T. Rowe Price
INVESTOR®
INSIGHTFUL STRATEGIES FOR INFORMED INVESTORS

Securing Your Family's Future

Why everyone needs an estate plan. 6

WINTER 2018
TROWEPRICE.COM

TAKE NOTE INSIDE
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Welcome Shareholder

As part of the long-planned transition in T. Rowe Price's management team, I have assumed Ed Bernard's responsibilities as chairman following his retirement. Having worked closely with Ed since I joined the firm over seven years ago, it is a privilege to follow in his footsteps.

At T. Rowe Price, the prevailing objective is to help our clients meet their financial goals. In keeping with this objective, our firm strives to cover a wide range of educational topics in *T. Rowe Price Investor*® magazine, and we hope it proves useful to you. With that, I am pleased to bring you the Winter 2018 issue and look forward to sharing a new issue with you each quarter.

You have many choices when you invest, and we appreciate your trusting T. Rowe Price with your investment needs. Best wishes to you and your family in the new year.

Sincerely,

Scott B. David
Chairman, T. Rowe Price Investment Services

IN THIS ISSUE

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EDITORIAL
Steven Heilbronner, Stuart Ritter, Judith Ward, Roger Young

*Call **1-800-401-1788** to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. All data included in this issue are as of 9/30/18, unless otherwise indicated. For up-to-date standardized returns, visit **troweprice.com/performance**.*

The printing release date for the Winter 2018 issue was in early October.

PORTRAIT BY LISA HELFERT; PHOTOGRAPHS BY LIGHTFIELDSTUDIOS, DOBLE-D, VARUNYU; COVER PHOTOGRAPH BY SASIISTOCK

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PERSONAL FINANCE

4 Smart Year-End Tax Tips

The Tax Cuts and Jobs Act of 2017 may change the way some people approach their tax planning.

Tax reform legislation that went into effect in 2018 may have impacted your finances. Year-end is an ideal time to assess your overall strategy to both prepare for tax season and potentially boost your bottom line. Here are four steps to take now:

1

Revisit your tax withholding

Did you receive a tax refund this past year? Double-check your tax withholding and submit a new Form W-4 to your employer if you decide you'd rather take home more money throughout the year. The Internal Revenue Service offers a Withholding Calculator to perform a "paycheck checkup" at **irs.gov/individuals/irs-withholding-calculator**. Have your pay stub and most recent tax return handy.

2

Examine your paycheck

You may have noticed a little more money in your paycheck. View your pay stub from last year and compare it with a current one. If you are taking home more money, you can use it to pay down credit card debt, add it to your rainy day fund, or put it toward your savings goals. You also could consider increasing your contribution to your 401(k) plan or fully contribute to an IRA.

3

Consider a standard deduction

The legislation nearly doubled the standard deduction for individuals ($12,000) and married couples filing jointly ($24,000). So you may benefit from taking the standard deduction rather than itemizing. To see how you might be affected, consult the Tax Foundation's 2018 Tax Reform Calculator at **taxfoundation.org/2018-tax-reform-calculator**.

4

Explore Roth options

Since marginal income tax brackets are lower for many people, it may be time to consider Roth retirement accounts. If you're in a lower tax bracket now and expect to be in a higher tax bracket in retirement, then making pretax contributions today may not be as meaningful as getting tax-free income in the future through a Roth account. A Roth IRA has income limits, so you may not be eligible to contribute if you meet or exceed certain income thresholds. ■

NEXT STEPS

Visit T. Rowe Price's Tax Planning Center at **troweprice.com/taxplanning**.

RETIREMENT SAVINGS

Working (and Saving) for Yourself

Being your own employer can be demanding, but saving for retirement doesn't have to be.

Time is a scarce resource for everyone. This may be especially true when you're self-employed and facing the all-consuming challenge of running your own business.

Given the demands on your time and energy, you may find that saving for retirement isn't getting the attention it deserves. To help determine the best savings options for your personal and financial circumstances, consider a retirement plan designed for the self-employed.

T. Rowe Price offers an array of plans that are easy to set up and maintain. Depending on your situation, one of the plans may meet your needs better than the others. No matter which one you choose, you can benefit from investing in a tax-advantaged account with compound growth potential.

Explore your options

The following chart highlights some of the features and benefits of four small business retirement accounts offered by T. Rowe Price. Setting up an account is easy, and you can administer and manage it online.

PHOTOGRAPH BY NATHAPHAT

Small Business Retirement Plan Options

A side-by-side comparison of T. Rowe Price retirement plans.

Plan Features	Individual (Solo) 401(k)	SEP-IRA	SIMPLE IRA	401(k) for Small Businesses
Who is it for?	For one-person-business owners who want to make the highest contribution possible (for themselves and, if applicable, a spouse working for the business)	For self-employed individuals and business owners who wish to make flexible contributions for employees at a low administrative cost	For self-employed individuals and businesses with up to 100 employees who wish to allow both employee and employer contributions	Generally, for employers with fewer than 1,000 employees who wish to offer a cost-effective 401(k) plan
What are the key benefits?	Allows for the highest contributions in many cases	Easy and inexpensive to set up and maintain	A low-cost and easy-to-administer plan	Retirement plan with both employee and employer contributions, allowing sponsor and participant to maximize tax deductions and tax-deferred savings
What is the maximum employer deductible contribution?[1]	25% of total compensation[2] of eligible participants (i.e., owner and, if applicable, a spouse working for the business)	25% of total compensation[2] of all eligible employees	**Employer chooses either:** ▪ Nonelective contributions of 2% of each eligible employee's compensation[2] OR ▪ Matching contributions of each employee's salary reduction contributions dollar-for-dollar up to 3%[3] of the employee's compensation	25% of total compensation[2] of all eligible employees
What is the 2018 employee elective deferral limit?	**The lesser of:** ▪ 100% of compensation OR ▪ $18,500 ($24,500 if age 50 or older)	N/A (employee deferrals are not allowed)	**The lesser of:** ▪ 100% of compensation OR ▪ $12,500 ($15,500 if age 50 or older)	**The lesser of:** ▪ 100% of compensation OR ▪ $18,500 ($24,500 if age 50 or older)
Can I still contribute to an IRA?	Yes[4]	Yes[4]	Yes[4]	Yes[4]
What is the plan setup deadline?	By the end of the initial plan year, generally December 31	Your company's tax filing deadline (including extensions)	Generally, anytime prior to October 1 of each calendar year (for existing employers)	By the end of the initial plan year, generally December 31 ■

Visit **irs.gov** for more details on small business retirement plans, including information on 2019 contribution limits.

[1]The maximum deductible contribution for federal income tax purposes. [2]The maximum amount of compensation that can be used in determining contribution is $275,000 for tax year 2018. This amount is increased periodically for inflation. [3]May be as low as 1% in no more than 2 years out of 5 consecutive calendar years. [4]Contributions may or may not be deductible.

