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RETIREMENT
INSIGHTS

SPRING 2018

Focus on the Basics

How do you choose the right combination of investments to help you work toward a goal that may be decades away? The answer is to focus on the basics. Make sure you are getting these fundamentals right:

✔ **Don't wait — invest now.** To put the power of compounding to work for you, start investing now. It's easy to put off investing, thinking you'll have more money or time at some point in the future. Typically, however, you'll be better off saving less now than waiting and saving more later.

✔ **Live below your means so you can invest more.** The amount of money you have left over for investing is a direct result of your lifestyle. Don't have any money left over for investing? Ruthlessly cut your living expenses. Redirect all those reductions to investments. This should help significantly with your retirement. First, you'll be saving significant sums for that goal. Second, you'll be living on significantly less than you're earning, so you'll need less for retirement.

✔ **Maintain reasonable return expectations.** When developing your financial goals, you'll typically decide how much you need, when you'll need the money, and how much you'll earn on those savings. Those factors will determine how much you'll need to save on an annual basis to reach your goals. The higher the expected return on your investments, the less you'll need to save every year. However, if your assumed rate of return is significantly higher than your actual rate of return, you won't reach your goals. Thus, it's important to come up with reasonable return expectations. While past returns aren't a guarantee of future returns, you'll want to start by reviewing historical rates of return for investments you're interested in. You can then adjust those returns based on your expectations for the future. Assessing your progress every year will allow you to make adjustments along the way.

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> "Only six out of 10 workers say that they or their spouses are saving for retirement. And 47% said the total value of their savings and investments is less than $25,000, versus 35% who have $100,000 or more."
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> Source: *AAII Journal*, May 2017

Challenges to Your Retirement

We all know saving for retirement is becoming more and more challenging. Longer life expectancies, fewer traditional pensions, and lower investment portfolios are the most obvious challenges. But there are other threats to your retirement:

✔ **Even if you have a traditional pension plan, those benefits can change.** Your employer can't take away benefits you've already earned, but benefits going forward can be reduced.

✔ **Switching jobs can affect your retirement benefits.** If you have a traditional pension plan, don't change jobs without considering your pension benefits. The same applies to 401(k) plans with matching employer contributions.

✔ **Don't forget about pension benefits at**

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Challenges to Your Retirement

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previous employers. Before changing jobs, check with your employer to find out what benefits you are entitled to. Be sure to keep track of the company so you can claim benefits later.

✔ **Early retirement can significantly reduce your retirement benefits.** But don't just look at how much you'll receive when you retire early. Also consider what you would receive if you wait until full retirement age. Retiring early can dramatically lower your monthly pension benefits for several reasons — you won't have as many years of service, salary increases you would have earned aren't considered, and those extra years of benefits cause a large actuarial deduction in benefit calculations.

✔ **You may not be able to count on health insurance benefits after retirement.** Due to rapidly increasing costs for health insurance, many companies are either phasing out health insurance benefits for retirees or increasing retirees' share of the cost. While Medicare is still available once you turn age 65, those benefits don't cover all medical costs.

✔ **Social Security benefits are changing.** Full retirement age is gradually increasing from age 65 to age 67, a change affecting anyone born in 1938 or later. You can still receive reduced benefits at age 62, but the permanent reduction in benefits is increasing from 20% to 30% depending on your year of birth.

✔ **Decide carefully before taking a lump-sum distribution.** Some traditional pension plans allow lump-sum distributions instead of monthly pension benefits. Use that option with care. While the amount of money might seem large, are you sure you can invest it and earn more than the monthly pension option?

There are many challenges to saving for retirement. Please call to discuss your retirement plans in more detail. ✔✔✔

Don't Touch Your 401(k) Plan

If you leave your employer, be careful about what you do with your 401(k) funds. Your worst option is to take a distribution, pay taxes and a penalty on it, and then spend the money on something other than retirement. You have three options to keep your 401(k) funds in a tax-deferred vehicle until retirement:

✔ **Leave the funds in your former employer's 401(k) plan.** Generally, you can leave the funds in your former employer's plan if your balance is at least $5,000. However, most plans will not allow you to borrow from your account once you leave the company. Until you consider all your options, you might want to at least temporarily leave the funds with your former employer's plan.

