Investment Basics

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Welcome

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Important Information

Variable annuities, group annuities or funding agreements are long-term investments designed for retirement purposes. If withdrawals are taken prior to age 59 1/2, an IRA 10% premature distribution penalty tax may apply. Money taken from the annuity will be taxed as ordinary income in the year the money is distributed. An annuity does not provide any additional tax deferral benefit, as tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits, such as lifetime income payments and death benefits, which may be valuable to you.

Variable investments, of any kind, are not guaranteed and are subject to investment risk including the possible loss of principal. The investment return and principal value of the security will fluctuate so that when redeemed, it may be worth more or less than the original investment. In addition, there is no guarantee that any variable investment option will meet its stated objective.

For 403(b)(1) annuities, the Internal Revenue Code (IRC) generally prohibits withdrawals of 403(b) salary reduction contributions and earnings on such contributions prior to death, disability and age 50 ½, severance of employment, or financial hardship. Amounts held in a 403(b)(1) annuity as of 12/31/1988 are "grandfathered" and are not subject to these restrictions. For 403(b)(7) custodial accounts, the IRC generally prohibits withdrawals of any contributions and attributable earnings prior to death, disability, age 59 ½, severance of employment, or financial hardship. For both 403(b)(1) annuities and 403(b)(7) custodial accounts, the amount available for hardship is limited to the lesser of the amount necessary to relieve the hardship, or the account value as of 12/31/1988, plus the amount of any salary reduction contributions made after 12/31/1988 (exclusive of any earnings).

All Guarantees are based on the financial strength and claims-paying ability of the issuing insurance company, who is solely responsible for all obligations under its policies.

You should consider the investment objectives, risks, and charges and expenses of the investment options carefully before investing. Prospectuses containing this and other information can be obtained by contacting your Representative. Please read the prospectuses carefully before investing.
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First Step: Define Your Goal
Age-Based Investing

20s  30 – 40s  40 – 50s  60+
Will your retirement income last the journey?

Start by asking…

How much will I need each year in retirement?

How much will I need saved to support the income I want?

How much will my investments need to grow to accumulate those savings?
Investment Risk
Variable Investment Risk

- Market Risk
- Inflation Risk
- Longevity Risk
- Liquidity Risk
- Interest Rate Risk
- Credit Risk
How much will your current income be worth in 20 years?

Assumes $30,000 annual salary and 3% annual rate of inflation.

- Today: $30,000
- In 5 Years: $25,878
- In 10 Years: $22,323
- In 15 Years: $19,256
- In 20 Years: $16,610
Will your retirement income last the journey?

Start by asking...

How much will I need each year in retirement?

How much will I need saved to support the income I want?

How much will my investments need to grow to accumulate those savings?
Types of Investments ("Asset Classes")
Three key asset classes

- Fixed Income Securities (Bonds)
- Equities (Stocks)
- Cash Equivalents
Cash equivalents

- low level of interest paid in return for short-term loan to a financial institution, corporation or government
- minimal fluctuation of principal
- relatively short maturities, high liquidity
- suitable for protecting assets, not growing them
Fixed Income securities (Bonds)

- involve loaning money to an entity on intermediate- or long-term basis
- usually greater interest paid than cash equivalents, given length of loan
- potential fluctuation of principal if sold before maturity
- lower volatility than equities, example: bonds
- if held to maturity, offer a fixed rate of return and fixed principal value

Principal value of a bond will vary inversely to the rise and decline of interest rates.
Types of bonds

**Government**
- Treasuries
- Agencies
- Municipals

**Corporate**
- Investment Grade
- Junk (High Yield/High Risk)

Please note, bonds offered by government chartered corporations carry more risk than U.S. Treasury securities.
## Bond ratings

<table>
<thead>
<tr>
<th>Moody’s</th>
<th>S&amp;P</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aaa</td>
<td>AAA</td>
<td>Highest Quality</td>
</tr>
<tr>
<td>Aa</td>
<td>AA</td>
<td>High Quality</td>
</tr>
<tr>
<td>A</td>
<td>A</td>
<td>Favorable Attributes</td>
</tr>
<tr>
<td>Baa</td>
<td>BBB</td>
<td>Medium Quality</td>
</tr>
<tr>
<td>B</td>
<td>BB</td>
<td>Speculative Elements</td>
</tr>
<tr>
<td>Caa</td>
<td>B</td>
<td>Small Assurance</td>
</tr>
<tr>
<td>Ca</td>
<td>CCC</td>
<td>Poor Standing</td>
</tr>
<tr>
<td>C</td>
<td>CC</td>
<td>Highly Speculative</td>
</tr>
<tr>
<td>-</td>
<td>C</td>
<td>Very Poor Prospects</td>
</tr>
<tr>
<td>-</td>
<td>D</td>
<td>In Default</td>
</tr>
</tbody>
</table>

Please note, bond ratings are subject to change and may be downgraded any time by the ratings agency.
Why do bond prices change?