NEXT STEPS

Learn more about retirement options available for the self-employed and small business owners at **troweprice.com/smallbusiness** or call **1-800-341-1208** to speak with a Retirement Specialist.

Securing Your

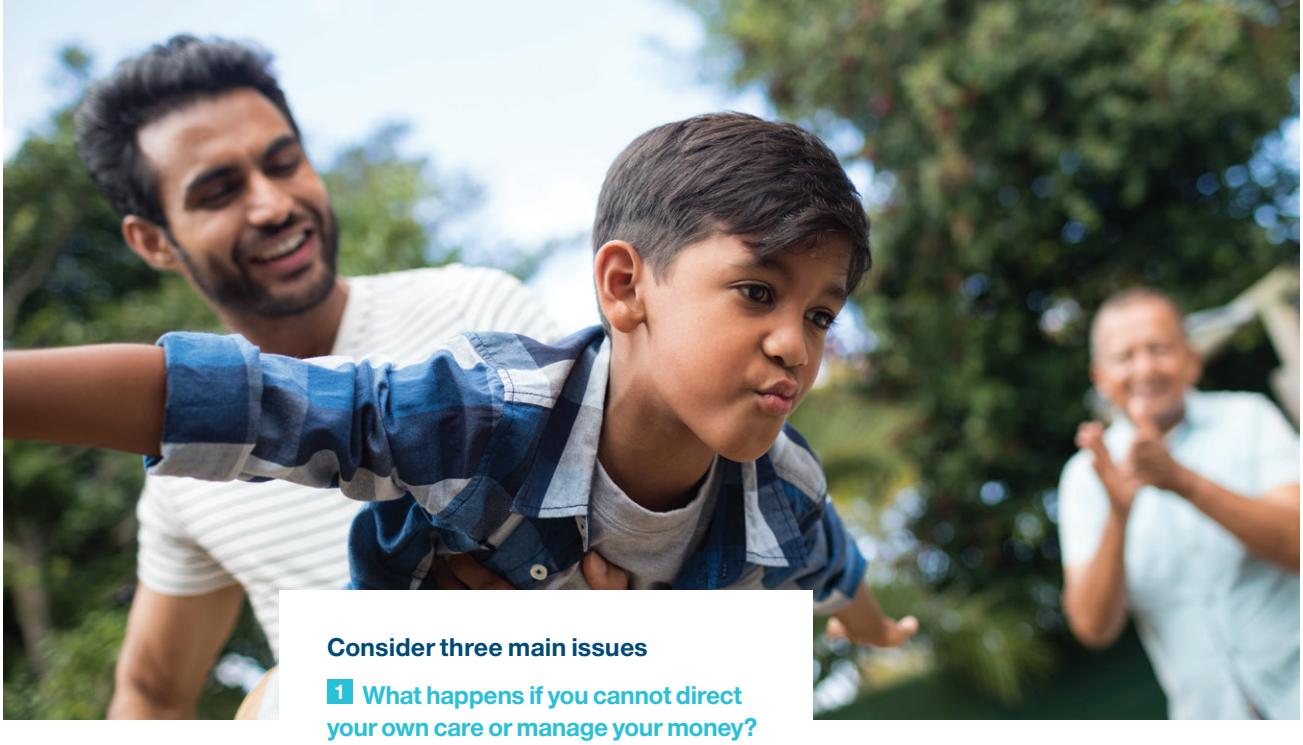
PHOTOGRAPH BY LIGHTFIELDSTUDIOS

Family's Future

Your estate planning decisions can have a significant impact on your family for years to come.

Regardless of the size of your nest egg—large or small—it's important to put an estate plan into place. A well-crafted plan will lay out your wishes regarding your health care and finances, your children's future, and all your assets and possessions.

"If something should happen to you, you'll want to exercise some control over what occurs in these significant areas," says Stuart Ritter, CFP®, a senior financial planner with T. Rowe Price. "To that end, you must develop an estate plan that addresses many possible scenarios. And most importantly, you have to put it in writing."



PHOTOGRAPH BY WAVEBREAKMEDIA

KEY POINTS

- An estate plan details your wishes regarding health care and finances if you become incapacitated or pass away.
- For parents, estate plans can indicate who you would like to raise your children should anything happen to you.
- Without an estate plan, assets are distributed according to a state's laws, which vary considerably from state to state.

Consider three main issues

1 What happens if you cannot direct your own care or manage your money?

Two items to think about are what type of care you'll want to receive and who will handle your personal and financial affairs if you're incapacitated. There are documents available to communicate your wishes. And while the document names may differ depending on a state's laws, following are the main concepts:

- A living will, also referred to as an advance medical directive, specifies the type of care you want to receive if you have a medical condition that renders you unable to make informed decisions.
- A health care proxy, also called a health care power of attorney (POA), designates a person to make medical decisions for you.
- A power of attorney gives another individual the authority to make financial decisions on your behalf, such as selling assets or paying your bills. A "springing" POA takes effect in the event you become incapacitated; a "durable" POA takes effect as soon as you sign the document and continues in force even if you become incapacitated.

2 Who will care for your children?

For parents, designating a guardian is one of the most important parts of an estate plan. While it's unlikely that a guardian will ever have to step in, if the worst happens and you haven't named a guardian, the state will choose one for your children.

With this in mind, as soon as you know you're expecting a child, you should begin talking about who you'd want to raise your minor children in the event that you pass away or become incapacitated. You also should designate a backup guardian. Before naming guardians in your will, make sure to ask potential guardians if they're comfortable with the role.

Next, establish the financial support necessary to help make sure your children will be taken care of. This may include purchasing life insurance and setting up a trust to hold the money.

3 How will your assets be distributed?

Most people want to ensure that they, and not the state or anyone else, determine how their assets will be dispersed. Generally, your assets will be distributed based on the following hierarchy:

By ownership or title. With assets you own jointly with right of survivorship, such as a car or house, the other party will own the asset entirely after your death, regardless of the language in your will.

PHOTOGRAPH BY ZINKEVYCH

One exception to this rule is if you own something as tenants in common, such as a vacation home you purchased with your siblings. In that case, your will needs to name the person you want to receive your ownership share.

By beneficiary designation. Some of your accounts—such as life insurance and retirement accounts—let you specify who will receive those assets by designating a beneficiary. The companies holding these accounts also have rules in place as to who receives the proceeds if you have not named a beneficiary. For example, if you don't designate a beneficiary and you're married, some companies will distribute the money to your spouse; others will give it to your estate instead.

Many companies also will let you set up a transfer-on-death (TOD) designation for regular, taxable accounts such as bank, brokerage, and mutual fund accounts that you own in your own name. The person you list will take over ownership of the account when you die, regardless of what your will may say.

