

T. Rowe Price

# INVESTOR<sup>®</sup>

INSIGHTFUL STRATEGIES FOR INFORMED INVESTORS



# Get Ready

Four things to do  
before you retire. 6

SPRING 2019  
TROWEPRICE.COM

**2019 Financial  
Numbers**  
3

**Paying for the  
Unexpected**  
4

**Transitioning Into  
Post-work Life**  
11

**TAKE NOTE  
INSIDE**  
Following  
page 10

# CONTENTS



## Welcome Shareholder

The end of 2018 and start of the new year brought increased volatility in global markets. It's during these uncertain times that looking beyond short-term price swings and focusing instead on what's within your control—your long-term investment strategy—is most critical.

We've seen that investors most concerned about market volatility tend to be those in the years nearing or transitioning into retirement. In our Cover Story and Managing It articles, we speak to these individuals, providing practical suggestions to help them strengthen their long-term financial positions while making the most of the income available to them.

We hope this issue offers a helpful perspective as you make your financial decisions. Thank you for trusting T. Rowe Price with your investment needs.

Sincerely,

**Scott B. David**  
Chairman,

T. Rowe Price Investment Services

## IN THIS ISSUE

**OPENING BELL**  
**2019 Financial Numbers**  
3

**FOCUS ON**  
**Paying for the Unexpected**  
4

**COVER STORY**  
**Get Ready**  
6



**SPOTLIGHT**  
**T. Rowe Price Target Date Funds**  
14

**T. ROWE PRICE UPDATES**  
**The Confident Wallet™**  
16

**CLOSING BELL**  
**How Do You Compare?**  
18

### TAKE NOTE

**The Transformative Power of Technology**  
A1

**A Closer Look at Withdrawal Strategies**  
A6

**MANAGING IT**  
**Retiring Smart**  
11



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Call **1-800-401-1819** 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 12/31/18, unless otherwise indicated. For up-to-date standardized returns, visit [troweprice.com/performance](http://troweprice.com/performance).

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PERSONAL FINANCE

# 2019 Financial Numbers

Below are retirement contribution limits, tax rates, and more information to keep in mind throughout 2019.

## Roth IRAs and Traditional IRAs



**2018 Limit**  
\$5,500



**2019 Limit**  
\$6,000



**Age 50 or Older?**  
Add \$1,000 in catch-up contributions

## 401(k) Plans



**2018 Limit**  
\$18,500



**2019 Limit**  
\$19,000



**Age 50 or Older?**  
Add \$6,000 in catch-up contributions

**April 15, 2019**  
**Deadline to**  
**make your 2018**  
**IRA contributions.**

### NEXT STEPS

To make your IRA contribution, call **1-888-789-6881** or visit [troweprice.com/contribute](http://troweprice.com/contribute).

## Tax Figures for 2019

Tax Rate Schedule	Taxable Income <sup>1</sup>		Marginal tax rate
	Single or head of household	Married filing jointly or qualifying widow(er)	
	\$9,700 or less	\$19,400 or less	10%
	\$9,701–\$39,475	\$19,401–\$78,950	12%
	\$39,476–\$84,200	\$78,951–\$168,400	22%
	\$84,201–\$160,725	\$168,401–\$321,450	24%
	\$160,726–\$204,100	\$321,451–\$408,200	32%
	\$204,101–\$510,300	\$408,201–\$612,350	35%
	Over \$510,300	Over \$612,350	37%
<b>Long-Term Capital Gains Tax Rate</b>	<b>0%</b> Single filers with taxable income \$39,375 or less  Married filers with taxable income \$78,750 or less	<b>15%</b> Single filers with taxable income \$39,376–\$434,550  Married filers with taxable income \$78,751–\$488,850	<b>20%</b> Single filers with taxable income > \$434,550  Married filers with taxable income > \$488,850
<b>Annual Gift Tax Exclusion</b>	<b>\$15,000</b> Each individual can gift up to \$15,000 per recipient in 2019 without gift tax.		
<b>Lifetime Gift and Estate Tax Exclusion</b>	<b>\$11.4 million</b> The unified lifetime gift and estate tax exclusion amount is \$11.4 million <sup>2</sup> in 2019. Gifts over the annual gift tax exclusion amount are counted against the lifetime amount. (State amounts vary.)		

<sup>1</sup>Generally defined as adjusted gross income less exclusions, deductions, and exemptions.

<sup>2</sup>Unused portions of predeceasing spouse's exclusion amount may be used by surviving spouse.

Source: irs.gov.



PERSONAL FINANCE

# Paying for the Unexpected

An emergency fund can help you cover unplanned expenses that otherwise might jeopardize your finances.

The primary purpose of an emergency fund is to help keep your finances and savings goals intact should you experience a financial shock. “With an emergency fund in place, you won’t have to run up a balance on your credit card or tap in to your retirement savings to get through a period of uncertainty,” says Judith Ward, CFP®, a senior financial planner with T. Rowe Price.

## Financial surprises

There are a number of unexpected situations that can jeopardize your financial plans.

**1 Job loss.** Lack of income due to a job loss or disability can be emotionally challenging.

Knowing you have a cash reserve available to see you through this difficult time may help reduce some of the anxiety. (See “How Long Does Unemployment Last?”)

**2 Large, unanticipated expenses.** You can budget for routine household repairs, maintenance, and regular health care

costs. However, you also may face unplanned, big-ticket expenses at the most inopportune times.

**3 Need for flexibility.** Beyond paying unanticipated expenses, an emergency fund could offer some flexibility if you also want the freedom to leave your job to try something new. While this may not rise to the level of an emergency, having a cash reserve may give you the peace of mind to make important changes in your life without additional financial stress.

## Setting your goal

The appropriate amount for an emergency fund varies from household to household. A good rule of thumb is to target enough savings to cover three to six months’ worth of expenses.

For two-earner households, three months’ worth may suffice given that having two incomes provides its own level of protection against the unexpected loss of one job. Single-earner households, by comparison,

## A Good Starting Point

Begin by saving \$1,000 to \$5,000 to help cover expenses like:

- Medical emergencies
- Home repairs
- Unplanned travel due to family illness or death
- Replacing a broken appliance
- Pet illness or emergency visits
- Auto repairs

PHOTOGRAPH BY OLASER

# 3 to 6

The number of months of expenses that you should aim to save in your emergency fund.

should aim for closer to the six-month end of the savings target, or more.

Other factors to consider include the source of income and your plans for the future. If your income is less predictable, as is the case for some self-employed individuals, you may want to set aside a little more in reserve. You also may want to save more than six months' worth if you anticipate a career change or another disruption to your income stream.

### Building your emergency fund

You may need to modify other savings programs and cut spending for a short period of time while

building up your cash reserves. Start by saving \$1,000 to \$5,000 right away. (See "A Good Starting Point.") Then continue building up your reserve over time with a goal of completing the process within one to two years.

"If you have to reduce your retirement contributions in order to fully fund your reserves, remember to reinstate these contributions to their original level as soon as you reach your emergency fund target," says Ward. If possible, contribute enough to get any company match, if available, while simultaneously funding your emergency reserve. Hold your emergency fund in an

accessible account, such as a money market or bank savings account, that will maintain its value regardless of market performance. And when you use your emergency fund, be sure to replenish it as soon as you can afterward.

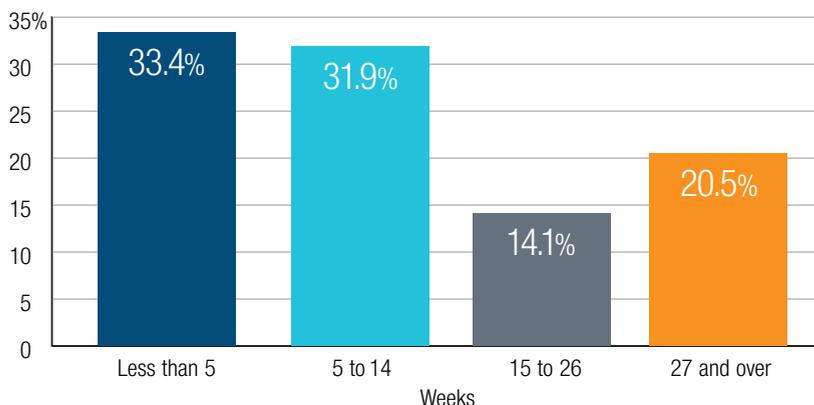
### Protecting your retirement savings

One of the key benefits of having an emergency fund in place is that you'll have money available and won't need to withdraw assets from your retirement accounts to cover the cost of a financial emergency. In most cases, tapping in to your retirement accounts, like an IRA or 401(k), means paying a 10% early distribution penalty if you are under age 59½, in addition to taxes on the amount withdrawn. Worse yet, the money you withdraw won't benefit from additional years of tax-deferred growth potential.