✔ **Transfer your funds to your new employer's plan.** Find out if your new employer's plan accepts rollovers. If so, you can typically make the rollover even before you are eligible to make contributions. However, first check out the investment options to make sure the new plan has options that will fit your investment goals. Once the funds are in your new employer's plan, you'll be able to take loans, if permitted by the plan. Also, if you work past the age of 70½, you won't be required to take distributions from the 401(k) plan until you retire. With traditional individual retirement accounts (IRAs), you must take withdrawals once you turn age 70½, even if you are still working. If you decide to transfer the funds to your new employer's plan, get the appropriate paperwork from your new employer so the funds can be transferred directly to the new plan's trustee. Otherwise, if the funds go directly to you, your former employer will be required to withhold 20% for taxes. You must then replace the 20% with your own funds within 60 days, or the 20% withholding will be considered a distribution subject to income taxes and the 10% federal income-tax penalty.

✔ **Roll the funds over to a traditional IRA.** Again, you should have your former employer transfer the funds directly to the IRA trustee to avoid the 20% withholding described above. Once the funds are rolled over to an IRA, you can invest in a wide variety of investment alternatives. With a 401(k) plan, you typically have a limited number of options. If you plan on leaving part of your 401(k) balance to your heirs, an IRA usually has more flexible options than a 401(k) plan. After the funds are transferred to a traditional IRA, you can then convert the balance to a Roth IRA. ✔✔✔

Withdrawal Strategies Are as Important as Planning Strategies

Like your parents, you worked hard and saved hard, and now it is finally time to reap the rewards. Unlike your parents, you probably don't have a pension, Social Security benefits are uncertain, and health care costs are higher than ever. Today's retirees live longer and need to use more personal savings than previous generations. Like the planning that got you here, you also need to develop a withdrawal plan that will give you the best chance of not outliving your assets.

Where to Start — You want a plan that ensures you can meet your expenses and has the potential to keep growing, all while weathering inflation, market volatility, and taxes. The best place to start is to determine how you want to live in your retirement years. Define what expenses are nonnegotiable like housing, and expenses that are discretionary, such as travel. One withdrawal strategy may be to use your reliable income such as Social Security for essential expenses and your investment income for things that you want to do.

Keep it Growing — Building a strategy for growth is very different in retirement than it was when you were saving for retirement. You will need an asset allocation strategy that uses a target asset mix of investments aligned with your risk tolerance, which will probably be different at this stage of your life.

Monitoring and Rebalancing — Just like during your saving years, you'll need to monitor your portfolio on a regular basis. It may be wise to rebalance your portfolio due to market conditions or other factors that impact your life. While in the early years of your retirement you may take more risk, as you age, you may want to be more conservative.

Please call if you'd like help developing a withdrawal strategy for your retirement funds. ✔✔✔

Focus on the Basics

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- ✔ **Understand that risk can't be totally avoided.** All investments are subject to different types of risk, which can affect an investment's return. Cash is primarily affected by purchasing-power risk, or the risk that its purchasing power will decrease due to inflation. Bonds are subject to interest-rate risk, or the risk that interest rates will rise and cause the bond's value to decrease; and default risk, or the risk that the issuer will not repay the bond. Stocks are primarily subject to nonmarket risk, or the risk that events specific to a company or its industry will adversely affect a stock's price; and market risk, or the risk that a stock will be affected by overall stock market movements. These risks make some investments more suitable for longer investment periods and others for shorter periods.
- ✔ **Diversify your portfolio.** When stocks have above - average returns for an extended period, diversification acts as a drag on total return. By definition, allocating anything other than all of your portfolio to the best-performing asset lowers your return. But when stocks decline substantially, the disadvantage of only investing in one asset class becomes apparent. Typically, you do not know which asset class will perform best on a year-to-year basis. Diversification is a defensive strategy — it helps protect your portfolio during market downturns and helps reduce volatility. Diversify your investment portfolio among a variety of investment categories, such as stocks, bonds, cash, real estate, and other alternatives. Also diversify within investment categories.
- ✔ **Only invest in the stock market for the long term.** Stocks should only be considered by investors with an investment time frame of at least five years. Remaining in the market over the long term reduces the risk of receiving a lower return than expected.
- ✔ **Don't try to time the market.** Timing the market is a difficult strategy to accomplish successfully since so many factors affect the market. Remember that most people, including professionals, have difficulty timing the market with any degree of accuracy. Significant market gains can occur in a matter of days, making it risky to be out of the market for any length of time. Instead of timing the market, concentrate on setting an investment program that works in all market environments and you can stick with in good and bad times.
- ✔ **Pay attention to taxes.** Taxes are probably your portfolio's largest expense. Using strategies that defer income for as long as possible can make a substantial difference in the ultimate size of your portfolio. Some strategies to consider include utilizing tax-deferred investment vehicles (such as 401(k) plans and individual retirement accounts), minimizing portfolio turnover, selling investments with losses to offset gains, and placing assets generating ordinary income or that you want to trade frequently into your tax-deferred accounts.