According to your will. Assets that don't fit in the above categories pass to the heir or heirs you list for each asset in your will. Depending on your state's laws, your will could be an informal document, but it's usually worth the effort of hiring a professional to make sure your will is properly executed.

In the absence of a will, your assets will be distributed according to your state's laws, which could have unintended consequences for your heirs. For instance, in some states, your spouse might receive all of your assets. In other states, your assets will be split between your spouse and children, which involves the court appointing someone to manage the money for any minor children. That court-appointed person, even if he or she is your surviving spouse, will have to provide a reckoning of expenses to the court.

It's important to understand that a will generally must be "probated" before assets subject to the will can be distributed to your heirs. This means that the will is filed with a court and a judge oversees the process of making sure the directions in the will are carried out. Also, probate is a public process, so your personal documents will be available for inspection by anyone.

Additionally, you name an executor in your will. The executor will be responsible for administering the money and property in your estate and will shepherd it through the probate process. This individual will bear significant

And most importantly, you have to put it in writing."

–**STUART RITTER**, CFP®, T. ROWE PRICE SENIOR FINANCIAL PLANNER

Your Guide to Estate Planning

This guide outlines the basics of estate planning to help you envision what your plan should be. (See "Next Steps.") It is divided into three sections:

Getting Started
Learn the fundamentals of estate planning, including basic terms, tools, and considerations that may arise as you plan your estate.

Understanding the Mechanics
Explore basic estate planning tactics and tools to help ensure that your assets are divided as you intend after your death.

Customizing Your Plan
Apply your new estate planning knowledge to develop an approach that works best for you and addresses important personal goals.

responsibility, so choose your executor, as well as a backup executor, carefully.

According to any trusts that exist. Instead of owning assets in your name, you may have created a trust that owns the assets. Generally, if you become incapacitated or pass away, the language in the trust governs what happens to your assets.

There are several common attributes of trusts, including:

- Exclusion of assets from probate, which can save time and, in most states, ensure greater privacy than if the assets are handled under your will.
- Control by a trustee instead of a judge.
- Speed of assets being distributed.

The rules for trusts can be complex, so you'll want to obtain expert advice before determining whether a trust should be a part of your estate plan.

Protect your family

Establishing an estate plan will help protect your loved ones and ensure that your wishes will be carried out. For most people, it's worth the time and expense of working with a professional. "Estate planning typically isn't a do-it-yourself proposition," says Ritter. "Don't hesitate to seek professional guidance from an estate planning attorney."

Once your estate plan is complete, discuss it with close family and friends and answer any questions they might have. "Taking some time now to put a strategy in place is a worthwhile investment," says Ritter. "Ultimately, you can feel confident that you are providing for yourself and your loved ones." ■

NEXT STEPS
To access *Your Guide to Estate Planning*, visit **troweprice.com/estateplanningguide**.

PHOTOGRAPH BY OLIVER ROSSI

T. Rowe Price

TAKE NOTE

Would You Benefit From a Roth?
A5

PHOTOGRAPH BY VARUNYU

The Boom in Boxes

How e-commerce is driving demand in the corrugated box industry.

When Jon Hussey looks at a delivery box, he sees more than a container. The T. Rowe Price investment professional sees potential for a better design, a more attractive shape, or an appealing texture that could help a company differentiate its brand—and suggest a new growth opportunity for investors.

Delivery box demand rides the e-commerce juggernaut

The demand for corrugated boxes has been rising as consumers increasingly order everything, from smartphones to refrigerators, online. "E-commerce is providing a big tailwind to box demand in the U.S. right now," observes Hussey, who covers the paper and forest products industry. "And I want to know how and why."

To get answers, Hussey not only looks for investment ideas in the data, he also gets out of the office to validate ideas through conversations and factory visits. Even counting cars in a parking lot offers a meaningful indicator of a company's health.

Innovation in corrugated boxes on the horizon

"The e-commerce trend creates interesting opportunities like the possibility of making boxes more specialized over time, which isn't really happening in the U.S.," says Hussey. "I can see going from a plain box to where companies compete on how delivery boxes look, similar to how retail packages compete for attention in stores. That's a development I'm keeping an eye on as I consider the growth potential of this industry."

Looking at the numbers, Hussey observes that it makes sense for the box industry to be expanding and that the economics for box companies is very good at the moment. "We're in the early stages, with e-commerce making up about 10% to 15% of retail

Jonathan R. Hussey

Investment Professional,
U.S. Equity Division

"I love how investing combines analytical skill with abstract thinking, and while most of the market focuses on the short term, I can add value for clients by building a vision of how an industry will evolve over the long term."

HOME BASE
Baltimore, Maryland

COVERAGE
Paper and forest products

EDUCATION
M.B.A., University of Chicago Booth School of Business

INTERESTING FACT
Earned a bachelor of music in jazz studies

> **You often pick up on things when you go out in the field that you just can't get in the office."**
>
> –**JON HUSSEY**, INVESTMENT PROFESSIONAL, U.S. EQUITY DIVISION

demand in the U.S.," says Hussey. "So that's driving up a portion of box industry demand, resulting in overall U.S. box growth of about 1% to 2%."

Hussey says this new source of demand changes the outlook for corrugated box manufacturers as well as impacts the cyclical nature of the business and how companies manage supply. And it suggests future investment potential.

"With these numbers, you can see something big is coming," says Hussey. "We're staying ahead of the pulse to see who's prepared for this." Of course, numbers don't tell the whole story.

Field research often yields deeper insights

Meeting with management and visiting factories is integral to Hussey's process. He tours plants to understand operations and talks with C-level managers as well as junior executives to gain an intimate understanding of a company's culture.

"I like to get my hands dirty," says Hussey. "You often pick up on things when you go out in the field that you just can't get in the office. A lot of what I look for and learn on-site balances against the ideas the data suggest."

Qualitative insights from field visits can prompt a reevaluation of the numbers. In this case, it tempers his near-term expectations concerning corrugated box growth.

Not long ago, Hussey met with a few independent box companies that are unaffiliated with the larger, integrated containerboard companies. "I discovered a lot of nuances that are often hard to take into account, because they're difficult to quantify. For example, I learned some of the actual decision makers in the corrugated box businesses weren't sure whether their families were going to continue in the business and so were only interested in maintaining the status quo.

"Others said there were geographic or other barriers that weren't apparent when I was doing research in my office. The numbers told a different story."

This encounter shed light on a perplexing question about expansion. "When I put it all together, it made sense why the box producers weren't expanding now. I think about all the little reasons why, and try to figure out what it might take on the quantitative side to overcome some of those qualitative hurdles."

Positioned for change and opportunities

With e-commerce continuing to drive demand for delivery boxes, Hussey is keeping watch on the industry and key companies to stay ahead of change for investors. This helps position him and his colleagues to spot a paradigm shift as more consumers transition to online shopping and brand competition heats up in home delivery.

"In a few years, we could see more customized boxes. And that could have implications for the industry—while creating opportunity for investors."