Changes in fundamentals of issuer

Changes in interest rates
How do interest rates affect bond prices?

<table>
<thead>
<tr>
<th>Current Rate</th>
<th>Bond Coupon</th>
<th>Bond Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.75%</td>
<td>6 3/4%</td>
<td>$1000</td>
</tr>
<tr>
<td>8.00%</td>
<td>6 3/4%</td>
<td>$800</td>
</tr>
<tr>
<td>5.50%</td>
<td>6 3/4%</td>
<td>$1200</td>
</tr>
</tbody>
</table>

The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future results. This example does not represent any specific product, nor does it reflect sales charges or other expenses that may be required for some investments.
Equities (Stocks)

- involve owning part or all of an asset or company
- no promise to repay original investment
- share of distributed profit, if any
- potential gain or loss of asset value *example: stocks*
- suitable for growing assets
Market capitalization

Large Cap
Over $10 billion

Mid Cap
$2 billion – $10 billion

Small Cap
$300 million – $2 billion

Increased risk from large cap to small cap

Source: http://yourguidetoinvesting.com/guide-to-investing/understanding-market-capitalization/
These unmanaged indexes are not intended to represent specific mutual funds. Investors cannot invest directly in an index. Individual results may vary to management fees, transaction costs and taxes. Performance figures do not take into account the fees and expenses of investing in mutual funds or variable products. **Past performance is no guarantee of future results.**
Relative risk/return continuum

Each sample asset class has its own investment return/risk characteristics.
Listening to outside information

<table>
<thead>
<tr>
<th></th>
<th>Bullish</th>
<th>Bearish</th>
<th>S&amp;P 500 Return the Next Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2009</td>
<td>26%</td>
<td>47%</td>
<td>63%</td>
</tr>
<tr>
<td>October 2007</td>
<td>62%</td>
<td>20%</td>
<td>-37%</td>
</tr>
<tr>
<td>October 2002</td>
<td>28%</td>
<td>43%</td>
<td>27%</td>
</tr>
<tr>
<td>March 2000</td>
<td>56%</td>
<td>26%</td>
<td>-25%</td>
</tr>
</tbody>
</table>

Sources: Investors Intelligence, Bloomberg
Diversification
Benefits of Diversification

Helps to Reduce Risk

Helps to Stay Invested
Variable Investment Risk

- Market Risk

DIVERSIFICATION
Sample portfolio allocations

- **Conservative**
  - Stability of Principal: 40%
  - Bonds: 40%
  - Large Cap Value: 10%
  - Large Cap Growth: 10%

- **Moderately Conservative**
  - Stability of Principal: 25%
  - Bonds: 30%
  - Large Cap Value: 13%
  - Large Cap Growth: 10%
  - Small/Mid Specialty: 12%
  - Global/International: 10%

- **Moderate**
  - Stability of Principal: 15%
  - Bonds: 20%
  - Large Cap Value: 20%
  - Large Cap Growth: 20%
  - Small/Mid Specialty: 15%
  - Global/International: 10%

- **Moderately Aggressive**
  - Stability of Principal: 5%
  - Bonds: 15%
  - Large Cap Value: 20%
  - Large Cap Growth: 20%
  - Small/Mid Specialty: 20%
  - Global/International: 20%

- **Aggressive**
  - Stability of Principal: 0%
  - Bonds: 10%
  - Large Cap Value: 20%
  - Large Cap Growth: 25%
  - Small/Mid Specialty: 25%
  - Global/International: 20%

Stability of Principal = Cash
Bonds = Bonds
Large Cap Value = Stock
Large Cap Growth = Stock
Small/Mid/Specialty = Stock
Global/International = Stock
### Asset class winners and losers