"An emergency fund is an essential tool for helping protect your long-term financial stability," Ward says. "The sooner you start saving, the more quickly you'll have a safety net in place." ■

### How Long Does Unemployment Last?

The majority of those unemployed remain jobless for about six months or less.



Source: U.S. Bureau of Labor Statistics. Economic News Release, Table A-12. Unemployed persons by duration of employment, seasonally adjusted, December 2018.

### NEXT STEPS

Visit [troweprice.com/mutualfunds](https://www.troweprice.com/mutualfunds) to explore T. Rowe Price money market accounts, or call to speak with a noncommissioned Investment Specialist at 1-877-717-8705.



# GET READY

**Four things to do in the decade leading up to your retirement.**

**H**ow do you prepare for a comfortable retirement? For many people, the answer can seem overly complex—but it doesn't have to be. The following steps can help you strengthen your long-term financial position while keeping your retirement plans on track.

### Check your progress

Considering 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 assess 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 retirement savings benchmark, look for your approximate age and consider how much you've saved so far. (See "Savings Benchmarks by Age" on page 8.) Compare that amount with your current gross income or salary.

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., pension), you may not have to rely as much on your personal savings, so your benchmark would be lower.

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. Depending

on your situation, you may want to consider other benchmarks within the ranges. (See "Nearing Retirement: A More Detailed Look" on page 9.) As you're nearing retirement, think about analyzing your spending and income sources more carefully. Retirement planning resources like the T. Rowe Price Retirement Income Calculator can help. Visit [troweprice.com/ric](http://troweprice.com/ric).

### Prioritize saving for retirement

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.<sup>1</sup> Even if you're on track, keep prioritizing your retirement. "If you aren't where you want to be with your savings, focus less on the shortfall and more on the incremental actions that you can take to secure your financial future," says Ward.

Consider the following:

- Make sure that you're taking 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. Note that the 2019 contribution limits for an IRA and a 401(k) are \$6,000 and \$19,000, respectively (\$7,000 and \$25,000 if you're age 50 or older).
- Be open to part-time or consulting work in retirement to continue earning income.

### KEY POINTS

- Determine whether you're on track with your retirement savings and catch up, if needed.
- Ensure your portfolio is properly constructed.
- Update your estate plan to reflect your current wishes.
- Review your insurance needs and coverage.

**A quick way to check your progress is to assess how much you've saved by certain ages."**

—JUDITH WARD, CFP®,  
A SENIOR FINANCIAL  
PLANNER WITH  
T. ROWE PRICE

<sup>1</sup>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 that 15% or more is an appropriate target for most people considering the wide range of potential financial changes over a lifetime.

## 2 Construct your portfolio

In addition to saving enough, it is important to hold the right mix of investments and types of accounts. Make sure your strategy addresses the following:

**Asset allocation.** The appropriate mix of stocks and bonds in your portfolio will depend on your tolerance for risk and your time horizon. For example, your portfolio should start out as mostly equities early in your career and should gradually increase its exposure to fixed

income, creating a more balanced approach as you get closer to retirement. In your 60s, consider having equity exposure of around 50%–65%, decreasing that amount slowly as you move into and through retirement. This shift aims to reduce the market risk in your portfolio while still benefiting from the growth potential of equities. Visit [troweprice.com/allocationplanning](https://www.troweprice.com/allocationplanning) for more information.

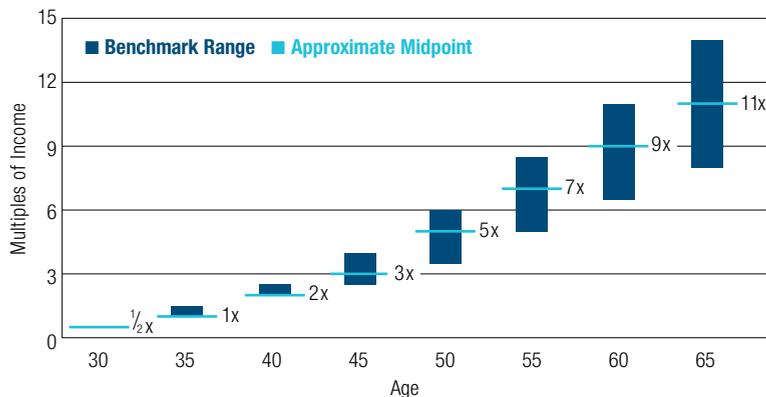
**Portfolio diversification.** Diversification involves investing in different types of stocks (e.g., small-cap, large-cap, and international) and bonds (e.g., international, high yield, and investment grade) so that your portfolio is never too dependent on any one asset type. Since no one investment consistently leads the pack, making sure your portfolio is well diversified provides you with exposure to sectors that are leading without being derailed by sectors that are lagging. Of course, diversification cannot assure a profit or protect against loss in a declining market.

**Tax diversification.** Most of your retirement assets likely are set aside in tax-deferred accounts, such as a Traditional IRA or traditional assets in a 401(k). As a result, you generally will owe income taxes on all your withdrawals. You may add tax diversification to your investment portfolio by shifting contributions to a Roth IRA or Roth option in your workplace plan. Withdrawals from Roth accounts after age 59½, and at least five years after your first contribution, generally are tax-free.

You also can convert assets already held in a traditional account to a Roth account as you near retirement. “Setting aside money in a Roth account makes sense for many savers of all ages,” says

## Savings Benchmarks by Age

Find your retirement savings benchmark by looking for your approximate age.



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. The 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. For the benchmarks, we assume the household starts saving 6% at age 25 and increases the savings rate by 1% annually until reaching the necessary savings rate.



Roger Young, CFP®, a senior financial planner with T. Rowe Price. “Moreover, a Roth conversion strategy is worth investigating before you retire. The decision to convert is most appropriate for individuals who won’t need all of their required minimum distributions (RMDs) for living expenses in retirement.” The trade-off of the Roth conversion is that moving assets from a traditional account to a Roth account generally requires paying taxes at the time of the account conversion rather than later, when you start taking withdrawals.

### Update your estate plan

Your estate plan is an important part of your long-term financial strategy. “It’s essential to have the necessary elements in place to manage your estate—regardless of its size,” says Stuart Ritter, CFP®, a senior financial planner with T. Rowe Price.

Your plan should include:

- An advanced directive that covers:

- A living will, outlining the type of care you want if you become incapacitated and unable to make your wishes known.
- A health care proxy that names someone who can make medical decisions for you if you become incapacitated.
- A power of attorney, which grants an individual you choose the authority to make financial decisions on your behalf.
- A will, which directs how assets should be distributed upon your death, unless they have beneficiary designations or are specifically titled.
- The establishment of any trusts necessary to expedite distribution of your estate or that provide for more control of any assets.

“It’s essential to have the necessary elements in place to manage your estate—regardless of its size.”

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

## Nearing Retirement: A More Detailed Look

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

Current Household Income	Married, Dual Income*			Married, Sole Earner			Single		
	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

\*“Dual income” means that one spouse generates 75% of the income that the other spouse earns. These are rough estimates with a wide range of possibilities as determined by a variety of factors.

## Protecting your assets is an important part of your long-term financial stability.”

—ROGER YOUNG, CFP®,  
A SENIOR FINANCIAL  
PLANNER WITH  
T. ROWE PRICE

“Review these elements regularly and ensure that any directives in your will, asset titles, and beneficiary designations align with your goals,” says Ritter. Moreover, be sure that the various components of your estate plan reflect the hierarchy by which your assets are distributed. For instance, assets are first distributed based on title and ownership, and then according to the beneficiary designations on your accounts and insurance policies. Only then do the directives in your will determine the distribution of your remaining assets. Learn more in Your Guide to Estate Planning. Visit [troweprice.com/estateplanningguide](http://troweprice.com/estateplanningguide).

### 4 Evaluate your insurance

Protect your retirement assets from the costs associated with major health issues and catastrophic events through appropriate insurance coverage. “Find a balance between the premiums you can afford and the risks that could jeopardize your savings,” Young says. Following are insurance considerations for people approaching retirement:

**Health.** Medicare offers many options, so take the time to understand your choices. If you retire before you become eligible at age 65, you need to plan for coverage until then. If you work past

age 65, you may consider staying on your employer’s plan.