Strategic Investing Takes Us Beyond the Numbers

Our time-tested approach guides our investment decisions and helps us anticipate and plan for the future.

Since 1937, T. Rowe Price investment professionals have made decisions guided by our strategic investing approach, which relies on: research, experience, and a willingness to consider how the future may shape the investment landscape.

Research

To properly identify investment opportunities, over 350 T. Rowe Price professionals[1] get out into the field. Based around the world, they learn about their local markets, gain a firsthand understanding of the businesses involved, and ask direct questions during in-person interviews with everyone from management to competitors to consumers. Then, they analyze their findings to make an independent assessment of each opportunity. The result is an in-depth understanding of the fundamentals that drive performance at the local, regional, and global levels.

Experience

Our portfolio managers average 21 years of experience in the industry, with 16 of those years spent with T. Rowe Price.[2] These men and women have seen it all—from good markets to bad markets and everything in between. As the investment landscape shifts and markets evolve, our portfolio managers have the deep experience necessary to navigate changing conditions. They also have access to proprietary research and our firm's resources and draw from their own passion for exploration and understanding.

Forward-looking

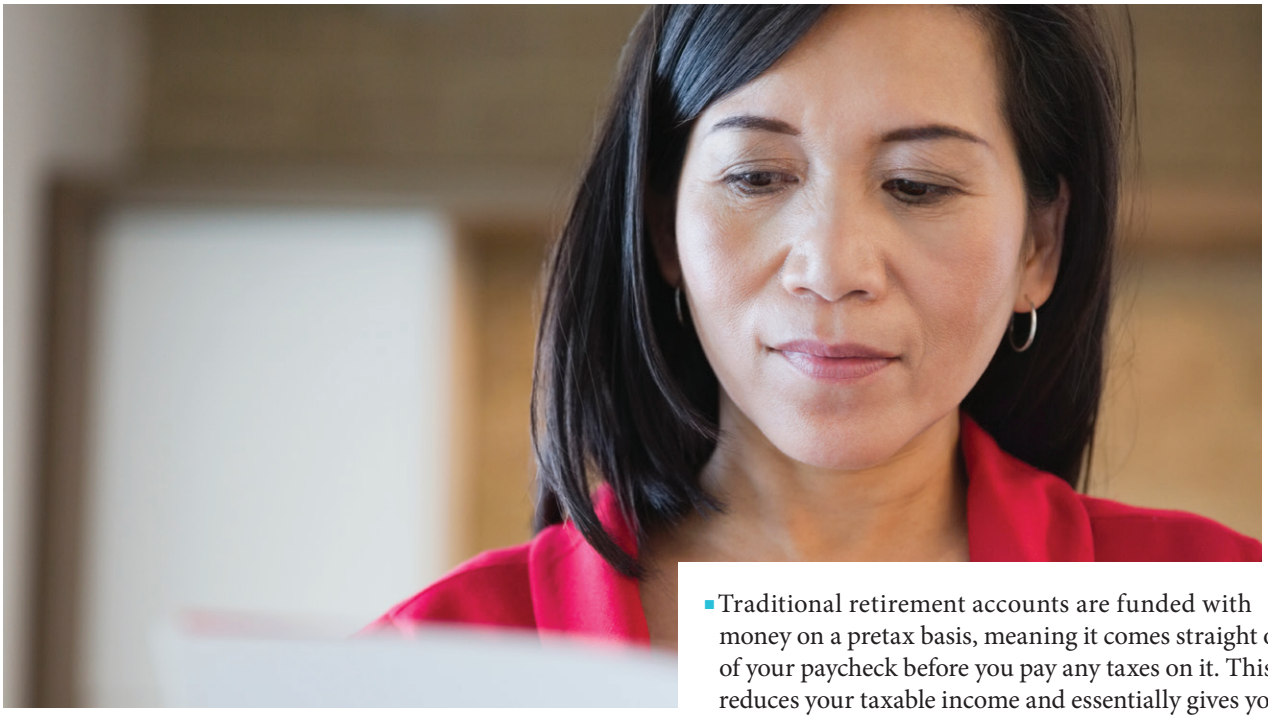
An important component of our successful strategic investing approach is the ability of our investment professionals to think independently while acting collaboratively. They assess when to move with the crowd and when to move against it, when to quickly take advantage of market fluctuations and when to hold tight. We seek returns that go beyond those of simply following an index, because your investments are too important to be on autopilot. ■

NEXT STEPS

Call us at **1-877-773-1355** or visit **troweprice.com/ourstory** to find out how our investment professionals get the full story for you.

[1]As of December 31, 2017. [2]As of June 30, 2018.

All investments are subject to market risk, including the possible loss of principal.



PHOTOGRAPH BY SIDEKICK

Would You Benefit From a Roth?

If you're in a low tax bracket now and expect to be in a higher bracket later, the answer may be yes.

When you're working and saving for retirement, you typically have a choice between traditional and Roth retirement accounts, including IRAs and 401(k)s. But how do you choose which account to open? "Taxes are a primary factor to consider," says Roger Young, CFP®, a senior financial planner with T. Rowe Price. "You don't want to pay more in taxes than necessary, so choose carefully."

The tax treatment of Roth and traditional accounts varies considerably. That's because the way you put money into these accounts and how you take it out later is very different:

- Traditional retirement accounts are funded with money on a pretax basis, meaning it comes straight out of your paycheck before you pay any taxes on it. This reduces your taxable income and essentially gives you a tax break for the same year. However, that tax break comes with strings attached. When it's time to start taking money out of those accounts, you're going to have to pay taxes on every dollar you withdraw.

- Roth accounts, on the other hand, are funded with money that you've already paid taxes on. So contributing to a Roth doesn't reduce your taxes today. However, qualified distributions are tax-free. (Generally, a distribution is qualified if taken at least five years after the year of your first Roth contribution and after you've reached age 59½.)

Working individuals who meet IRS income limitations can contribute to a Roth IRA or make pretax contributions to a Traditional IRA. And increasingly, retirement plans like 401(k)s allow designated Roth contributions in addition to pretax contributions. So more people are going to have a choice to make. (See "Roth or Traditional?" on page A7.) Here are some of the factors to help guide your decision.

Consider your current and future tax rates

"The main thing you'll want to consider when choosing between Roth and traditional accounts is whether your marginal tax rate will be higher or lower during retirement than it is now," says Young. If you think

> **The main thing you'll want to consider when choosing between Roth and traditional accounts is whether your marginal tax rate will be higher or lower during retirement."**
>
> –**ROGER YOUNG**, CFP®,
> T. ROWE PRICE SENIOR FINANCIAL PLANNER

your tax rate will be higher, paying taxes now with Roth contributions makes sense. If your tax rate is likely to be lower in retirement, you can use traditional contributions to defer taxes instead. The recently lowered federal tax rates are scheduled to revert to pre-2018 levels after 2025, which may make Roth contributions more attractive today.