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>HIGHEST RETURN</td>
<td>8.1%</td>
<td>37.6%</td>
<td>23.0%</td>
<td>33.4%</td>
<td>28.6%</td>
<td>29.8%</td>
<td>21.5%</td>
<td>22.8%</td>
<td>17.8%</td>
<td>60.7%</td>
<td>20.7%</td>
<td>14.0%</td>
<td>26.9%</td>
<td>11.6%</td>
<td>25.9%</td>
<td>32.5%</td>
<td>31.3%</td>
<td>28.2%</td>
<td>18.2%</td>
<td>45.1%</td>
</tr>
<tr>
<td></td>
<td>3.9%</td>
<td>34.5%</td>
<td>17.6%</td>
<td>22.8%</td>
<td>20.3%</td>
<td>27.3%</td>
<td>5.9%</td>
<td>3.8%</td>
<td>1.6%</td>
<td>39.2%</td>
<td>18.4%</td>
<td>7.8%</td>
<td>16.2%</td>
<td>9.9%</td>
<td>1.6%</td>
<td>28.1%</td>
<td>15.1%</td>
<td>3.1%</td>
<td>17.9%</td>
<td>32.4%</td>
</tr>
<tr>
<td></td>
<td>3.1%</td>
<td>31.7%</td>
<td>10.2%</td>
<td>15.9%</td>
<td>13.1%</td>
<td>21.0%</td>
<td>0.1%</td>
<td>3.7%</td>
<td>−6.3%</td>
<td>28.7%</td>
<td>11.9%</td>
<td>7.1%</td>
<td>15.8%</td>
<td>5.5%</td>
<td>−17.9%</td>
<td>26.5%</td>
<td>13.0%</td>
<td>2.1%</td>
<td>16.0%</td>
<td>23.3%</td>
</tr>
<tr>
<td></td>
<td>1.7%</td>
<td>24.2%</td>
<td>6.4%</td>
<td>15.9%</td>
<td>11.9%</td>
<td>14.8%</td>
<td>−3.6%</td>
<td>−0.6%</td>
<td>−13.3%</td>
<td>26.2%</td>
<td>10.9%</td>
<td>5.7%</td>
<td>13.0%</td>
<td>5.3%</td>
<td>−36.7%</td>
<td>14.4%</td>
<td>10.1%</td>
<td>0.0%</td>
<td>11.1%</td>
<td>17.9%</td>
</tr>
<tr>
<td></td>
<td>1.3%</td>
<td>11.6%</td>
<td>5.2%</td>
<td>5.3%</td>
<td>4.9%</td>
<td>4.7%</td>
<td>−9.1%</td>
<td>−11.9%</td>
<td>−15.7%</td>
<td>1.4%</td>
<td>8.5%</td>
<td>4.9%</td>
<td>4.8%</td>
<td>4.7%</td>
<td>−37.0%</td>
<td>0.1%</td>
<td>8.2%</td>
<td>−3.3%</td>
<td>3.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>−7.8%</td>
<td>5.6%</td>
<td>−0.9%</td>
<td>2.1%</td>
<td>−7.3%</td>
<td>−9.0%</td>
<td>−14.0%</td>
<td>−21.2%</td>
<td>−22.1%</td>
<td>1.0%</td>
<td>1.2%</td>
<td>3.0%</td>
<td>1.2%</td>
<td>−5.2%</td>
<td>−43.1%</td>
<td>−14.9%</td>
<td>0.1%</td>
<td>−11.7%</td>
<td>0.1%</td>
<td>−11.4%</td>
</tr>
</tbody>
</table>

- Small stocks
- Large stocks
- International stocks
- Long-term government bonds
- Treasury bills
- Diversified portfolio

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2014 Morningstar. All Rights Reserved.
Minimizing Downside

Starting Value = $100,000
Performance = -40%
New Value = $60,000
Back to Even = +67%
This chart is for illustration purposes only and represents a hypothetical investment in the S&P 500® Index. Such a performance does not represent the performance of any Voya™ fund. Index performance assumes reinvestment of all income. The S&P 500 is an unmanaged capitalization-weighted index of 500 stocks designed to measure performance on the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. An investor cannot directly invest in an index. However, this index accurately reflects the historical performance of the represented assets. Investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investment. Source: Commodity Systems, Inc. (CSI) via Yahoo Finance. * Only includes market growth.
## Missing the Best of the Market (05/20/2004 - 05/19/2014)

<table>
<thead>
<tr>
<th>Investment Period</th>
<th>Avg. Ann. Total Return</th>
<th>Growth of $10,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully Invested</td>
<td>5.64%</td>
<td>$17,307</td>
</tr>
<tr>
<td>Missing the 5 best months</td>
<td>1.39%</td>
<td>$11,486</td>
</tr>
<tr>
<td>Missing the 10 best months</td>
<td>-1.33%</td>
<td>$8,746</td>
</tr>
<tr>
<td>Missing the 15 best months</td>
<td>-3.47%</td>
<td>$7,022</td>
</tr>
<tr>
<td>Missing the 20 best months</td>
<td>-5.44%</td>
<td>$5,717</td>
</tr>
</tbody>
</table>

**Past performance is no guarantee of future results.** Performance shown is historical index performance and not illustrative of any specific funds performance. This is a hypothetical example used for illustrative purposes only. The return figures are based on a hypothetical $10,000 investment in the S&P 500 Index from January 1, 1980 - December 31, 2012. The lump sum investment in common stocks would have reflected the same stocks/weightings as represented in the S&P 500 Index. The example does not represent or project the actual performance of any security, or other investment product. The hypothetical figures do not reflect the impact of any commissions, fees or taxes applicable to an actual investment. The S&P 500® Index is an unmanaged, market capitalization-weighted index of 500 widely held U.S. stocks recognized by investors to be representative of the stock market in general. It is provided to represent the investment environment existing for the time period shown. The returns shown do not reflect the actual cost of investing in the instruments that comprise it. You cannot invest in an index. Standard & Poor’s and S&P 500 are trademarks of the McGraw-Hill Companies, Inc. Source: GE Asset Management.
Bear and bull markets

Bear Market: A general decline in the stock market over a period of time.

