Bond funds invest in fixed-income securities. These may include corporate bonds, government bonds or municipal bonds, whose interest payments may be tax free. Such bonds may have short, intermediate or long-term maturities, and the funds will be managed with a specific time horizon in mind.

Stock funds invest in shares of private companies. Stock funds may specialize in particular market sectors, or they may focus on companies of a particular size. Small-capitalization companies generally are thought to have the greatest growth potential, but they also come with the greatest risks. Medium- and large-cap companies tend to have more stable prices, so their upside potential may be more limited.

Hybrid funds invest in both stocks and bonds. They also may invest in securities that have features of both stocks and bonds, such as convertible securities. Examples of hybrid funds include target date funds (aimed at a specific financial need, such as education or retirement), life-cycle funds and balanced funds.

The value of trusted guidance

The choices available to investors can be confusing. Perhaps that accounts for the Investment Company Institute discovery that half of all mutual fund owners work with an investment professional on a regular basis, and 83% of these had made contact with the investment professional within the prior 12 months.

Professionals bring specialized training and daily market participation to bear when they evaluate an individual portfolio for fidelity to investment objectives and risk parameters. Federal securities law advises all investors to read a prospectus carefully before making an investment in any mutual fund. The law does not mandate getting an opinion from a financial professional, but it is a good idea.

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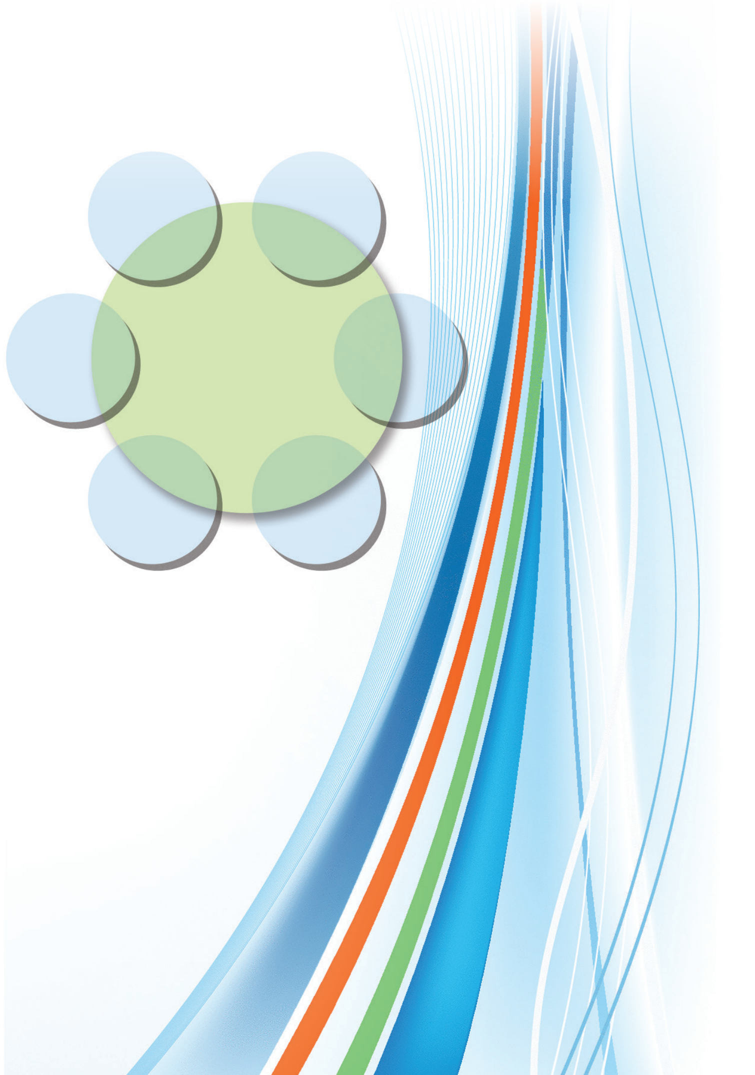
FINANCIAL EDUCATION SERIES

What is a Mutual Fund?