Of course, tax rates are hard to predict, due to changes in the law as well as uncertainty around your future income levels.

When a Roth may be right for you

Here are three situations where a Roth probably makes the most sense:

1. You are currently in a lower tax bracket, but you expect that to change. Let's say you are a young professional who is anticipating salary increases, which will put you in a higher tax bracket down the road. Contributing to a Roth IRA or Roth 401(k) means you pay the relatively low rate on taxable income now. Once you've retired, you will not pay any taxes on qualified distributions from the plan.

2. You are close to retirement and are concerned about RMDs. "If you've been a disciplined saver and have contributed a healthy percentage of your income to traditional accounts for many years, eventually you've got to pay the piper," says Young. Beginning in the year you reach age 70½, you must begin taking required minimum distributions (RMDs) from Traditional IRAs and from 401(k)s—including Roth 401(k)s—the later of age 70½ or once you're retired. As the name suggests, these withdrawals are required, even if you don't need the income at the time.

RMDs could bump you to a higher tax bracket. Qualified distributions from a Roth 401(k) or Roth IRA, on the other hand, would not create taxable income or increase your tax rate. Therefore, a Roth contribution may be preferable in order to limit the RMD income taxed at a higher rate.

3. You are a prodigious saver. Suppose you can contribute the maximum amount to a retirement plan ($18,500 for 2018 or $24,500 if you're over age 50), even if you don't get a tax break. In this case, the Roth account effectively enables you to save more in a tax-advantaged manner. Saving the maximum amount ultimately results in more after-tax retirement assets for the Roth account balance than a traditional contribution that is pretax.

When traditional could be the way to go

While a Roth is a good choice for many people, it's not best for everyone. Here are two examples where pretax contributions, such as to a Traditional 401(k) or a Traditional IRA, may be a better strategy:

1. You are in your peak earning years. When you retire, you might eliminate expenses, such as mortgage payments or college costs. Additionally, withholdings for payroll taxes and retirement contributions will go

CONTINUED ON PAGE A8 >

Roth or Traditional?

Consider which account type may be most beneficial given several hypothetical investor scenarios.

Profile	Income	Tax Bracket	Situation*	Likely Benefits From
A young person in a low tax bracket who is likely to be in a higher bracket later	$50,000	12% (single)	The next higher tax bracket is 22%.	**Roth**
Someone who already has large traditional account balances and wants to minimize RMDs in retirement	$160,000	22% (married)	Approaching retirement with a $3.2 million 401(k) balance. An RMD (around $171,000 at age 80) plus Social Security is more than spending need and could bump household into 24% tax bracket.	**Roth**
A prodigious saver who can afford to contribute the IRS maximum either way	$130,000	24% (single)	Uncertain outlook for future tax rate. Can comfortably save $18,500 in a 401(k). After-tax savings are effectively $4,440 higher per year with Roth contributions.	**Roth**
A person in peak earning years who could be in a lower bracket during retirement	$360,000	32% (married)	Currently near bottom of tax bracket. The next lower tax bracket is 24%.	**Traditional**
Someone with a tight cash flow who wants the company 401(k) match while maximizing paychecks	$30,000	12% (single)	Contributes 6% to 401(k) to get full company match. Pretax savings provide $216/year more net pay.	**Traditional**

*Brackets are for federal taxes, based on rates as of January 1, 2018. While rates are scheduled to revert to pre-2018 levels after 2025, those rates are not shown in this table. Income refers to gross earnings; the current bracket reflects the standard deduction and potential retirement contributions. State taxes are not considered in the examples. Married status reflects joint filing.

If you're having trouble deciding, the tie often goes to the Roth.

away. As a result, your income from Social Security and the amount you need to draw from retirement accounts likely will be less than what you earn today. So your federal tax bracket could be lower in retirement. Your state tax rate also could decrease, for example, if you move to an income tax-free state.

In this case, taking the tax benefit now with a traditional contribution may make more sense than the Roth contribution. You'll reduce your current taxable income while paying a higher tax rate and then make withdrawals at a potentially lower tax rate later in retirement.

2. You are struggling to save. The traditional pretax approach may enable you to get your employer's full 401(k) match with less impact on your take-home pay. This is because taxable income is reduced by the amount of your contribution.

Having trouble deciding?

"If you're still unsure of what to do in your situation, the tiebreaker often should be in the Roth account's favor," says Young. That's because:

- Roth accounts generally are better for heirs, since assets can continue to grow tax-deferred.
- If you're like many people and have more assets in traditional accounts than Roth accounts, adding to your Roth assets improves tax diversification. This hedges against the risk of changes in tax laws or your personal circumstances.
- Roth IRA contributions (but not necessarily the gains) always can be withdrawn at any time or at any age without tax or penalty. But be careful—it's not as flexible for Roth 401(k) assets or assets that were converted from a Traditional IRA to a Roth IRA.

"While you should devote more energy to making sure you're saving enough," Young says, "a thoughtful decision between Roth and traditional contributions can help you take full advantage of those savings." ■

NEXT STEPS

Compare Roth IRAs and Traditional IRAs at **troweprice.com/ira** or consult with a Retirement Specialist at **1-877-773-1356**.

T. Rowe Price Health Sciences Fund

A fund that invests in many of the health care sector's most dynamic companies.

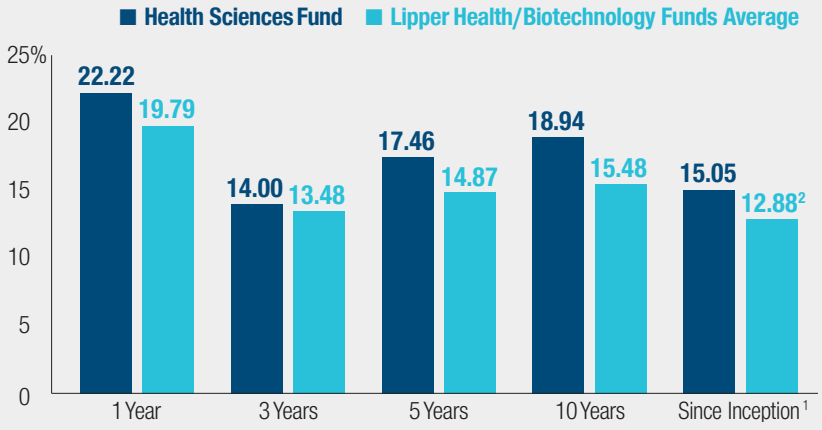
The T. Rowe Price Health Sciences Fund (PRHSX) provides access to innovative companies engaged in the research, development, production, or distribution of health-related products or services. With substantial opportunities for superior long-term capital appreciation, investing in this fund could help put your goals within reach.

