SPRING 2017

OnTrack

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SPRING CLEANING Your Portfolio

With flowers blooming and birds chirping, you may have spring cleaning on your to-do list. Certain rooms in your home might seem dustier and have more clutter than when you last did a thorough check. And if you haven't reviewed your retirement portfolio in a while, you may find that it needs some attention this spring as well.

Changes in Value

When you first started your retirement account, you settled on an asset allocation,* or a mix of investments, that you were comfortable with. You may have decided how much to invest in different asset classes (stocks, bonds, cash) based on how long you had until retirement, your tolerance for investment risk, and your goals.

But over time, some investments may have outperformed others, and your asset allocation may not be the same, even if you haven't made any other changes. With the values of the assets in your portfolio changing at different rates, investments that have performed better may represent a greater portion of your account.

Risk Imbalance

Changes in your portfolio's asset allocation affect its risk level. If stocks (an inherently riskier investment than other asset classes) increase in value, your exposure to risk may as well. And if less risky investments increase in value, the overall risk level of your portfolio may be lower than you intended. One goal of rebalancing is to keep your investments compatible with your risk tolerance.

Restoring Balance

If you decide to rebalance your investments, there are different ways you can do it. You can sell some of the investments in asset classes that are overweighted and buy more of the investments in asset classes that are underweighted. Or you can change how new contributions are invested by putting more into investments in the asset classes that you've determined need an increased allocation.

Make It a Routine

When you are investing for a long-term goal, day-to-day changes in the market may not be a big concern. But at least once a year, consider checking your portfolio's asset allocation to see if rebalancing may be in order.

** Asset allocation does not guarantee a profit or protect against loss.*

EXCUSES, Excuses

It can be difficult to save for a goal that seems far off in the future, such as retirement. For now, you may have a hundred reasons why retirement isn't a financial priority. But there are definite advantages to putting your excuses aside and focusing on your future. If any of the following alibis sound familiar, it's time to start giving careful consideration to how much you are saving for retirement.

Too Many Other Things

There are always going to be other things to save for and spend money on. Paying off student loans, a down payment on a home, summer camp for the kids, college tuition — things like these are important. But it's also important to keep saving for your retirement. Not saving enough for retirement today probably means having to put aside even more in the future.

What's the Hurry?

You might think you have plenty of time to concentrate on your retirement savings. But by not saving early, you have less time to potentially benefit from compounding — that is, generating earnings on any investment earnings from your plan investments.

Put Time on Your Side

The amount needed to save each month to reach a retirement savings goal depends on several factors, including how much time is available for potential growth.

Years until retirement:	40	30	25	20
Average annual total return:	6%	6%	6%	6%
Savings goal:	$250,000	$250,000	$250,000	$250,000
Monthly savings needed:	$126	$249	$361	$541
Savings goal:	$500,000	$500,000	$500,000	$500,000
Monthly savings needed:	$251	$498	$722	$1,082
Savings goal:	$750,000	$750,000	$750,000	$750,000
Monthly savings needed:	$377	$747	$1,082	$1,623

This is a hypothetical example used for illustrative purposes only. It does not represent the results of any particular investment vehicle. Your results will be different. Monthly compounding is assumed. Tax-deferred amounts accumulated in the plan are taxable upon withdrawal (unless they represent qualified distributions from a designated Roth account). Amounts are rounded to the nearest dollar. Source: DST

Wow! That's a Lot of Savings

Of all your financial goals, the amount you need to save for retirement may be the largest. But don't let that intimidate you into not saving as much as you should. Look at building your retirement savings in small steps and saving a little toward your goal with each paycheck. And as time passes, try to contribute more. Gradually increasing the amount you contribute can help grow your account balance.

I Just Won't Stop Working

It's possible you're planning to work after retirement age because you want to. But what if you're counting on working for financial reasons? It might seem easier now to believe that you can save less for your retirement because you'll continue to work. However, you might not be able to keep your job or be able to find another one. And you may not be healthy enough at your retirement age to keep working.

No Thanks, I'm Counting On…

Winning the lottery? Inheriting a fortune? Good luck might come your way, but counting on it for your retirement savings means you're probably minimizing the possibility of meeting your goal. You'll give yourself a better chance if you count on yourself to lead the way by putting the excuses aside and making saving a priority.

How's It GOING?

Maybe you know whether your retirement account has increased (or declined) in value recently, but do you *really* know how your plan investments have performed? You might have a better idea if you can compare the returns on your investments to the performance of similar types of investments.

Keep It in Perspective

An objective way to evaluate an investment's performance is by using a comparable benchmark index. This is a predefined group of securities representing an investment market or market segment. It consists of a relatively constant mix of investments. The performance of the benchmark is based on the performance of the securities contained in it.

Comparing the investment return of your funds (or portfolios) to the returns of benchmark indexes can give you a more objective view of performance. When comparing, be sure to select benchmarks that are close fits to your investments.

Not Quite, but Close?

For a number of reasons, it's not likely that your investment returns will match those of the benchmark index. Unlike your investments, indexes don't have management or trading costs. And assets of the funds you invest in may not always be fully invested. Fund managers must keep some of the fund's assets in cash to take advantage of buying opportunities or have cash available to pay investors who want to sell shares.

Useful Returns

To get a broader view of performance over time, check how your investments match up against the benchmark by comparing one-, three-, five-, and 10-year returns (if possible). When looking at the numbers, always keep in mind that past performance does not predict future returns.

Commonly Used Benchmarks

Dow Jones Industrial Average® tracks the performance of 30 of the largest U.S. corporations. It represents all industries except transportation and utilities and is one of the most widely recognized measures of stock market activity.

S&P 500® measures the performance of 500 large-cap stocks from a wide range of sectors, including financial, industrial, health care, and telecommunication. The S&P 500® is a market-cap-weighted index, so it gives more weight to stocks with the greatest market value.

NASDAQ Composite® Index is a market-weighted index of over 3,000 domestic and international stocks traded through the NASDAQ® electronic exchange.

Russell 2000® Index tracks the performance of approximately 2,000 smaller U.S. companies and is a capitalization-weighted index.

NYSE Composite Index® follows common stocks listed on the New York Stock Exchange. It lists both U.S. and international companies.

Wilshire 5000 Total Market Index℠ is perhaps the broadest index for the U.S. equity market. It measures the performance of all U.S. stocks having readily available price data.

MSCI EAFE Index tracks companies in Europe, Australia, Asia, and the Far East and excludes the U.S. and Canada.

Bloomberg Barclays U.S. Aggregate Bond Index measures U.S. dollar-denominated investment-grade bonds. It includes government, corporate, mortgage-backed, and asset-backed securities.