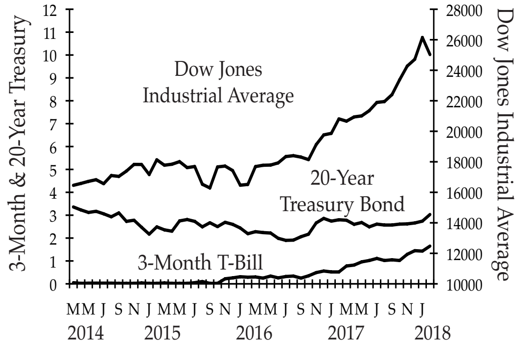
Focusing on the fundamentals can help ensure you work toward your financial goals. If you need help with investing, please call. ✔✔✔

Market Data

	Month End			% Change	
	Feb 18	Jan 18	Dec 17	YTD	12 Mon.
Dow Jones Ind.	25029.20	26149.39	24719.22	1.3%	20.3%
S&P 500	2713.83	2823.81	2673.61	1.5	14.8
Nasdaq Comp.	7273.01	7411.48	6903.39	5.4	24.8
Wilshire 5000	27980.70	29114.62	27673.19	1.1	14.1
Gold	1317.85	1345.05	1296.50	1.6	5.0
Silver	16.44	17.24	17.01	-3.4	-10.9
				Dec 16	Feb 17
Prime rate	4.50	4.50	4.50	3.75	3.75
Money market rate	0.30	0.30	0.33	0.29	0.32
3-month T-bill rate	1.65	1.43	1.45	0.56	0.52
20-yr. T-bond rate	3.03	2.74	2.66	2.86	2.80
Dow Jones Corp.	3.63	3.29	3.13	3.17	3.17
Bond Buyer Muni	4.01	3.89	3.88	4.26	4.25

Sources: *Barron's, Wall Street Journal* *Past performance is not a guarantee of future results.*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield March 2014 to February 2018



Sources: *Barron's, Wall Street Journal*

Cut the Financial Clutter

Piles of bills. Old paperwork. Misplaced statements. Financial clutter can cause more than stress. It can also cause you to lose money because of missed contribution deadlines, forgotten accounts, overlooked tax savings, and more. Below are six tips to help you cut financial clutter.

1. Prepare an inventory. Set aside time for a financial inventory. First, make a list of all your financial accounts. Then gather all your financial paperwork in one place and organize it into three piles: One of things to keep hard copies of, one of things to keep digital copies of, and another of things to get rid of completely.

2. Shred, shred, shred. Much of the paperwork you've been hanging on to for years can be thrown away. Tax returns can usually be disposed of after three years, though in some cases you'll want to keep them for a longer period. Credit card statements can typically be shredded once you've confirmed there are no erroneous charges; and most receipts can be pitched right away, unless they're for a large purchase or an item you plan to deduct from your taxes. Loan documents can be shredded once you've paid off the debt in full.

3. Get a scanner. Invest in an affordable scanner and make digital copies of records you want to retain but don't need originals of.

4. When possible, consolidate accounts. Having numerous financial accounts is a major source of clutter. Do you really need multiple savings accounts at different institutions? Do you have several different 401(k)s from old employers? Do you own half a dozen credit cards but only use one or two? Streamline and consolidate, if viable. Consolidating investment accounts will also make it easier to make sure that your portfolio is properly allocated and diversified.

5. Automate your finances. Sign up for online bank account and investment statements. However, because some banks may only allow you to access the past several months of statements, you may want to download the records and save them elsewhere. When feasible, automate bill payment and paycheck deposits.

6. Get an online vault and home safe. Personal computers can be compromised or stolen, so you may want to add an extra layer of protection by storing your financial information in a secure online vault. An added bonus? You'll be able to access your financial information from anywhere. Of course, not everything can be stored online. A fireproof home safe is a good place to store items you need to maintain original copies of. Marriage and death certificates, deeds to your home, car titles, Social Security cards, and copies of your will are all items commonly stored in home safes. One word of caution if you have a safe — make sure your family will be able to access it in the event you die or become ill.

Cutting the financial clutter in your life will save you time, money, and anxiety. Please call if you'd like to discuss this in more detail. ✔✔✔

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