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What are mutual funds?

When you have money to invest, you have many choices to consider. Perhaps too many. A mutual fund offers an investment in many things at once. A mutual fund is a collective investment vehicle that pools money from many investors to purchase securities. Each mutual fund share represents a fractional interest in every asset owned by the fund.

Mutual funds and exchange traded funds have become an essential asset in a great many individual investment portfolios. According to data from the Investment Company Institute's *2020 Fact Book*, at the close of 2019 assets in U.S. mutual funds and ETFs exceeded $26 trillion.

Who owns mutual funds?

The Investment Company Institute further reports that 101.8 million individuals own mutual funds, representing 45.5% of all U.S. households. Ownership is spread across all age and income levels, with median household income of $100,000. As people age, they tend to own more mutual funds, until retirement, when ownership begins to decline.

Mutual funds and exchange-traded funds are sold by prospectus. Investors should carefully consider the investment objectives, risks, charges and expenses before investing. The prospectus contains this and other information about the investment company. A prospectus can be obtained from your financial professional. Be sure to read the prospectus carefully before investing.

A diversified portfolio does not assure a profit or protect against loss in a declining market.

Your Broker-dealer disclosure will appear here.

People typically are introduced to mutual fund investing through their participation in an employer's qualified retirement plan. In fact, two-thirds of those who own mutual funds do so wholly or in part through retirement plans, and just one-third are owners outside such plans.

Pros and cons of mutual funds

A mutual fund offers several benefits compared to owning stocks and bonds directly.

Diversification. The best tool for managing investment risk is diversification. An individual might need to have several hundred thousand dollars to purchase enough different stocks and bonds to achieve a diversified portfolio. A mutual fund, on the other hand, provides instant diversification with far lower amounts invested.

Liquidity. Mutual fund shares may be bought or sold on a daily basis, giving investors ready access to their assets.

Access. Information on mutual funds is readily available from newspapers and national magazines. Mutual funds may be able to participate in investments that are typically not available to individual investors.

Regulatory oversight. Mutual funds must be registered with the Securities and Exchange Commission (SEC) and are regulated under the Investment Company Act of 1940.

Professional investment management. Professional portfolio managers supervise the investments held by the fund.

There are some drawbacks to owning mutual funds, however.

Fees. The operation of the mutual fund generates expenses, which may vary from fund to fund. Details will be included in the fund's prospectus. There may be distribution fees in the form of a "sales load." The load may be applied when the shares are purchased ("front-end load") or when they are sold ("back-end load"). The amount of a back-end load may decline if the investment is held for a long period of time. There also may be ongoing marketing expenses charged each year to the fund annually. These are called 12b-1 fees, named for the SEC rule that authorized them.

Other fees associated with managing investments include the amounts paid to the professional portfolio managers, the transaction fees for buying and selling assets for the fund, legal and accounting fees, and fund administration fees. Again, details will be found in the prospectus.

Timing of recognition of gains. Gains and losses from managing the mutual fund are passed through to the shareholders, and are taxable to them. The shareholders do not control the selling decisions; they just accept the tax consequences. It is possible for a shareholder to have a taxable gain, even if the value of the shares that he or she holds has not increased, or even has gone down.

Types of funds

There are three varieties of mutual funds classified by federal law.

Open-ended funds buy and sell their shares to investors every business day. The shares are priced at net asset value after the close of the financial markets. The number of shares is not limited. As more money comes into the fund, new investments must be found. When investors are redeeming their shares, fund assets must be sold to provide the cash. These funds are by far the most popular with investors, both in terms of the number of available funds and the assets held by the funds.

Closed-end funds, in contrast, issue shares once, in an initial public offering. Thereafter, the shares are traded on a stock exchange, just as stocks are. Shares of closed-end funds must be sold to other investors; they are not redeemed by the fund. The shares may sell at a premium or a discount to the net asset value of the fund's holdings.

Another way to classify mutual funds is by the assets in which they invest.

Money market funds invest in very short-term securities. An investment in money market funds is not insured or guaranteed by the FDIC or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.