There are two phases in the life cycle of a retirement portfolio: the time when you’re contributing to it and the time when you’re using it to cover your living expenses. During each phase, the basic challenge is deciding how to invest your nest egg; and for that, there are three common approaches:

✔ Going with your comfort level. Most people have some idea as to what investments appeal to them, either because of the rate of return they associate with them or how much safety they seem to offer. Whichever it is, people tend to pile their retirement funds in one place — which can cause problems if there is a significant decrease in that investment.

✔ Using a one-size-fits-all formula. There are at least several of these formulas floating around. On the theory that the closer you get to retiring the more conservative you should become, one says you should subtract your age from 100, treat the result as a percentage, and put that portion of your portfolio in stocks. Another suggests you subtract your age from 120. The appeal of this approach is that it’s simple and unambiguous. The downside is that the results don’t take into account the details of your circumstances or the cyclical nature of market returns.

✔ Using a financial plan. A plan includes all the details the other two methods leave out. It’s by far your best bet for achieving your retirement goals since it takes your circumstances and the state of the economy into account.

Before You Retire

The key factor is to determine what rate of growth you need to achieve in your portfolio to retire with a nest egg capable of supporting you for the rest of your life once you no longer earn a paycheck. It’s Continued on page 2

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After You Retire

Before you retire, your asset allocation strategy is driven largely by the goal of creating the largest possible retirement portfolio within the limits of your tolerance for risk. After you retire, the goal shifts to keeping your retirement portfolio large enough to continue generating the supplemental income you’ll need for the rest of your life.

6 Steps to Get Finances under Control

You probably know it’s time for you to get serious about managing your finances, but when it comes to getting started — well, that’s the hard part. But if you follow a few relatively simple steps, you can put yourself on the path to pursuing your financial goals.

Get Organized — Dedicate an afternoon to going through your paperwork and online accounts. Designate a central space for important financial papers and file them in an organized way. Once you know where everything is, dealing with mundane financial tasks is much less stressful.

Find Out How Much You Have — While you don’t need to track what you have down to the penny, you should add up everything, including cash in your bank accounts, money in investments, and other things of value. Then total up all the money you owe on your mortgage, credit cards, student loans, and other debts. Subtract what you owe from what you have and you’ll know where you stand financially. Tracking that number over time can help motivate you.

Track How Much You Spend — Keeping tabs on how much you spend will show you where your hard-earned money goes and may help you find ways to put your cash to better use.

Pay Down Any Debt — If you have debt, you need a plan for getting out of it. Look for ways to cut spending or boost your income so you can make extra payments on your debt. At the same time, look at the financial behaviors that led you to rack up debt in the first place.

Start Saving for a Rainy Day — If you don’t have a savings cushion of three to six months of living expenses, now’s the time to start accumulating those funds. You’ll also want to save for longer-term or more specific financial needs, like retirement and/or a child’s college education.

Set Goals for the Future — Saving for the future and sticking to your financial plan will be easier if you have clear goals in mind. After completing the above steps, you should have a pretty good idea of some of the goals you might have, like paying down debt, building up an emergency fund, or getting on track for retirement. Having those goals in mind can help you stay motivated and organized financially.

Please call if you’d like to discuss this in more detail.

While this shift means your strategy aims for less growth and risk than in the accumulation stage, it’s usually a mistake to revert to the most conservative strategy possible. That’s because your portfolio gets eroded over time by:

- Inflation, which means the real value of your portfolio (as well as the buying power of the income it generates) gets smaller every year.
- Taxes on income and capital gains in taxable accounts and withdrawals from non-Roth IRAs.

Withdrawals you make to support your lifestyle.

Because of this constant shrinkage, some portion of your portfolio needs to be invested in stocks, which is a riskier asset class but the one that typically stays ahead of inflation, taxes, and reasonable rates of withdrawals.

Please call if you’d like to discuss your situation.
What Is Your Stock Philosophy?

Before you start investing in stocks, make sure you know what your investment philosophy is. An investment philosophy sounds like it might be a complicated thing to develop; but in reality, it is simply a consistent way of thinking about and approaching the markets.

We’re all different, so there are as many different investment philosophies as there are investors in the market. But most philosophies fall into a handful of broad categories:

Active Investing — As the name implies, active investing is a highly involved approach to investing. Active investors may trade frequently and are constantly on the lookout for opportunities. People who embrace this investment philosophy may be market timers. In other words, they believe that they can get better returns by watching market trends and buying and selling at the optimum time.