**Long-term care.** Costs for custodial care, such as in-home assistance, assisted living environments, and full nursing home care, aren’t covered by Medicare. Long-term care insurance is costly and should be evaluated carefully, but it could make sense for people who have assets to protect and aren’t comfortable self-insuring.

**Liability.** An umbrella policy can increase the liability protection on your home and auto policies and provide overarching financial protection if you are sued. It’s important to have enough liability coverage to protect your assets.

**Life.** Coverage may not be necessary if you are about to retire and have adequate assets in place. But if your family relies heavily on your ongoing income—such as pension or Social Security benefits—a policy might still be important.

### Keep your plan up to date

Preparing for retirement is a dynamic process that requires frequent updates as your situation changes. Moreover, make sure to adjust your plan if your vision of retirement changes. ■



### NEXT STEPS

Discover more actionable ways to help you prepare for retirement. Visit [troweprice.com/retirement](http://troweprice.com/retirement) or consult with a Retirement Specialist at 1-877-717-8706.

T. Rowe Price

# TAKE NOTE

A Closer Look at  
Withdrawal Strategies  
**A6**



PHOTOGRAPH BY DORIT BAR-ZAKAY

## The Transformative Power of Technology

Artificial intelligence, machine learning, and energy innovations are changing U.S. industries.

Advancements in artificial intelligence (AI) and energy storage are not yet seamlessly integrated into day-to-day life, and thus the full extent of their potential to fundamentally change industries remains underappreciated by consumers and investors alike. However, innovations in these technologies are increasing their effectiveness while lowering costs at an impressive rate.

Indeed, the day is approaching when these burgeoning technologies will reshape industries traditionally viewed as less susceptible to business model disruption. A prime example is the automobile industry.

## Facing disruption on two fronts

A confluence of machine learning and cheaper and stronger computing power is creating the potential for a fully autonomous vehicle. This presents several challenges for traditional automakers and original equipment manufacturers (OEMs).

For starters, machine learning and robust computing power are not these firms' core competencies—leaving room for new entrants. Additionally, the business model of selling cars to individual customers can be disrupted in a world where cars can drive themselves.

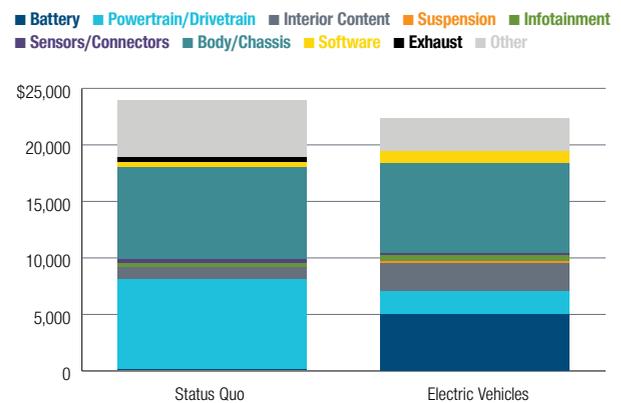
Autonomous vehicles should significantly push down the cost per mile for ride-hailing services, and as this happens, consumers will begin to weigh the cost of owning a car versus paying for one as needed. Families, for instance, could decide to own one car instead of two—if they decide to even own one at all.

This better economic model is further supported by auxiliary benefits, such as increased safety and freeing up drivers to do other things. Focusing on the passenger experience is yet another area in which traditional automakers could do better.

At the same time, declining battery and electric vehicle (EV) powertrain component costs are on a path toward making EVs a more affordable option than vehicles with internal combustion engines. EVs currently cost approximately \$10,000 more to produce than a combustion engine car. In about 10 years, improved battery chemistry, specifically NMC 811 lithium battery technology, is projected to drive down EV costs to a point where a combustion engine car will cost approximately \$5,000 more to produce.

## Changes in the Auto Supply Chain

A breakdown of estimated component costs\* by 2025 shows how technology is transforming the supply chain.



\*Based on \$35,000 per vehicle average U.S. sales price.  
Source: T. Rowe Price.

The lower upfront cost for an EV coupled with greatly diminished operating costs—no more oil changes or visits to the gas station—may become impossible to ignore for most consumers. Traditional automakers and OEMs have very little content on EVs. Currently, their intellectual property in a car is centered on the transmission, powertrain, and drivetrain. The electrification of vehicles significantly reduces the prominence of these technologies.

We estimate that OEMs that do not contribute a part of the EV powertrain will see their value as a percentage



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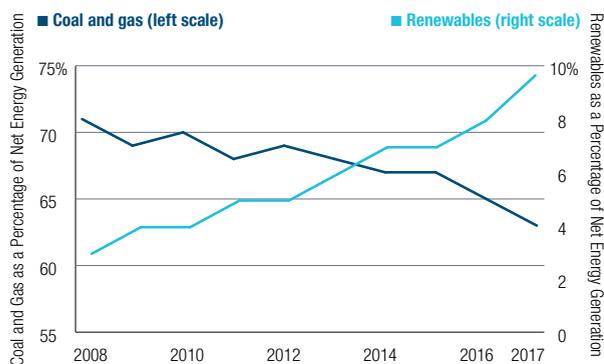
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of total cost of the car cut by approximately 60% by 2025, with more of the total car value contained in the battery. (See “Changes in the Auto Supply Chain” on page A2.) Such an environment could come sooner than the market appreciates. An aggregation of third-party forecasts points to EVs accounting for approximately 10% to 15% of sales in 2025, but we think the reality will be the other way around—only 10% to 15% of consumers will want to buy a combustion engine car at that time.

The broad consensus is that EV adoption will be gradual, but we believe we’ll witness more of a tipping point in adoption. EVs’ lower relative cost and auxiliary benefits will make them a compelling choice. This is compounded by the increased rate at which combustion engine cars will depreciate because of the clear path for EVs to be a larger portion of the fleet. The limiting factor for EVs may be the ability to add battery capacity—not consumer demand, because consumers are still at the early stage of appreciating the transformative nature of EV propulsion.

## Sources of Net Energy Generation

Renewables are gaining share from coal and gas.



Source: eia.gov.

## The impact on natural resources

In the natural resources sector, smart grid technologies enable utility companies to operate more efficiently with automation and self-healing. Big data complements new smart grid technologies. Ultimately, these companies will have more information to help manage demand more precisely, reduce peak needs, and provide the predictive analytics to determine when an outage is likely to occur. This helps improve reliability while reducing costs.

Improved energy storage technologies also will accommodate many more renewable energy sources because they can significantly reduce intermittency issues, which have long plagued renewables. As a result, electrification will be more reliable, secure, flexible, and clean. And utilities will play an important role in enabling the widespread adoption of EVs through individual services and infrastructure upgrades. In total, these technologies are going to help utilities have lower cost profiles, which should alleviate some financial pressure and enable capital investment that grows earnings. Renewable energy prices already are declining amid these technological developments. (See “Sources of Net Energy Generation.”)

Since 2010, renewable costs in the U.S. have fallen by 70%, and we expect further cost reduction. For instance, evidence suggests that wind is among the cheapest sources of new power in some regions of the U.S., even without subsidies. More advanced turbines and enhanced blade designs will further lower overall costs and increase output. Solar costs, while still higher than wind, have been declining at a faster rate, and so solar looms as a significant opportunity. Firms with business models that rely on high or volatile energy prices could be in a more difficult environment in the future.

## A collaborative approach to investing

Trends in the adoption of new technologies do not happen in isolation, and T. Rowe Price’s analyst teams frequently collaborate to identify which companies in a particular sector are positioned to win or lose as

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## The day is approaching when these burgeoning technologies will reshape industries traditionally viewed as less susceptible to business model disruption.

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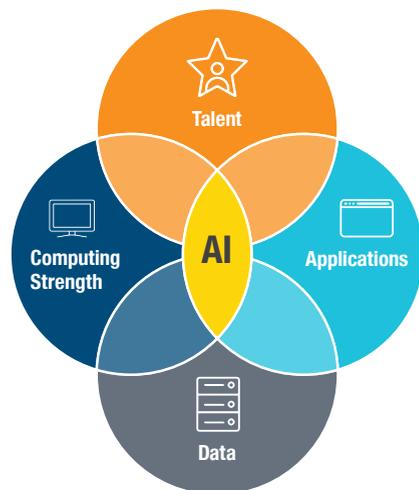
technologies reshape sectors. The firm's automobiles, industrials, and natural resources analysts recognize that AI is a common denominator behind significant changes within these sectors, and they actively seek out insights from our technology portfolio managers and analysts.

