

Reinventing RETIREMENT

Your Retirement Planning Newsletter

Third Quarter 2020

Variety Pack

Maintaining a diversified portfolio can help you feel more in control during uncertain economic times

The COVID-19 pandemic has certainly tested the resolve of even the most seasoned investors. To help regain some confidence and sense of empowerment, it may be helpful to review a fundamental principle of investing: diversification. Diversification is spreading your retirement savings and contributions among a variety of investments (e.g., stocks, bonds and cash) to help manage your risk of over-concentration in a specific investment or asset class.

Diversification opportunities in your workplace retirement plan

Although diversification doesn't ensure a profit or prevent a loss in a declining market, taking advantage of the range of investment options offered by your workplace retirement plan may help guard your account against major market swings. You don't need to invest in a whole lot of options; just enough to ensure you have a good mix of different investment types.

Many retirement plans offer investment options that include built-in diversification opportunities. We have summarized a few of these below.

Mutual funds

Think of a mutual fund as a basket that contains many different investments — that all have something in common — be it companies that together make up a market index, a particular asset class (such as stocks or bonds, international or domestic) or a specific sector (such as companies in the energy, construction, manufacturing, transportation or technology industries). There are also mutual funds that invest solely in companies that adhere to certain ethical or environmental principles (also known as socially responsible funds). You should be aware that most mutual funds are diversified for one purpose or objective, and are not considered a diversified portfolio.

What's nice about mutual funds is that investors are able to purchase collection of investments that are professionally managed. It's instant, easy diversification that lets you avoid



researching and buying stocks or other types of investments one by one.

Asset allocation funds

Asset allocation funds also offer diversification, professional management and monitoring within a single basket of investments. Within this category are risk-based funds (also known as lifestyle funds) that allocate the money in your retirement account among investment options aligned to your comfort with risk. Age-based funds (also known as target-date or lifecycle funds) correspond with the year you expect to retire and automatically invest more conservatively over time as the date approaches.

Managed account or advice services

Some plans offer a professionally managed investment advice service that is personalized for each participant. This may appeal to some participants, especially those who would prefer that someone make investment decisions and selections for them. Most investment advice services provide a customized investment strategy, based on your own unique time horizon,

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risk tolerance and other financial goals. In addition, they automatically rebalance your investments on a regular basis so that your asset allocation strategy (the percentage of your money that's divided up among stock, bonds and cash asset classes) remains in place according to your wishes — especially important during either a market downturn or rebound.



Dollar-cost averaging through your investment fund

The investment funds offered in your retirement plan also offer another potential benefit: dollar-cost averaging. Dollar-cost averaging means investing the same amount of money at regular intervals, no matter how the market is doing. This approach is built into your retirement plan — each pay period you automatically invest the same contribution amount, whether the market is up or down.

When prices are low, you end up buying more shares of the fund. When prices are high, you buy fewer shares with the same amount. Over time, the average price you pay for each share is typically lower than the average market price.

Keep in mind that dollar-cost averaging does not guarantee a profit or protect against a loss in a declining market. You should make sure that your risk tolerance allows you to continue contributing during down markets. But it's a practical and efficient approach to investing that may help give you a sense of control during uncertain times.

Riding It Out

Strategies to help survive the ups and downs of the market

While visiting an amusement park this summer may not be possible for everyone, the stock market has provided a number of exhilarating rides to make up for it. Following are some tips for holding on.

Keep a big-picture perspective. While past performance doesn't guarantee future results, history may provide some comfort during turbulent market times. Over time, the stock market has historically risen despite significant economic challenges (see below).

From January 1, 2000 through December 31, 2019:

The **S&P 500** delivered an average annual return of **7.68%**.

Bonds (Bloomberg Barclays US Aggregate Bond Index) delivered an average annual return of **5.08%**.

Cash Equivalents (90 day T-bill*) delivered an average annual return of **1.79%**.

Inflation averaged **2.17%** a year.

Source: Kmotion Research; Callan Institute, <https://www.callan.com/periodic-table/>. Past performance does not guarantee future results.

* 90 day T-bill is a short-term debt obligation backed by the Treasury Department of the U.S. government.

Be flexible during the downturns. Look for ways to spend less if you're already retired, or invest more if you're still working.