Impressive growth potential

The Health Sciences Fund has posted outstanding near- and long-term returns. (See "A Solid Track Record.") As with any stock fund, the Health Sciences Fund is subject to market risk. Due to the fund's concentration in health sciences companies, its share price will be more volatile than that of more diversified funds. Further, these firms often are dependent on government funding and regulation and are vulnerable to product liability lawsuits and competition from low-cost generic products. ■

A Solid Track Record

The T. Rowe Price Health Sciences Fund consistently exceeded its peer group as of 9/30/18.



Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. For the most recent month-end performance, visit ***troweprice.com/hsf***. The fund's expense ratio as of its fiscal year ended 12/31/17 was **0.77%**. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions.

[1]Fund inception date 12/29/95.

[2]Returns as of 12/31/95.

Source for Lipper data: Lipper Inc.

NEXT STEPS

Learn more at **troweprice.com/healthsciences** or call **1-800-541-2487** to speak with a noncommissioned Investment Specialist.

RETIREMENT SAVINGS

Are Your Retirement Savings on Track?

Checking your progress against benchmarks can help you see where you stand.

Most people will fund retirement primarily from personal retirement savings and Social Security benefits. And, considering that you may spend 30 years or more in retirement, it's important to save enough so that your money will last. "A quick way to check your progress is to consider how much you've saved by certain ages," says Judith Ward, CFP®, a senior financial planner with T. Rowe Price. "We refer to the target levels as savings benchmarks."

Your savings benchmark

To find your savings benchmark, look for your approximate age and consider how much you've saved so far for retirement. (See "Savings Benchmarks by Age.") Compare that amount with your current gross income or salary.

For example, a 35-year-old earning $60,000 would be on track if she has saved about one year of her income, or $60,000. Most 50-year-olds would be on track if they've saved about five times their income. If considering a household, use the older partner's age and the total income and total retirement savings of the household.

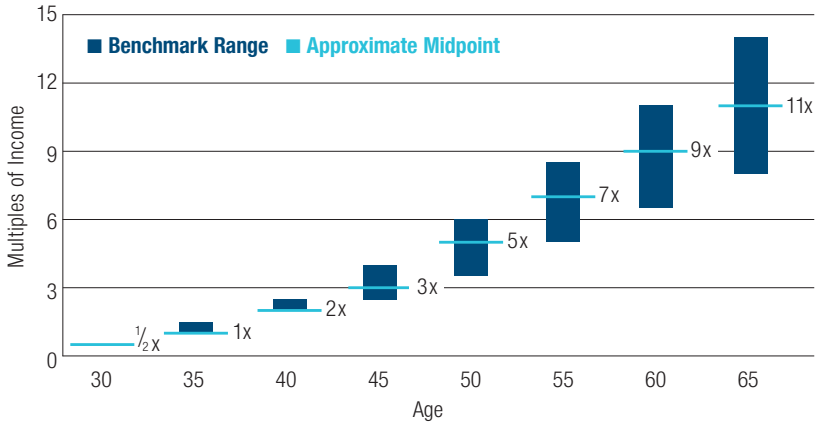
These benchmarks assume you'll be dependent primarily on personal savings and Social Security benefits in retirement. However, if you have other income sources (e.g., a pension), you may not have to rely as much on your personal savings, so your benchmark would be lower.

There's a range

The midpoint benchmarks are a good starting point, but circumstances vary by person and over time. Key factors that affect the savings benchmarks include income and marital status.

Savings Benchmarks by Age

Approximate savings goals as a multiple of income.



PHOTOGRAPH BY TOMML

Nearing Retirement: A More Detailed Look

Depending on your personal circumstances and income, you may want to consider other benchmarks within the ranges.

	Married, Dual Income			Married, Sole Earner			Single		
Current Household Income	**Age 55**	**Age 60**	**Age 65**	**Age 55**	**Age 60**	**Age 65**	**Age 55**	**Age 60**	**Age 65**
$75,000	5½ x	7½ x	9 x	5 x	6½ x	8 x	6½ x	8½ x	10½ x
$100,000	6½ x	8½ x	10½ x	5½ x	7 x	9 x	7 x	9 x	11½ x
$150,000	6½ x	9 x	11 x	6½ x	8½ x	10½ x	7½ x	10 x	12½ x
$200,000	7 x	9 x	11½ x	7 x	9½ x	12 x	8 x	11 x	13½ x
$250,000	7 x	9½ x	12 x	7½ x	10½ x	13 x	8½ x	11 x	14 x

For example, higher-earning households will need to rely more on personal savings because Social Security benefits will make up a smaller percentage of retirement income. Likewise, singles may need a greater amount saved since they will be more affected by the cap on Social Security benefits than married couples. Depending on your personal circumstances, you may want to consider other benchmarks within the ranges. (See "Nearing Retirement: A More Detailed Look.")

Staying focused

If you're on track, keep prioritizing your retirement savings. Generally speaking, most investors should save at least 15% of their income (including any company contributions) in order to achieve the savings benchmarks at various ages.* If you're a high earner, however, the savings rate you'll need to get there can be well above 15%.

"If you're not on track, focus less on the shortfall and more on the incremental actions you can take to secure your future," says Ward.

Consider the following steps:

- Take advantage of the full company match in your workplace retirement plan.
- Increase your savings rate right away and then continue to increase it gradually over time.
- Consider part-time or consulting work in retirement to continue earning income.

Taking a few minutes now to measure your progress could alter the outcome of your financial future and help you achieve your long-term goals. ■

NEXT STEPS

Visit our Retirement Income Calculator at **troweprice.com/ric**.

Assumptions: Benchmarks are based on a target multiple at retirement age and a savings trajectory over time consistent with that target and the savings rate needed to achieve it. Household income grows at 5% until age 45 and at 3% (the assumed inflation rate) thereafter. Investment returns before retirement are 7% before taxes, and savings grow tax-deferred. For example, a person retires at age 65 and begins withdrawing 4% of assets, a rate intended to support steady inflation-adjusted spending over a 30-year retirement. Savings benchmark ranges are based on individuals or couples with current household income between $75,000 and $250,000. Target multiples at retirement reflect estimated spending needs in retirement (including a 5% reduction from preretirement levels); Social Security benefits (using the SSA.gov Quick Calculator, assuming claiming at full retirement ages and the Social Security Administration's assumed earnings history pattern); state taxes (4% of income, excluding Social Security benefits); and federal taxes (based on rates as of January 1, 2018). While federal tax rates are scheduled to revert to pre-2018 levels after 2025, those rates are not reflected in these calculations. "Dual income" means that the one spouse generates 75% of the income that the other spouse earns. For the benchmarks in "Savings Benchmarks by Age," we assume the household starts saving 6% at age 25 and increases the savings rate by 1% annually until reaching the necessary savings rate.