AI will become a horizontally enabling technology. As it is more and more deeply integrated into our daily lives, companies with a competitive advantage in this area stand to emerge as major beneficiaries, but these firms also will enable companies with AI needs but which lack AI expertise.

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### The Four Pillars of AI

Most companies don't have strength across all areas.



Source: T. Rowe Price.

AI depends on four main pillars: access to talent, access to data, strength of computing infrastructure, and depth of applications to which AI can be applied. (See “The Four Pillars of AI.”) Alphabet, Google’s parent, has strengths across all four pillars. In addition to its talent, the company collects data through a range of products and services, operates on the cutting edge of computing, and benefits from seven applications with more than a billion users each, including Google Search, Android, and YouTube.

Looking ahead, many companies will have unique applications that AI could enhance and proprietary data sets that could help inform AI. More often than not, though, these companies may fall short in the strength of their computing infrastructure and their access to talent. AI-capable firms will help fill in these gaps. This already is being witnessed in the public cloud computing industry. Such leaders as Amazon Web Services, Azure, and Google Cloud are providing access to computing power in a low-friction, highly scalable way that is accessible to all companies. Many of these same firms also are developing tools that will enable companies to use AI without in-house experts.

It will take time before AI tools being developed today reach a point when they can replace raw, in-house AI talent, particularly for large-scale AI projects. For example, addressing the complexities in autonomous vehicles still requires the very best talent—and a lot of it.

T. Rowe Price’s investment process, which is rooted in close collaboration among research analysts and portfolio managers, is well positioned to fully assess the sweeping impact of these powerful technologies. Much like new innovations feed on each other, the firm’s

## The T. Rowe Price Communications & Technology Fund

Investing in innovation with a fund that seeks to provide long-term capital growth.

Fast-growing companies that are focused on meeting ever-changing consumer demands hold promise for investors. To capitalize on this potential, the T. Rowe Price Communications & Technology Fund (PRMTX) maintains an emphasis on disruption and innovation.

The fund seeks to deliver long-term capital growth through investing in media, telecommunications, and technology companies. Globally, these sectors are quickly evolving and offer the potential for strong growth. The fund typically invests in both domestic and foreign large- to mid-cap companies, with more than 80% of the fund invested in U.S. companies

and 18% invested in foreign companies as of December 31, 2018.

In addition to companies that produce and distribute content, the fund also invests in various wireless, broadband, and data service providers. The fund also focuses on companies that develop and advance tech products, typically for communications or e-commerce companies. These products include new software, hardware, parts, and services. The strategy has proven effective to date—the fund has outpaced its benchmark over the 1-, 3-, 5-, and 10-year periods and since inception.<sup>1</sup>

### NEXT STEPS

Visit [troweprice.com/mtf](http://troweprice.com/mtf) to learn more about the T. Rowe Price Communications & Technology Fund or call **1-877-717-8707** to speak with a noncommissioned Investment Specialist.

<sup>1</sup>Fund inception date 10/13/93.

As of 12/31/18, the T. Rowe Price Communications & Technology Fund outperformed the Lipper Telecommunication Funds Average over the 1-, 3-, 5-, and 10-year periods and since inception: -1.83%, 11.96%, 10.36%, 19.70%, and 14.08% to -9.24%, 3.43%, 2.55%, 9.23%, and 8.48%, respectively. The Lipper Telecommunications Funds Average since-inception returns are as of 10/31/93.

*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/mtf](http://troweprice.com/mtf). The fund's expense ratio as of its fiscal year ended 12/31/18 was **0.78%**. Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions.*

Prior to 5/1/18, the name of the Communications & Technology Fund was the Media & Telecommunications Fund.

Source for Lipper data: Lipper Inc.

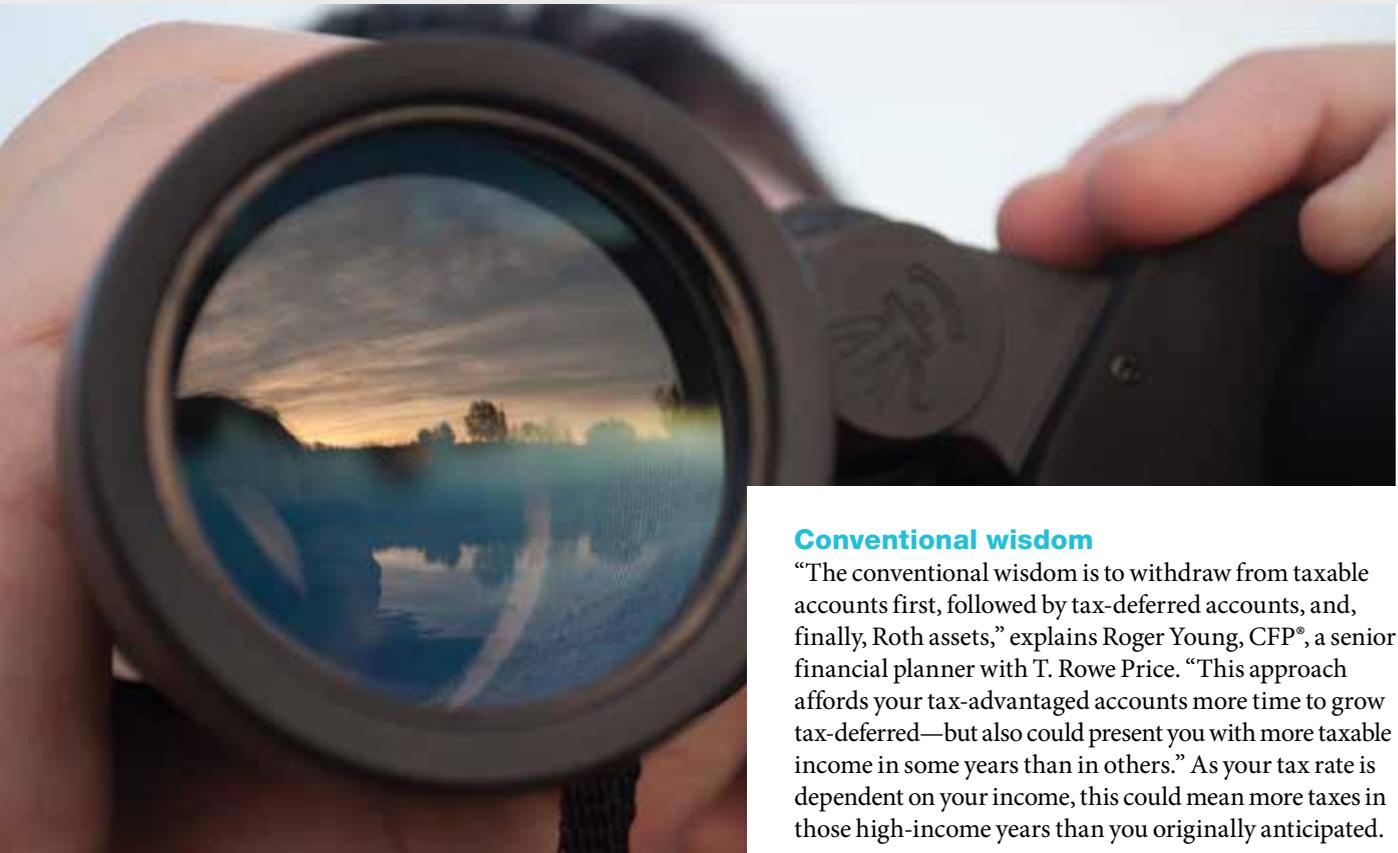
research analysts and portfolio managers actively share research, debate possible outcomes, and conduct company visits together so that they can uncover valuable investment insights across industries and sectors.

*As of December 31, 2018, Google-parent Alphabet made up 5.7% of the T. Rowe Price Communications & Technology Fund, and Amazon made up 14.3%; the fund did not own Azure. This fund offers substantial upside potential but also carries a high level of risk. Due to its*

*concentration on specific industries and its exposure to mid-caps and foreign securities, the fund's share price could be more volatile than that of a fund with a broader investment mandate. ■*

### NEXT STEPS

Explore our latest investment thinking at [troweprice.com/insights](http://troweprice.com/insights).



# A Closer Look at Withdrawal Strategies

Investors can get more out of their retirement savings using a tax-savvy approach.