Examples:
• 1929 Wall Street Crash
• 1973 Oil Crisis
• 2000 Technical Crisis
• 2007 Financial Crisis

Bull Market: A prolonged period in which investment prices rise faster than their historical average as they do in an economic recovery.
The table above shows all of the bear markets since 1928, as defined by Standard & Poor's. The returns are price returns only, not total returns, and thus do not include dividends. Past performance is no guarantee of future results. Thus, the table should not be taken as an implication of future returns. Rather it should serve as a reminder of the past resiliency of U.S. financial markets. Source: Standard & Poor’s; American Century Investments

<table>
<thead>
<tr>
<th>Date</th>
<th>Duration in months</th>
<th>% Decline</th>
<th>Cumulative Return After Bear Market Ends</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1-year</td>
</tr>
<tr>
<td>October 9, 2007 – March 9, 2009</td>
<td>17</td>
<td>-56.8%</td>
<td>68.6%</td>
</tr>
<tr>
<td>March 24, 2000 – October 9, 2002</td>
<td>31</td>
<td>-49.1%</td>
<td>33.7%</td>
</tr>
<tr>
<td>July 16, 1990 – October 11, 1990</td>
<td>3</td>
<td>-19.9%</td>
<td>29.1%</td>
</tr>
<tr>
<td>August 25, 1987 – December 4, 1987</td>
<td>3</td>
<td>-33.5%</td>
<td>21.4%</td>
</tr>
<tr>
<td>November 28, 1980 – August 12, 1982</td>
<td>20</td>
<td>-27.1%</td>
<td>58.3%</td>
</tr>
<tr>
<td>January 11, 1973 – October 3, 1974</td>
<td>21</td>
<td>-48.2%</td>
<td>38.0%</td>
</tr>
<tr>
<td>November 29, 1968 – May 26, 1970</td>
<td>18</td>
<td>-36.1%</td>
<td>43.7%</td>
</tr>
<tr>
<td>February 9, 1966 – October 7, 1966</td>
<td>8</td>
<td>-22.2%</td>
<td>32.9%</td>
</tr>
<tr>
<td>December 12, 1961 – June 26, 1962</td>
<td>6</td>
<td>-28.0%</td>
<td>32.7%</td>
</tr>
<tr>
<td>August 2, 1956 – October 22, 1957</td>
<td>15</td>
<td>-21.6%</td>
<td>31.0%</td>
</tr>
<tr>
<td>May 29, 1946 – June 13, 1949</td>
<td>37</td>
<td>-29.6%</td>
<td>42.1%</td>
</tr>
<tr>
<td>March 6, 1937 – April 28, 1942</td>
<td>62</td>
<td>-60.0%</td>
<td>53.7%</td>
</tr>
<tr>
<td>September 7, 1929 – June 1, 1932</td>
<td>33</td>
<td>-86.2%</td>
<td>121.4%</td>
</tr>
<tr>
<td>Average</td>
<td>21</td>
<td>-39.9%</td>
<td>46.7%</td>
</tr>
</tbody>
</table>
Portfolio Rebalancing

Original Allocation

Portfolio allocations shift with time

Reallocation back to original

Rebalancing your portfolio may have tax consequences. Please consult your tax professional. For illustrative purposes only.
What Drives Performance?

Factors that explain variation between portfolio performances

- Asset Allocation - 91.5%
- Security selection - 4.6%
- Market timing - 2.1%
- Other factors - 1.8%

Tax Diversification

Withdrawals from pre-tax retirement plans are subject to ordinary income tax

- Taxes can be withheld at the point of withdrawal

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Tax Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORP</td>
<td>Federal tax only, no NYS tax</td>
</tr>
<tr>
<td>403b/401k/IRA</td>
<td>First $20,000/yr is NYS tax free</td>
</tr>
<tr>
<td>Roth IRAs</td>
<td>Tax Free (both Federal &amp; State)</td>
</tr>
<tr>
<td>Non-Retirement</td>
<td>Capital Gains Tax (usually 15%)</td>
</tr>
</tbody>
</table>
A well-balanced investor

1. Diversify
   invest across asset classes

2. Manage Risk
   manage performance

3. Review
   reassess plan every year

Using diversification/asset allocation as part of your investment strategy neither assures nor guarantees better performance and cannot protect against a loss in declining markets.
Contact Us

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Office Telephone: 315-446-0100

Schedule a personal appointment.