*It may be possible to achieve your retirement goals with a lower savings rate than 15% if you get an early start on saving or if you have relatively low income. Additionally, people in some circumstances may not be able to meet their savings goals solely through tax-advantaged plans. However, we believe 15% or more is an appropriate target for most people considering the wide range of potential financial changes over your lifetime.

Charts are shown for illustrative purposes only.

PERSONAL FINANCE

Take the Long View

Staying focused on your plan can help you reach your long-term goals.

Market conditions always will change. And while we can't control when these changes will happen, or how dramatic they may be, we can control our responses.

It's important to not let any short-term price swings distract you from your long-term strategy. As long as your asset mix accurately reflects your financial goals, time horizon, and risk tolerance, sticking to your investment plan could prove rewarding over time. And decreasing your equity allocation for fear of losing money could put you at greater risk of running out of money in retirement.

Stay the course

The short-term factors affecting stock prices can be difficult to determine. Over the long term, however, stock investing has provided a way for individuals to share in the growth of the world economy. Consider the returns of a hypothetical $100,000 investment in the Bloomberg Barclays U.S. Aggregate Bond Index versus the S&P 500 Index over the same 25-year time frame. If the assets had been invested in an all-bond portfolio, the value would have grown to about $379,510. If it had been in all stocks, on the other hand, the account would be worth around $1,009,880—substantially more than the all-bond portfolio. (See "A Long-Term Approach to Stocks.")

Use the past as a guide

To better understand how stocks have performed over longer time periods, consider historical performance. Past performance cannot guarantee future results; however, if we examine the S&P 500 Index from the beginning of 1926 to December 31, 2017:

- There have been 83 rolling 10-year periods since 1926. The S&P 500 produced gains in 79 of them and losses in four—meaning the market increased in 95% of 10-year time frames.
- Stocks produced positive returns in every rolling 15-calendar year period since 1926.
- During the 63 rolling 30-year periods since 1926, the stock market's worst performance was an annualized return of 8.5%.

PHOTOGRAPH BY DOBLE-D

Over the long term, stock investing has provided a way for individuals to share in the growth of the world economy.

These historical returns illustrate how stocks have shown resilience and growth potential over the long term. That said, there also are important reasons to hold bonds.

If you have short- or intermediate-term goals, you can help address the risk of near-term stock market losses by having bonds in your portfolio. Bonds typically offer greater return potential than cash and greater stability than stocks, which is important for investors with nearer-term financial goals.

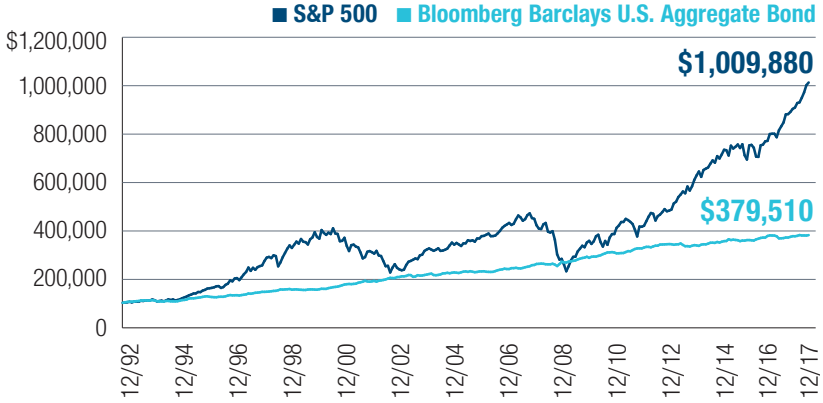
Focus on what you can control

When managing your investments, look beyond what the market is doing at any particular moment and focus instead on adhering to your plan. Continue to save and invest, and maintain an investment mix that is appropriate for your time horizon. These are the variables you can control—and they are the most likely to determine whether you succeed at reaching your investment goals. ■

A Long-Term Approach to Stocks

While stocks are more volatile than bonds, over the long term, they have offered substantially higher returns than bonds.

25 years ended 12/31/17



The chart shows an investment of $100,000 from 12/31/92 through 12/31/17. Stocks are represented by the S&P 500 Index, and bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index. This example is for illustrative purposes only. It is not possible to invest directly in an index. *Past performance cannot guarantee future results.*

NEXT STEPS

Learn more about our perspective on the markets at **troweprice.com/insights**.

All investments are subject to market risk, including the possible loss of principal. Diversification cannot assure a profit or protect against loss in a declining market.

Morningstar Recognizes T. Rowe Price Fund Excellence

Because of our disciplined investing approach, Morningstar, a leader in independent investment research, has recognized many of our mutual funds with its highest ratings in the funds' respective categories. As of September 30, 2018, 76 of 134 of our rated funds (Investor Class only) have earned an Overall Morningstar Rating™ of 4 or 5 stars—5 stars being the highest.**Past performance cannot guarantee future results.* ■

NEXT STEPS
To explore our selection of Morningstar 4- and 5-star rated funds, visit **troweprice.com/morningstar** or call **1-800-541-2517** to speak with a noncommissioned Investment Specialist.

All mutual funds are subject to market risk, including the possible loss of principal.

*Morningstar gives its best ratings of 4 or 5 stars to the top 32.5% of all funds (of the 32.5%, 22.5% get 4 stars and 10% get 5 stars) based on their risk-adjusted returns. The Overall Morningstar Rating™ is derived from a weighted average of the performance figures associated with a fund's 3-, 5-, and 10-year (if applicable) Morningstar Rating™ metrics.

The Morningstar Rating™ for funds, or "star rating," is calculated for funds with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star.

A Simple Way to Save

Our Automatic Asset Builder (AAB) service makes it easy to invest regularly. Just choose the T. Rowe Price accounts you want set up with AAB, and the monthly contribution will be funded from your bank account, paycheck, or Social Security check. ■

NEXT STEPS
Log in to your account at **troweprice.com/aab** to get started.

PHOTOGRAPH BY MAPODILE

Make Your IRA Contribution Today

Any time is a good time to save, but investing earlier can maximize the compounding effect on your assets. You can make your 2019 IRA contribution as soon as January 1. And remember that you have until April 15, 2019, to make your IRA contribution for tax year 2018.

IRA CONTRIBUTION LIMITS		
Tax Year	Under Age 50	Age 50 or Older
2018	**$5,500**	**$6,500**
2019	**$6,000**	**$7,000**

Note: You may not contribute more than your taxable compensation for the year.

NEXT STEPS
To contribute to your IRA, call a Retirement Specialist at **1-800-341-1209** or visit **troweprice.com/ira**.

Discover Your Retirement Personality

Are you a Freedom Seeker, Reinventor, Preserver, or Explorer?

Take our five-question quiz to reveal your retirement personality and start imagining what your future might look like. Then, consider whether you're taking the necessary financial steps to get there.

NEXT STEPS
Visit **troweprice.com/retirementpersonalityquiz**.