One of the challenges we face in retirement is finding the most advantageous way to draw down savings while minimizing taxes. Many people have investments in a variety of accounts that have different tax characteristics. These can include Traditional IRAs or 401(k)s, Roth IRAs, and taxable brokerage accounts. In retirement, you probably will need to withdraw money from these accounts to supplement your Social Security income.

## Conventional wisdom

“The conventional wisdom is to withdraw from taxable accounts first, followed by tax-deferred accounts, and, finally, Roth assets,” explains Roger Young, CFP®, a senior financial planner with T. Rowe Price. “This approach affords your tax-advantaged accounts more time to grow tax-deferred—but also could present you with more taxable income in some years than in others.” As your tax rate is dependent on your income, this could mean more taxes in those high-income years than you originally anticipated.

Federal income tax matters for retirees can be complicated. For example:

- Withdrawals (distributions) from Traditional (pretax) IRAs or 401(k) accounts are fully taxed as ordinary income.
- Qualified distributions from a Roth account are tax-free.\*
- For taxable accounts, interest received is ordinary income. However, if you sell investments, you only pay taxes on the gains (i.e., not on the invested principal, which is tax-free). Long-term capital gains and qualified dividend income generally are taxed at lower rates than ordinary income.

## A thoughtful approach

Everyone has different financial goals in retirement, but if you're concerned about outliving your assets, you might focus on extending the life of your portfolio or increasing what you can spend in retirement. Here are two ways you can use tax savings to help achieve these goals:

\*Generally, distributions are tax-free once you reach age 59.5 and have held the Roth account for at least five years.

## 1 Take full advantage of income subject to very low, or even zero, tax rates.

People with relatively modest incomes may think it's best to follow the conventional model. After all, you may pay little or no taxes at first. However, once the taxable accounts are exhausted, you may end up paying a higher tax rate because you are generating more taxable income from tax-deferred account withdrawals.

Instead, consider using your low tax bracket strategically by consistently “filling up” that bracket with ordinary income from tax-deferred account distributions, such as your Traditional IRA. If you need more than these withdrawals to support your lifestyle, you can sell taxable account investments, then take money from Roth accounts. This idea isn't new, but following the Tax Cuts and Jobs Act of 2017, more people may be able to limit their incomes to match their deductions—thus paying zero taxes—or stay within a low bracket. As an example, assume a married couple:

- Has \$750,000 across their investment accounts: 60% tax-deferred, 30% Roth, and 10% taxable

- Spends \$65,000 (after taxes) each year
- Collects \$29,000 in Social Security benefits

Using the approach described above, they could completely avoid federal income taxes and save \$42,000. This strategy adds over two years to the life of their portfolio. (See “Filling Up Your Tax Bracket.”)

## 2 Make the most of untaxed capital gains.

Did you know that some people don't have to pay taxes on capital gains? If your taxable income is \$39,375 or less (for single filers) or \$78,750 or less (for married couples filing jointly), long-term capital gains and qualified dividends aren't taxed. This is another area where people may benefit from the recent increase in the standard deduction.

We've found that those who have a lot of assets in taxable accounts may be better served by taking advantage of untaxed capital gains than by taking tax-deferred distributions to fill up ordinary income brackets.

### Filling Up Your Tax Bracket

Limiting income to match standard deductions can help reduce tax liability.

Assumes a \$750,000 portfolio and \$65,000 annual spending in retirement.

	Conventional Wisdom	Bracket-Filling Method
Account withdrawals (specific to this example)	Taxable account (years 1–3) Tax-deferred account (years 3–18) Roth account (years 18–30)	Tax-deferred distributions \$21,000–\$23,000 each year Supplement with taxable account (years 1–6) and Roth account (years 6–32)
Federal taxes paid over 30 years	\$42,000	\$0
Longevity of portfolio with constant returns	29.4 years	31.6 years (7% improvement)

The chart is for illustrative purposes only and is not indicative of any specific investment. Additional assumptions: Amounts are in today's dollars and rounded; investment returns (before taxes) of 3% above inflation; taxable account generates only qualified dividends and long-term capital gains; couple retires at age 65; federal taxes remain at 2019 levels; state taxes not considered. Withdrawal years reflect approximate timing and don't fall exactly at the year mark, so overlapping years are intentionally included in this illustration.

## Targeting Capital Gains First

Rates on long-term capital gains are 0% for some taxpayers, making withdrawals from taxable accounts a good option for people with relatively modest incomes.

Assumes a \$2 million portfolio and \$120,000 annual spending in retirement.

	Conventional Wisdom	Utilizing Untaxed Capital Gains
Account withdrawals (specific to this example)	Taxable account (years 1–26) Tax-deferred account (starting with RMDs year 6, running out year 34), Roth account (years 34+)	Before RMDs (years 1–5), use taxable account. Thereafter, supplement RMDs with \$11,000–\$17,000 per year from Roth account. Taxable account withdrawals are small until Roth account is depleted (year 27)
Federal taxes paid over 30 years	\$266,000	\$205,000 (23% reduction)
Longevity of portfolio with constant returns	41.6 years	42.6 years (2% improvement)

The chart is for illustrative purposes only and is not indicative of any specific investment. See previous table for additional assumptions. Withdrawal years reflect approximate timing and don't fall exactly at the year mark, so overlapping years are intentionally included in this illustration.

Let's look at an example with a married couple that has significant taxable investments. We'll assume the couple:

- Has \$2 million across their investment accounts: 50% tax-deferred, 10% Roth, and 40% taxable
- Spends \$120,000 per year
- Collects \$45,000 from Social Security

The best strategy we found was to tap in to the taxable account before taking required minimum distributions (RMDs), then a combination of taxable investments and Roth distributions along with the RMDs. By doing so, the couple can avoid capital gains taxes until the Roth account runs out. (See “Targeting Capital Gains First.”)

### Implement your strategy

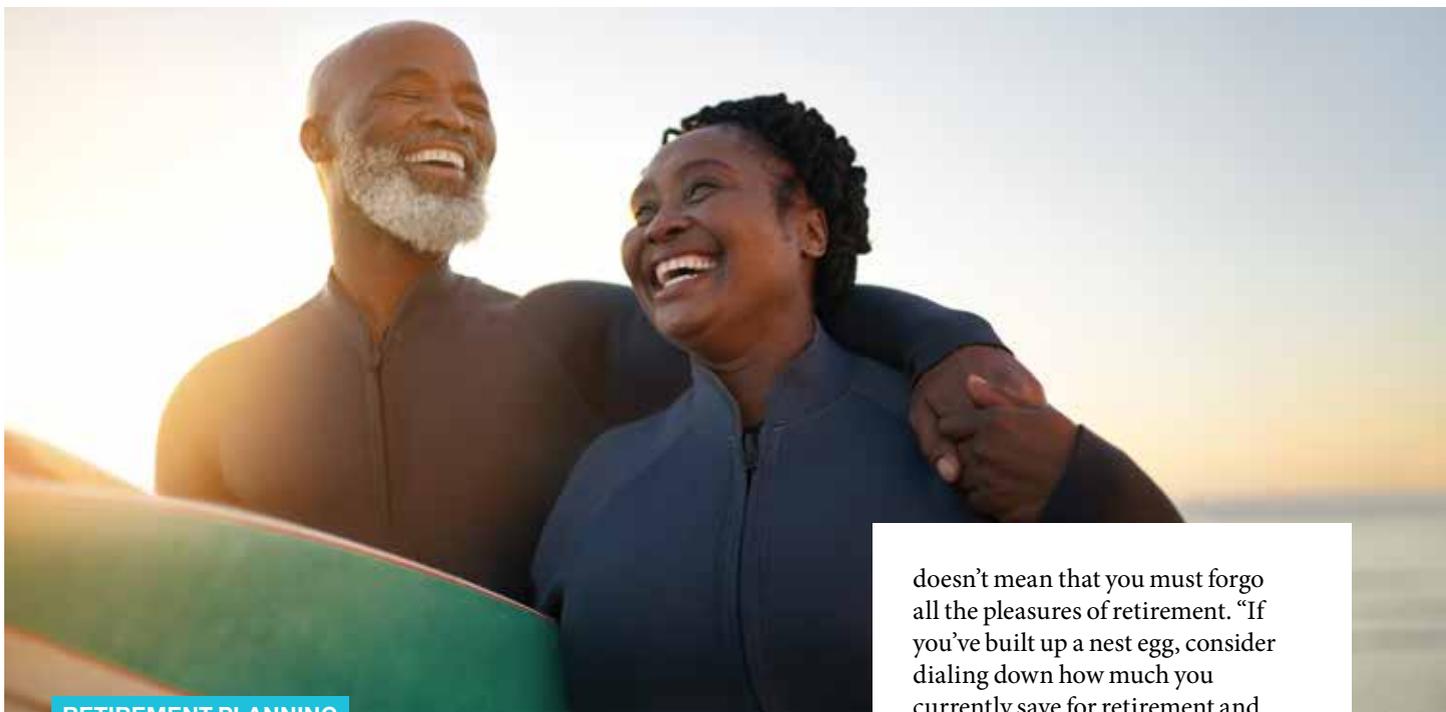
As you approach retirement, keep in mind that taxes are complicated, so you probably will want to consult with a tax advisor for help determining a withdrawal strategy. Roth conversions also are an option, but our research indicates that they usually are better suited for people focused on leaving an estate. Tax diversification—having assets in multiple types of accounts—can improve your flexibility in retirement. In both examples above, having some Roth assets is

