLINA SYSTEM

Retirement Engagement Newsletter
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Photo of Wrightsville Beach, NC

Supplemental Account Enrollment Moves Online

Enrolling in or making changes to your Supplemental UNC 403(b) and 457(b) is now easier than ever! Simply log in to your Institution's Empyrean platform, select 'Change Your Current Benefits,' then choose 'Change in Supplemental Retirement.' The system will guide you through the enrollment or modification process quickly and easily!

Creating a Paycheck in Retirement

Creating a paycheck in retirement is about designing a reliable income strategy that will ensure you have enough money to cover your expenses while maintaining financial security throughout your retirement years. We have broken down the basics of creating a paycheck in retirement and reviewing various incomes sources but it's important to take the time to meet with a Financial Advisor to develop a strategy that works for you based on your goals and objectives.

Non- Portfolio Income Sources

Social Security Benefits
Your Social Security benefit amount is based on your work history and when you elect to begin receiving income. This source of income pays on a monthly basis.

Pensions, Annuities, Rental Income, Part-Time Work
Many retirees may have these sources of income to cover a portion of their spending in retirement. This is typically pays on a monthly basis.

Consolidated Investment Portfolio

Taxable Investment Accounts
A taxable investment account or brokerage account is a flexible, non-retirement account that is used to buy stocks, bonds, and mutual funds. This can pay on a recurring basis or as needed.

Pre-Tax Retirement Account
Pre-tax retirement contributions are funds deducted from an employee's paycheck *before* federal and state taxes are applied, lowering current taxable income.

Examples of a pre-tax retirement account are the UNC Optional Retirement Program (ORP), the UNC 403(b) and the UNC 457(b). Ordinary income taxes are withheld on distributions. These accounts can be paid on a recurring basis or as needed.

Roth Accounts
Roth retirement accounts are a tax-advantaged account funded with after-tax dollars, meaning there is no up-front tax deduction. It's primary benefit is that earnings grow tax-free and qualified withdrawals during retirement are tax-free. Examples of a Roth retirement account are Roth IRA or Roth 401(k). You can choose to make Roth after-tax contributions to the UNC 403(b) and the UNC 457(b) plans. These accounts can be used as supplemental income to minimize taxes.

Tools and Resources Are Available

Take the next step in securing your financial future. Financial Consultants are available from CAPTRUST at Work and TIAA at no-cost to UNC System employees. To schedule a virtual appointment with CAPTRUST at Work, click here. To meet virtually with TIAA, click here.

Understanding Investment Risk

CAPTRUST at Work reminds us that risk is complex and highly individualized. Whether you're constructing a long-term portfolio for growth or prioritizing capital preservation, it's crucial to understand how risk operates- and how it aligns with your overall financial goals.

Risk is commonly associated with market volatility, or more simply, the likelihood of losing money. However, in investing, risk actually refers to the chance that your returns may underperform expectations, or that you could lose part or all of your investment.

No investment is completely risk-free, not even those considered conservative. Given this inherent risk, it's important to understand the various types of risk in personal finance, how to manage them effectively, and how your personal comfort with risk should influence your investment choices.

Risk Types

There are many forms of risk to consider when investing. Here are some examples:

- **Currency Risk** refers to the possiblity that fluctuations in exchange rates between U.S. and foreign currencies could reduce the value of an international investment when measured in U.S. dollars.
- **Default Risk**, also known as credit risk, is the possibility that a bond issuer may fail to make interest payments or repay the principal to bondholders.
- **Inflation Risk** refers to the chance that rising prices across the economy will reduce your ability to buy goods and services.
- **Interest Rate Risk** refers to how changes in prevailing interest rates can impact the value of certain investments, especially bonds. Typically bond prices move in the opposite direction of interest rates- when rates go up, bond prices tend to fall, and when rates go down, bond prices usually rise. This isn't always the case. If you need to sell a bond before it reaches maturity and interest rates have increased since your purchase, you may receive less than your original investment.
- **Liquidity risk** is the possibility that your investments may not be easily converted into cash. In some cases, it also means they might not be converted without a loss of your principal value.
- **Market Risk** involves the potential for an investment to decline in value due to widespread economic, political, or other systemic factors. These factors can affect entire markets, not just individual assets.
- **Political Risk** involves the potential impact of government actions- such as new laws, policy shifts, or changes in foreign leadership- on financial markets, industries or individual companies.
- **Reinvestment Rate Risk** is the chance that future reinvestments may earn a lower return than the original investment. For instance, a five-year bond yielding 3.75 percent might mature at a time when similar new bonds offer only a 3 percent yield, reducing your overall earnings potential.
- **Volatility risk** refers to unpredictable changes in the value of individual stocks or the broader market. Investments with lower price swings tend to be more appropriate for short-term goals, while those with higher volatility may be better suited for long-term strategies where there's more time to recover from dips.