PHOTOGRAPHS BY CHRISD600; RAPIDEYE

RETIREMENT SAVINGS

Time Is Your Greatest Ally

Saving early can help position you to achieve your financial goals.

Among all of the factors that influence your retirement savings, you often have the most control over how much you invest and when you start investing. With consistency, even modest investments can grow significantly over time. Consider the case of four individuals who start saving at different ages:

- **Mike at age 22**
- **Judy at age 32**
- **Charles at age 42**
- **Amy at age 52**

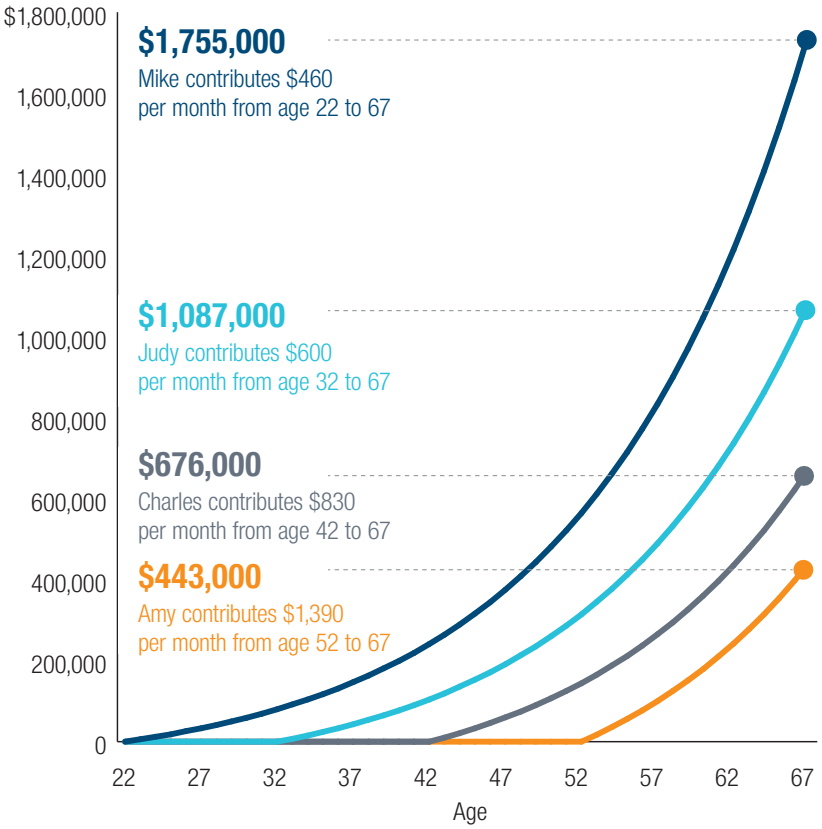
Let's say each of them sets aside the same total amount of $250,000 in tax-deferred accounts over the course of their careers. But because of the difference in when they started saving, each of these investors will achieve a very different outcome.

Make the most of time

The potential for greater compounding over time means that Mike could contribute only a third of what Amy does every month and yet end up with nearly four times as much in savings by age 67. In this way, time is an ally in helping an investor's savings dollars work harder. ■

The Benefit of Starting Early

The same $250,000 invested will result in vastly different outcomes depending on when you start saving those dollars.



Assumes 7% average annual return in a tax-deferred account. This chart is for illustrative purposes only and does not represent the performance of any specific security. *All investments involve risk, including possible loss of principal.*

NEXT STEPS

Call a Retirement Specialist at **1-800-541-2678** to discuss your retirement savings options, or visit **troweprice.com/retirement**.

T. Rowe Price Funds

For detailed information on T. Rowe Price mutual funds, including investment performance, call **1-800-401-1788** or visit **troweprice.com/performance**.

STOCK

Domestic
Blue Chip Growth
Capital Appreciation[1]
Capital Opportunity
Communications & Technology[3]
Diversified Mid-Cap Growth
Dividend Growth
Equity Income
Equity Index 500
Extended Equity Market Index
Financial Services
Growth & Income
Growth Stock
Health Sciences
Mid-Cap Growth[1]
Mid-Cap Value[1]
New America Growth
New Era
New Horizons[1]
QM U.S. Small & Mid-Cap Core Equity
QM U.S. Small-Cap Growth Equity
QM U.S. Value Equity
Real Estate
Science & Technology
Small-Cap Stock[1]
Small-Cap Value
Tax-Efficient Equity
Total Equity Market Index
U.S. Large-Cap Core
Value

International/Global
Africa & Middle East
Asia Opportunities
Emerging Europe
Emerging Markets Stock[1]
Emerging Markets Value Stock
European Stock
Global Consumer
Global Growth Stock
Global Industrials
Global Real Estate
Global Stock
Global Technology[1]
International Concentrated Equity
International Discovery[1]
International Equity Index
International Stock
International Value Equity
Japan
Latin America
New Asia
Overseas Stock
QM Global Equity

ASSET ALLOCATION

Balanced
Global Allocation
Multi-Strategy Total Return
Personal Strategy Balanced
Personal Strategy Growth
Personal Strategy Income
Real Assets
Retirement 2005, 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, 2060
Retirement Balanced
Retirement Income 2020[2]
Spectrum Growth
Spectrum Income
Spectrum International
Target 2005, 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, 2060

BOND

Taxable
Corporate Income
Credit Opportunities
Dynamic Global Bond
Emerging Markets Bond
Emerging Markets Corporate Bond
Emerging Markets Local Currency Bond
Floating Rate
Global High Income Bond
Global Multi-Sector Bond
GNMA
High Yield[1]
Inflation Protected Bond
International Bond
International Bond (USD Hedged)
Limited Duration Inflation Focused Bond
New Income
Short-Term Bond
Total Return
Ultra Short-Term Bond
U.S. Bond Enhanced Index
U.S. High Yield
U.S. Treasury Intermediate
U.S. Treasury Long-Term

Tax-Free[4]
CA, GA, MD, NJ, NY, VA Tax-Free Bond
Intermediate Tax-Free High Yield
MD Short-Term Tax-Free Bond
Summit Municipal Income[2]
Summit Municipal Intermediate[2]
Tax-Free High Yield
Tax-Free Income
Tax-Free Short-Intermediate

MONEY MARKET

Taxable
Cash Reserves[5]
Government Money[6]
U.S. Treasury Money[6]

Tax-Free[4]
CA, MD, NY Tax-Free Money[5]
Summit Municipal Money Market[2,5]
Tax-Exempt Money[5]

[1]Closed to new investors except for a direct rollover from a retirement plan into a T. Rowe Price IRA invested in this fund. [2]$25,000 minimum. [3]Formerly Media & Telecommunications. [4]Certain tax-free funds may not be appropriate for tax-deferred investments, including individual retirement accounts (IRAs).

[5]Retail Funds: **You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. Beginning October 14, 2016, the Fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the Fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.**

[6]Government Funds: **You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.**

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