key to implementing the strategy. RMDs can significantly reduce your flexibility to manage taxes after age 70½, so you need to develop a plan well ahead of that milestone. “With a little planning and a variety of accounts in your portfolio, you can save on taxes and better sustain your retirement lifestyle,” says Young.

*This material is provided for general and educational purposes only. This material does not provide fiduciary recommendations concerning investments or investment management. T. Rowe Price Investment Services, Inc., its affiliates, and its associates do not provide legal or tax advice. Any tax-related discussion contained in this material, including any attachments/links, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding any tax penalties or (ii) promoting, marketing, or recommending to any other party any transaction or matter addressed herein. Please consult your independent legal counsel and/or professional tax advisor regarding any legal or tax issues raised in this material. ■*

### NEXT STEPS

For more detailed information about various withdrawal strategies, see our full report at [troweprice.com/withdrawalstrategiesreport](https://troweprice.com/withdrawalstrategiesreport).



## RETIREMENT PLANNING

## Retiring Smart

These steps can help you ease the transition into post-work life.

**B**aby boomers—members of one of the largest generations in our nation’s history<sup>1</sup>—currently are at various stages of retirement, either in the period leading up to it or already retired. Many of these individuals are envisioning a long and active post-career lifestyle, and a sound financial strategy is an important component to achieving this goal. Consider the following suggestions to help you financially ease your way into retirement and make the most of the income you have available to you.

**1 Define your plan**  
When you think about retirement, how do you see yourself

spending your time? Do you dream of traveling the world? Or do you want to spend more time with your family and friends? Perhaps you’ll decide to take classes or volunteer more in your community. Many of these visions may resonate for you, and at the same time, you may determine you’d like to continue working part time or full time. “Today, people are approaching retirement more physically and professionally energetic, and many are choosing to stay in the workforce, in one capacity or another, for longer,” says Judith Ward, CFP®, a senior financial planner with T. Rowe Price.

The choice to continue to work beyond what used to be considered the traditional retirement age of 65

doesn’t mean that you must forgo all the pleasures of retirement. “If you’ve built up a nest egg, consider dialing down how much you currently save for retirement and instead spending more money on the activities that you may be putting off until full retirement—travel, learn, try new hobbies, or pay off debt,” says Ward. “But keep contributing enough to your workplace retirement plan to get the full company match, if provided by your employer. You never want to turn away free money.” Continuing to work also means that your paycheck can help cover your current expenses, thus allowing your savings to continue to benefit from tax-deferred growth.

### **2 Consider your Social Security options**

“Your decision to start taking Social Security benefits depends on a number of different factors, including your family medical history and personal circumstances as well as the retirement income you have available,” says Ward. Although individuals can start collecting benefits as early as age 62, waiting longer may be more financially beneficial for some since the amount

of monthly benefits increases for every year thereafter, up to age 70.

Your marital status also impacts your decision. You and your spouse can get the largest benefit from Social Security if you both wait until age 70 to begin collecting. Alternatively, one spouse can delay his or her benefit as long as possible until age 70 while the other spouse applies at retirement. In this case, it usually makes sense for the higher-earning spouse to delay until age 70, since the surviving spouse ultimately will receive the larger of the two Social Security benefit payments.

**2x**

Your monthly Social Security benefit will be nearly double if you start collecting at age 70 instead of age 62.

## What's Your Retirement Personality?

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

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

Visit [troweprice.com/retirementpersonalityquiz](http://troweprice.com/retirementpersonalityquiz).



If you can wait until age 70, your monthly benefit will be almost twice as much as if you had started taking payments at age 62.<sup>2</sup>

It's a good idea to review your Social Security statement each year to make sure the earnings history is accurate and to see your benefit amounts at different retirement ages. This can help you better plan for the future, including coordinating benefits with your spouse, if applicable.

The Social Security Administration no longer mails paper statements to most people. If you haven't done so already, go to [ssa.gov](http://ssa.gov) and set up your "my Social Security" account online.

### 3 Get to know Medicare

Medicare is the primary health program for retirees. You become Medicare-eligible at age 65 (regardless of your full retirement age, and exceptions may apply). And for the majority of people, you must enroll as early as three months

before you turn age 65 and as late as three months after your 65th birthday. Delaying may result in penalties. It's important to understand and carefully evaluate your options to determine which plans are best suited for your situation. "Although the complexity can be daunting, understanding health insurance and medical costs can help you make financial plans with greater confidence," says Roger Young, CFP®, a senior financial planner with T. Rowe Price. You can get an idea of the premium costs and out-of-pocket expenses on [Medicare.gov](http://Medicare.gov). You may need to explore alternative health care coverage options, including the purchase of coverage through your state's health care exchange, if you plan on retiring before age 65. (See "Making Informed Medicare Choices" on page 13.)

For individuals who continue to work, delaying retirement can translate into some real financial benefits, including the opportunity

to continue your employee benefits, such as health insurance, which potentially offers significant savings. Keep in mind that individuals age 65 and older who still are covered under an employer's health plan may consider deferring Medicare coverage. This situation is rather complicated, so be sure to talk with your human resources office before you turn age 65 if it applies to you. Failing to take this action can result in some unpleasant surprises later.

**4 Plan your withdrawals** “Starting to draw down your savings can be a challenge after years of putting money aside,” says Young. “A strategy that includes a sustainable withdrawal rate and a sequence for which accounts to draw from can help ensure you make the most of your savings.”

T. Rowe Price suggests the 4% guideline as a starting point for a withdrawal strategy. This means that in the first year of retirement, you should look to withdraw up to 4% of your retirement account balance. After that, reevaluate your spending needs each year. If you have multiple retirement accounts, the order in which you make withdrawals can help you manage your tax bill and maximize the continuing growth potential of your assets. You'll want to assess and

plan out your strategy well before required minimum distributions (RMDs) kick in. See “A Closer Look at Withdrawal Strategies” on page A6 for additional details.

Transitioning into retirement takes thoughtful preparation. You've worked hard to save for your post-career life, so take time and effort now to help ensure a comfortable financial future. ■

## VIDEO

### Making Informed Medicare Choices

Your decisions can have a substantial impact on both the medical services you receive and the amount you may spend.

Nearly all Americans enroll in Medicare when they reach age 65. To make smart decisions about your health care, it's important to understand the options that are available to you and how they could affect your individual situation. Roger Young, CFP®, a senior financial planner with T. Rowe Price, offers insights on this topic.

#### Highlights:

- It's important to start researching your options at least six months before you turn age 65.
- **Medicare.gov** is the authoritative source for up-to-date Medicare information, including details about original Medicare (Parts A and B), Medigap plans, Medicare Part C (also known as Medicare Advantage), and Medicare Part D, which covers prescription drugs.
- You'll need to set aside savings to pay for the health care costs that Medicare and supplemental policies don't cover. If eligible, a health savings account offers a way to save specifically for health care, along with attractive tax benefits.

To view the video, visit [troweprice.com/medicarechoices](https://troweprice.com/medicarechoices).

#### NEXT STEPS

Visit the T. Rowe Price Retirement Income Calculator at [troweprice.com/ric](https://troweprice.com/ric).

<sup>1</sup>census.gov. <sup>2</sup>ssa.gov.

# T. Rowe Price Target Date Funds

Diversified investment solutions that help meet your needs before and after you retire.