Balancing Risk and Potential Return

In most cases, risk and reward are directly correlated. Typically, this means the more risk you take, the greater your chances of earning higher returns. On the other hand, there is also a greater chance that you will incur losses.

Most people understand this concept because it aligns with our instinct to avoid uncertainty. Still, the possibility of bigger gains often encourages investors to accept more risk. The key is finding the right balance. Your goal is to grow your investments without taking on more risk than is appropriate for your situation.

Risk Tolerance Vs. Risk Capacity

What is traditionally described as risk tolerance can be broken into two concepts. First, risk tolerance is emotional, referring to your comfort level with uncertainty and market swings. If you are losing sleep over your investments, you may be taking on more risk than you can handle.

Risk capacity is your ability to absorb losses based on your age, goals, and time horizon. A 35-year-old who is investing with a goal of retiring in 30 years has a higher risk capacity than a person who is already retired, simply because they have more time to recover from short-term losses and benefit from long-term growth.

Managing Risk with a Diversified Portfolio

Diversification helps reduce risk by spreading investments across different asset classes and types. Since markets don't move in sync, gains in one area can offset losses in another.

Diversification does not guarantee profits or prevent losses, but it helps manage risk. A classic portfolio mix is 60 percent stocks and 40 percent bonds, designed to balance growth and stability. But even that approach has limits, like in 2022, when both stocks and bonds declined.

You can also diversify within an asset class. Large-cap stocks behave differently than small-cap stocks. Bond investors can spread risk across treasuries, corporate bonds, and municipal bonds. This helps reduce the impact of any single investment on your overall portfolio.

Key Sources for Investment Information

Before making any investment decisions, it's important to fully understand the product in which you are investing. Begin by referencing reliable information sources—such as a mutual fund's prospectus, which outlines its goals, fees, risks, and expenses.

Third-party financial publications and websites can also provide valuable information. They offer credit ratings, news, and performance comparisons. For mutual funds, these sources often provide ratings and analysis that help you evaluate how a fund stacks up against its peers. The Securities and Exchange Commission (SEC) is another reliable resource for company filings and disclosures.

Talking to a financial advisor can be a valuable step. They can clarify how specific investments align with your overall financial goals and ensure your strategy reflects your personal risk tolerance.

For the full-article on Understanding Investment Risk, click here to visit CAPTRUST at Work for the full article.

MAKE AN APPOINTMENT WITH A FINANCIAL CONSULTANT TO DISCUSS YOUR FINANCIAL GOALS AND FUTURE RETIREMENT PLANS

Vendor	Plan Options	Reservation Tool	Individual Advisory Service
CAPTRUST at Work	Investment advice for all plans	www.captrustatwork.com	www.captrustatwork.com/
TIAA	UNC ORP 401(a) UNC 403(b) and 457(b)	www.tiaa.org/schedulenow	1-866-842-3519
EMPOWER	State's 401(k) State's 457(b)	1-866-627-5267	1-866-627-5267

INVESTOR CORNER

CAPTRUST at Work

Advancing from Want to Worth

Do you ever find yourself tapping Buy Now at the end of a stressful day? In the moment, this small purchase may feel like a harmless act of self-care. But if you zoom out, you might see you're moving away from self-care—and your financial goals—instead.

This sort of impulsive purchase can be described as an away move, something done to avoid discomfort. It distracts you from your stress, but it likely won't help you meet your long-term goals.

We face a dozen similar decisions every day; moments when we can either act in a way that aligns with our goals and values or that simply helps us not feel worse. These aren't always high-stakes decisions, but over time, the pattern matters.

To learn more about avoiding impulse purchases, click here for CAPTRUST at Work's full article on Advancing from Want to Worth.

TIAA

What's the Buzz Around Retirement Annuities?

Annuities are a financial tool designed to help you grow your savings and replace your income during retirement. Essentially, they are insurance contracts with distinct advantages. Annuities enable you to save during your working years and provide you with retirement income that continues for as long as you live.

A **fixed annuity** is more conservative and offers predictability through a guaranteed growth rate while you're saving and guaranteed checks for life during retirement.

A **variable annuity** carries more risk but also offers more long-term growth potential because your money is invested in the market, so your savings balance and the size of your lifetime retirement checks will vary.

For full details on *What's the Buzz Around Retirement Annuities,* read TIAA's full article by clicking here.