Make sure you maintain an emergency fund (generally 3 to 6 months of living expenses — preferably closer to 6). It may keep you from dipping into retirement accounts during market downturns.

Keep your time horizon in mind. If you won't need the money for years, you have much more time to recover from any setbacks.

Don't self-isolate on your investments. Before taking any actions, talk to a spouse or partner, trusted friend or family member who, of course, have your best interests in mind. Then talk to a financial professional who can provide sound advice based on your specific circumstances.

Forward Thinking

Five ways to keep moving forward in the age of social distancing

Activities that people used to take for granted have changed in major ways — like a trip to the grocery store, attending a live concert or sporting event, participating in church services or even just hugging a friend.

Remember that the simple things, like exercise and eating right are essential to maintain your health. Here are some things to focus on as we continue to adjust to the changes in our daily lives.

Be more present

One positive thing is that people may be actually talking to each other a bit more, instead of communicating primarily through texting and emails. No matter how you are contacting each other, take time to really listen to your friends and family, and not let the distractions of the day or moment take away from that.

Support small businesses in your community

The past several months have been a particularly difficult and challenging time for many small businesses. As it becomes possible and appropriate, consider supporting your favorite local restaurant, salon or retailer as much and as often as you can, as they recover.

Reboot healthy eating habits

What's your diet been like over the past several months? It's understandable if you indulged in more than your fair share of comfort foods and beverages during this stressful time. But if you maintained healthy eating habits — good for you! If you feel the need to get back on track, you're not alone. It's always a good idea to incorporate more fruits, vegetables, and whole grains into your daily diet (and perhaps less red meat), while reducing the amount of sugar you're consuming.



Read more books

Do you need a change of pace from all the binge-watching of popular television shows? Whether you purchase it through a digital reader app or have it delivered to your door, a good book can make for a great change of pace. And if you have a library card, most public libraries offer apps through which you can access books in digital formats, at no cost.

Keep walking

For many Americans, a daily walk outdoors has become their primary way of managing the stress over the past several months. If you started a daily walking regimen, keep it up — especially if you didn't regularly exercise before the crisis.

To help mix things up with your walking routine, consider doing a speed interval workout as part of a longer session. Pick a milestone while you are walking, like the next tree or stoplight, and speed up for the 30 or 60 seconds it takes to get there. Then, slow down to your normal pace until you're ready to pick another milestone and go again. Beginners should try to walk slowly for 5 minutes, then do 15 minutes of alternating speed intervals, then cool down for 10 minutes. That can make for a nice half-hour cardio workout.

Retirement in Motion

Tips and resources that everyone can use

Knowledge is retirement power

It's important to review your tolerance for investment risk on a regular basis, especially given the current market volatility. If you find yourself constantly stressing over your investments, it may make you feel better to reassess your appetite for risk. Your plan recordkeeper will likely have online education materials or questionnaires to help you determine your comfort level with risk and how it can help inform your asset allocation strategy going forward. Representatives at the recordkeeper's call center can also likely help you locate these materials.

Quarterly reminder

Midyear is a good time for an insurance checkup. And not just to make sure you're getting the most competitive rates. Pull copies of your policy

documents to ensure you have adequate coverage, or conduct a review with your insurance agent via teleconference — especially for property-casualty policies, like renter's or homeowner's insurance, or auto coverage.

Tools & techniques

As we have all seen recently, investments rise and fall over time. And asset classes do not always rise and fall together, which could put your asset allocation strategy out of whack. Let's say that due to current market volatility, your original desired investment allocation of 70% in stock funds has now dropped to 60%. Meanwhile, your intended allocation to bond and money market funds is now too high. The current overall portfolio allocation no longer matches your wishes, but has become more conservative. It's time to

rebalance your portfolio. In our example, that means going into your account and selling off a percentage of your bond/money market fund investments and reallocating those funds back into your stock investments so that they are aligned again with your original strategy. Representatives at your recordkeeper's call center can likely help you do this. In addition, if your recordkeeper offers an automatic rebalancing service, consider using it.

Corner on the market

Basic financial terms to know

Standard and Poor's 500 Index (S&P 500) – An index that measures the performance of 500 large-company U.S. stocks that account for about 80% of the total market value of all stocks traded in the United States.

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