Our Target Date Funds, co-managed by Jerome Clark and Wyatt Lee, are designed to provide you with an age-appropriate diversified portfolio that you can carry to and through retirement—making them a one-stop approach to retirement investing.

### A carefully tailored investment mix

Target date funds generally are designed to adjust their investment mix automatically, reducing exposure to stocks and increasing exposure to bonds as the target retirement date approaches. Some of these funds, such as the two suites of target date funds offered by T. Rowe Price, continue to adjust the investment mix throughout retirement, so investors can choose the fund approach that matches their specific needs and their tolerance for risk.



**JEROME CLARK**  
Co-manager of the Retirement and Target Funds



**WYATT LEE**  
Co-manager of the Retirement and Target Funds

T. Rowe Price Retirement Funds	T. Rowe Price Target Funds
<b>Goal:</b> Seek to promote accumulation before retirement while supporting withdrawals over a long-term postretirement time horizon.	<b>Goal:</b> Seek to promote accumulation with lower portfolio volatility near retirement, in support of withdrawals over a moderate postretirement time horizon.
<b>Approach:</b> To address inflation and longevity risks, the funds maintain substantial equity exposure and emphasize capital appreciation.	<b>Approach:</b> To address market risk, the funds maintain a more moderate equity exposure in favor of fixed income investments.
<b>Focus:</b> Minimizing the risk of outliving your retirement assets while maintaining purchasing power over a lengthy retirement horizon.	<b>Focus:</b> Minimizing the impact of market volatility around or after the year in which you retire.

**Target date funds generally are designed to adjust their investment mix automatically, reducing exposure to stocks and increasing exposure to bonds as the target retirement date approaches.**

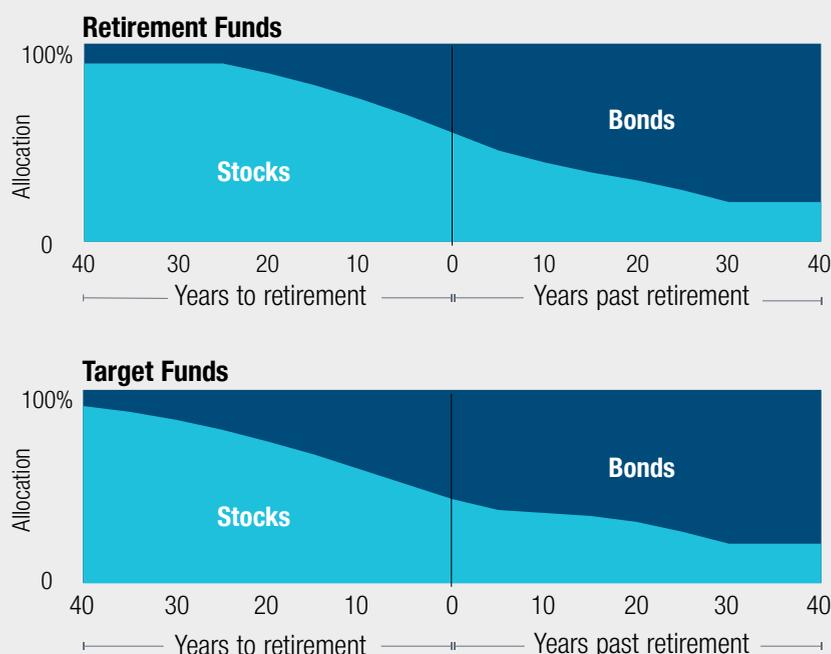
Both suites of target date funds offer expert allocation across a broad range of underlying stock and bond mutual funds. The underlying funds are managed by experienced portfolio managers, who are supported by T. Rowe Price's independent global research platform. The investment mix of each fund is rebalanced regularly to help keep its long-term investment approach on course with its goal.

### Experienced investing partners

Our firm has been managing asset allocation portfolios since the early 1990s, when we created our targeted risk products. We introduced the Retirement Funds a decade later and added the Target Funds in 2013. "We've worked hard to research, create, and manage our target date investment strategies in a landscape that is constantly shifting," says Lee. Clark adds, "As new retirement challenges emerge for our clients, we will continue to look for solutions that meet their needs before and throughout retirement." ■

## Two Approaches to Asset Allocation

T. Rowe Price Retirement Funds offer investors more exposure to the long-term growth potential of equities, while T. Rowe Price Target Funds offer investors a lower equity exposure in favor of fixed income investments to reduce the risk of principal loss.



### NEXT STEPS

Learn more at [troweprice.com/targetdatefunds](http://troweprice.com/targetdatefunds) or call 1-877-717-8708 to speak with a noncommissioned Investment Specialist.

The principal value of the Retirement Funds and Target Funds (collectively, the "target date funds") is not guaranteed at any time, including at or after the target date, which is the approximate year an investor plans to retire (assumed to be age 65) and likely stop making new investments in the fund. If an investor plans to retire significantly earlier or later than age 65, the funds may not be an appropriate investment even if the investor is retiring on or near the target date. The target date funds' allocations among a broad range of underlying T. Rowe Price stock and bond funds will change over time. The Retirement Funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon. The Target Funds emphasize asset accumulation prior to retirement, balance the need for reduced market risk and income as retirement approaches, and focus on supporting an income stream over a moderate postretirement withdrawal horizon. The target date funds are not designed for a lump-sum redemption at the target date and do not guarantee a particular level of income. The key difference between the Retirement Funds and the Target Funds is the overall allocation to equity; although they each maintain significant allocations to equities both prior to and after the target date, the Retirement Funds maintain a higher equity allocation, which can result in greater volatility over shorter time horizons.



WEBCAST

## Cybersecurity: Practical Steps to Protect You and Your Accounts

The cyber landscape is changing faster than ever, and with rapid change comes new risks. If you are considering how to approach today's digital world more safely and securely, our webcast can help you understand and address threats, including how to:

- Protect key personal information
- Manage email and internet activities safely
- Interact with financial institutions securely
- Take action if something is amiss ■

**NEXT STEPS**

Watch the webcast now at [troweprice.com/cybersecuritywebcast](http://troweprice.com/cybersecuritywebcast).

## There's Still Time to Make Your 2018 IRA Contribution

You have through April 15, 2019, to make your 2018 contribution, but it's wise to do so as soon as possible. You may even want to consider your 2019 contribution at the same time. Why? Investing earlier helps to maximize the compound growth potential of your investments. ■

**NEXT STEPS**

To contribute to your IRA, call a Retirement Specialist at **1-877-717-8709** or visit [troweprice.com/ira](http://troweprice.com/ira).

IRA CONTRIBUTION LIMITS		
Tax Year	Under Age 50	Age 50 or Older
2018	<b>\$5,500</b>	<b>\$6,500</b>
2019	<b>\$6,000</b>	<b>\$7,000</b>

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

PHOTOGRAPH BY PINKYPILLS

## T. Rowe Price Honored for Excellence

We were recently honored at the 2018 Investment Management Education Alliance (IMEA) STAR Awards for excellence in mutual fund marketing and communications. T. Rowe Price received awards in the large-plus funds category for Overall Investor Communications and Distinguished Education. Additionally, this is the 17th consecutive year that the firm has received a STAR Award for *T. Rowe Price Investor*® magazine.

The STAR Awards program was designed to honor the fund industry for its extraordinary efforts to communicate with and market to investors in ways that support shareholders and their investment goals. Over the years, it has distinguished itself as the premier fund industry competition that encourages excellence and fosters improvement and innovation. ■



## Wisdom to Be a More Confident Investor



**The Confident Wallet™** personal finance podcast series from T. Rowe Price and The Washington Post BrandStudio offers insights and resources to help you make more informed savings and investing decisions.

The following topics, available now, can help to inspire both confidence and long-term success:

- Getting Started With Investing
- Understanding IRAs
- Simplifying Your Retirement Savings
- Women and Finances
- Financial Tips for the Self-Employed
- Couples and Money ■

### NEXT STEPS

You can access the episodes at [washingtonpost.com/brand-studio/confident-wallet](https://www.washingtonpost.com/brand-studio/confident-wallet).

Please note that you will be directed to The Washington Post's website.

PERSONAL FINANCE

# How Do You Compare?

See how your approach to your finances compares with others in your generation.