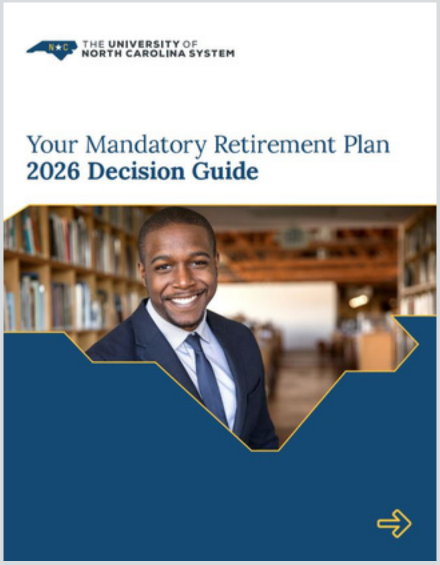
Engagement Corner

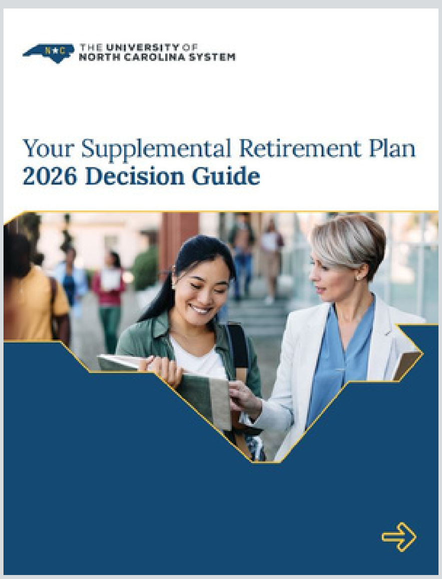
Various retirement readiness resources and tools will be provided each month to help you learn more about how to live a financially well life, save more toward a comfortable retirement future, and gain additional knowledge on many other key retirement topics (Social Security, Medicare, etc.). We encourage you to take advantage of all available resources.

Upcoming Webcasts & Webinars	
TIAA: www.tiaa.org/webinars2025	
April 7th @ 12pm ET: What You Need to Know About Social Security	**April 15th @ 12pm ET:** Quarterly Economic and Market Update
April 22nd @ 11am ET: Navigating the Sandwich Generation: Financial Strategies for the Caregiving Squeeze	**May 7th @ 11am ET:** Money Psychology: Beyond the Numbers
May 19th @ 12pm ET: Finance for New Grads	**June 10th @ 12pm ET:** Set Your Retirement Date: Understand Your Factors to Get You to Your Retirement Goal
June 25th @ 11am ET: Identity Theft: Safeguarding Your Finances	

Resource Center

Below are two of the many great resources available to assist with preparing and educating you on your path to financial wellness.



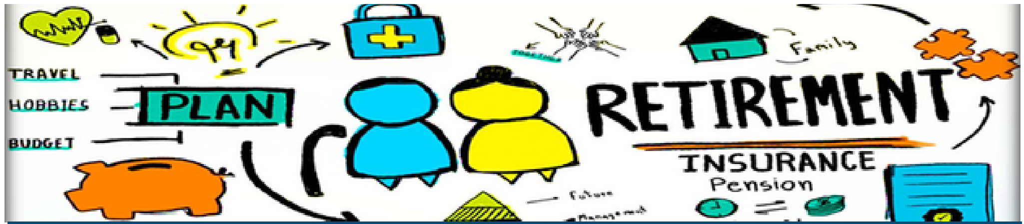


More resources available at:

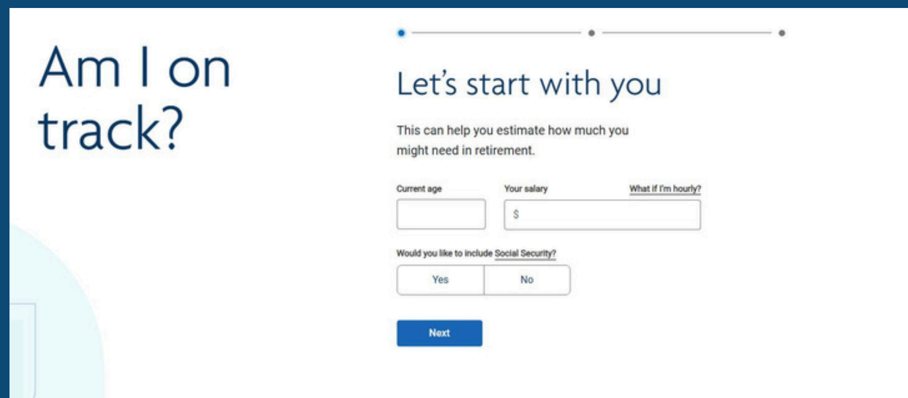
https://myapps.northcarolina.edu/hr/benefits-leave/retirement/

or contact the approved carriers directly.

Start Saving for your Future Today!



ARE YOU ON TRACK?



TIAA offers various tools to provide you with a clear picture of your current retirement savings. Take action to see if you are adequately prepared to meet your long-term goals.

Need a Retirement Blueprint?

CAPTRUST has many great financial calculators to help you see where you stand with your future financial goals

Visit www.captrustatwork.com or call 800-967-9948 to talk with a certified Financial Counselor to create your future financial "Blueprint"