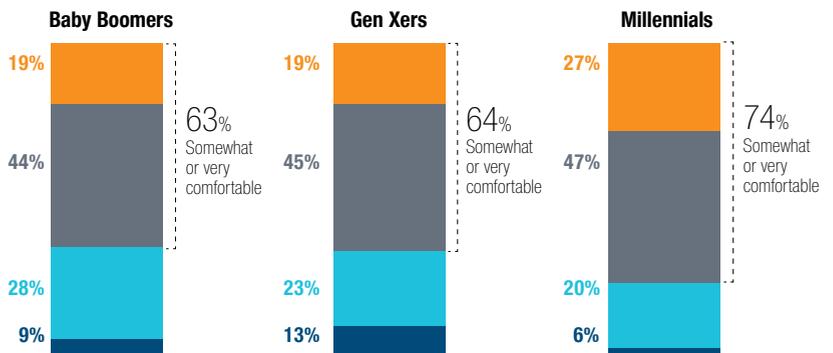
Recent T. Rowe Price surveys asked more than 3,000 adults about their opinions on retirement and other financial items.\* While some differences were revealed, the results also showed similarities both within and across generations.

## Reaching Goals

A majority of respondents across all generations feel somewhat or very comfortable that they are on track to meet their financial goals. Millennials report the greatest level of comfort of the three generations surveyed.

**Q:** All things considered, how comfortable are you that you are on track to meet your financial goals?

■ Not comfortable at all ■ Not very comfortable ■ Somewhat comfortable ■ Very comfortable

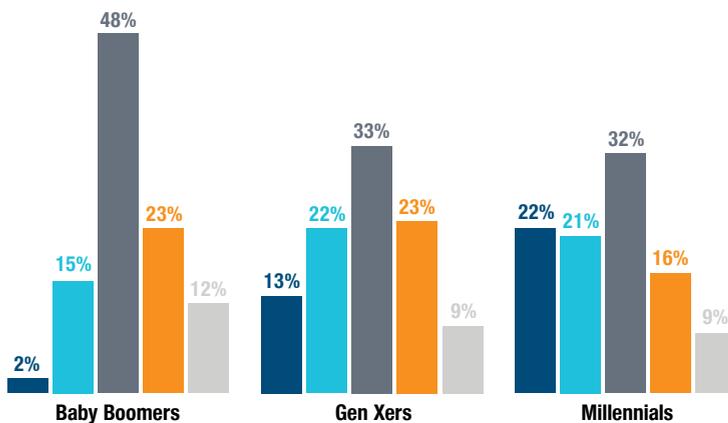


## Retirement Age

Millennials expect to retire at an earlier age than older generations, with close to half (43%) expecting to retire before they turn age 65, compared with 35% for Gen Xers and 17% for baby boomers.

**Q:** At what age do you expect to retire?

Retirement age ■ 59 and younger ■ 60-64 ■ 65-69 ■ 70-74 ■ 75 or older



\*T. Rowe Price Retirement Savings and Spending survey. Representative national study of 3,022 adults age 18+ (in 2017) and 3,005 adults age 21+ (in 2018); never retired; currently contributing to a 401(k) plan or eligible to contribute and have a balance of \$1,000+.

## Saving Enough

Across all generations, less than a quarter of people are contributing 15% or more of their income to their 401(k)s.

**Q:** How much of your personal income are you planning to contribute to your 401(k) this year?

### Millennials



### Gen Xers



### Baby Boomers



## NEXT STEPS

Call us at **1-888-789-6857** or visit [troweprice.com/insights](http://troweprice.com/insights) to learn more about how to achieve your financial goals.

# T. Rowe Price Funds

For detailed information on T. Rowe Price mutual funds, including investment performance, call **1-800-401-1819** or visit [troweprice.com/performance](http://troweprice.com/performance).

STOCK	<p><i>Domestic</i></p> <ul style="list-style-type: none"> <li>Blue Chip Growth</li> <li>Capital Appreciation<sup>1</sup></li> <li>Capital Opportunity</li> <li>Communications &amp; Technology<sup>3</sup></li> <li>Diversified Mid-Cap Growth</li> <li>Dividend Growth</li> <li>Equity Income</li> <li>Equity Index 500</li> <li>Extended Equity Market Index</li> <li>Financial Services</li> <li>Growth &amp; Income</li> <li>Growth Stock</li> <li>Health Sciences</li> <li>Mid-Cap Growth<sup>1</sup></li> <li>Mid-Cap Value<sup>1</sup></li> <li>New America Growth</li> <li>New Era</li> </ul>	<ul style="list-style-type: none"> <li>New Horizons<sup>1</sup></li> <li>QM U.S. Small &amp; Mid-Cap Core Equity</li> <li>QM U.S. Small-Cap Growth Equity</li> <li>QM U.S. Value Equity</li> <li>Real Estate</li> <li>Science &amp; Technology</li> <li>Small-Cap Stock<sup>1</sup></li> <li>Small-Cap Value</li> <li>Tax-Efficient Equity</li> <li>Total Equity Market Index</li> <li>U.S. Large-Cap Core</li> <li>Value</li> <li><i>International/Global</i></li> <li>Africa &amp; Middle East</li> <li>Asia Opportunities</li> <li>Emerging Europe</li> <li>Emerging Markets Stock<sup>1</sup></li> <li>Emerging Markets Value Stock</li> </ul>	<ul style="list-style-type: none"> <li>European Stock</li> <li>Global Consumer</li> <li>Global Growth Stock</li> <li>Global Industrials</li> <li>Global Real Estate</li> <li>Global Stock</li> <li>Global Technology<sup>1</sup></li> <li>International Concentrated Equity</li> <li>International Discovery<sup>1</sup></li> <li>International Equity Index</li> <li>International Stock</li> <li>International Value Equity</li> <li>Japan</li> <li>Latin America</li> <li>New Asia</li> <li>Overseas Stock</li> <li>QM Global Equity</li> </ul>
ASSET ALLOCATION	<ul style="list-style-type: none"> <li>Balanced</li> <li>Global Allocation</li> <li>Multi-Strategy Total Return</li> <li>Personal Strategy Balanced</li> <li>Personal Strategy Growth</li> <li>Personal Strategy Income</li> </ul>	<ul style="list-style-type: none"> <li>Real Assets</li> <li>Retirement 2005, 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, 2060</li> <li>Retirement Balanced</li> <li>Retirement Income 2020<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>Spectrum Growth</li> <li>Spectrum Income</li> <li>Spectrum International</li> <li>Target 2005, 2010, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055, 2060</li> </ul>
BOND	<p><i>Taxable</i></p> <ul style="list-style-type: none"> <li>Corporate Income</li> <li>Credit Opportunities</li> <li>Dynamic Credit</li> <li>Dynamic Global Bond</li> <li>Emerging Markets Bond</li> <li>Emerging Markets Corporate Bond</li> <li>Emerging Markets Local Currency Bond</li> <li>Floating Rate</li> <li>Global High Income Bond</li> <li>Global Multi-Sector Bond</li> <li>GNMA</li> </ul>	<ul style="list-style-type: none"> <li>High Yield<sup>1</sup></li> <li>Inflation Protected Bond</li> <li>International Bond</li> <li>International Bond (USD Hedged)</li> <li>Limited Duration Inflation Focused Bond</li> <li>New Income</li> <li>Short-Term Bond</li> <li>Total Return</li> <li>Ultra Short-Term Bond</li> <li>U.S. Bond Enhanced Index</li> <li>U.S. High Yield</li> <li>U.S. Treasury Intermediate</li> </ul>	<ul style="list-style-type: none"> <li>U.S. Treasury Long-Term</li> <li><i>Tax-Free<sup>4</sup></i></li> <li>CA, GA, MD, NJ, NY, VA Tax-Free Bond</li> <li>Intermediate Tax-Free High Yield</li> <li>MD Short-Term Tax-Free Bond</li> <li>Summit Municipal Income<sup>2</sup></li> <li>Summit Municipal Intermediate<sup>2</sup></li> <li>Tax-Free High Yield</li> <li>Tax-Free Income</li> <li>Tax-Free Short-Intermediate</li> </ul>
MONEY MARKET	<p><i>Taxable</i></p> <ul style="list-style-type: none"> <li>Cash Reserves<sup>5</sup></li> <li>Government Money<sup>6</sup></li> <li>U.S. Treasury Money<sup>6</sup></li> </ul> <p><i>Tax-Free<sup>4</sup></i></p> <ul style="list-style-type: none"> <li>CA, MD, NY Tax-Free Money<sup>5</sup></li> </ul>	<ul style="list-style-type: none"> <li>Summit Municipal Money Market<sup>2,5</sup></li> <li>Tax-Exempt Money<sup>5</sup></li> </ul>	

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

<sup>5</sup>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.**

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