Passive Investing — Passive investing is the opposite of active investing. Rather than frequent buying and selling, passive investors choose investments with the idea that they’ll hold them for the long term. This is often referred to as a buy-and-hold strategy. Passive investors need to be willing to do a lot of initial research before choosing stocks and then have the patience and fortitude to hold investments for the long term.

Value Investing — Value investors are focused on finding stocks they believe have been undervalued by the market and thus trade for less than they are really worth — hence, they are good values. Warren Buffett is a proponent of value investing. Value investors need to be able to do a lot of research and really understand how businesses and companies work so they can make an informed decision about whether a stock is priced appropriately.

Growth Investing — Just like passive investing is the flip side of active investing, growth investing is the inverse of value investing. Investors who are focused on growth look for stocks they believe have an above-average potential for earnings.

Contrarian Investing — As the name suggests, contrarian investors like to go against the grain. If everyone is investing in tech stocks, they’ll do the opposite. If people are fleeing emerging markets, they’ll look to those regions as potential sources of growth. In some ways, contrarian investors are similar to value investors, in that they believe that the market sometimes misprices equities. Contrarian investors don’t just buy unpopular stocks to be different, though. Their choices are based on research and their beliefs about where the market is headed next.

Socially Responsible Investing — Socially responsible investors choose stocks based not just on how they think they’ll perform, but also on whether the company itself is doing good in the world. That means different things to different people. Some socially responsible investors focus on environmental issues, while others may avoid companies involved in certain industries, like tobacco and firearms. Socially responsible investors don’t ignore financial matters, but those aren’t the only factors they consider before investing.

Efficient Markets Philosophy — People who embrace an efficient markets philosophy believe that the market is a well-oiled and highly functioning machine. They think that investors who seek to profit from mispricings are doomed to fail because the market incorporates all available information almost instantly. Because they believe markets will go up over the long run, they think having a diversified portfolio of investments should yield positive returns over time.

Conservative Investing — Conservative investors are more cautious than most. In their portfolios, they usually have a smaller portion of stocks and a greater portion of less-risky investments like bonds and cash. Conservative investors typically won’t see dramatic swings in their portfolio’s value, but the trade-off for that is somewhat lower returns.

Aggressive Investing — Aggressive investors seek to maximize returns by taking on a greater degree of risk in their portfolios, usually by having a greater allocation to stocks. Aggressive investors must be comfortable with the possibility that the stock portion of their portfolio may fluctuate wildly.

The Right Choice for You — Perhaps one of these philosophies describes you perfectly. Or perhaps you see yourself in several philosophies. Sometimes, people combine different approaches to develop a unique approach that works for them. For example, you might be an active investor who favors socially responsible stocks. Or you might take a passive value approach.

The key point is that you should understand what you believe about markets and how they work before you ever buy a single share of stock. Please call if you’d like to discuss stock investing in more detail.
Tips for Diversifying

Looking for ways to better diversify your stock portfolio? Here are a few essential tips:

**Spread It Around** — Investing in a handful of companies you know and trust, as well as some you are not as familiar with, can be an effective approach and will result in a much more stable portfolio than the alternative.

**Stay out of Your Own Industry** — It’s not uncommon for those who are passionate about the industry in which they work to make stock choices that fall within that space. The thing is, though, it’s often smarter to stay out of your own industry when purchasing stocks — especially from your employer. You may be able to afford to take the risk if your job is particularly stable, but then again, you may end up making a mistake that you’ll regret for years to come.

**Don’t Stop Building** — The most important thing you can do to ensure a healthy portfolio is to keep building it year after year. The tip here is to build a balanced portfolio, which will help to iron out any kinks one or more of your stocks may suffer.

Please call if you’d like to discuss this in more detail.

Financial Thoughts

While 82% of men participate in their employer’s 401(k) plan, just 76% of women participate (Source: AAII Journal, April 2016).

Among workers without a retirement plan, 83% indicate that the total value of their household savings and investments, including their home, is less than $10,000. In contrast, 35% of workers with a retirement plan say the value of these assets is $100,000 or more (Source 2016 Retirement Confidence Survey).

Approximately 48% of workers report that they have tried to calculate how much money they will need for retirement. Almost 39% of workers simply guess at how much will be needed for retirement, rather than doing a systematic retirement-needs calculation (Source: 2016 Retirement Confidence Survey).

The percentage of workers who expect to retire after age 65 has increased from 11% in 1997 to 37% in 2016. However, only 15% of retirees said they actually retired after age 65. Many retirees report that they left the workforce for reasons beyond their control, including health problems or changes at their companies (Source: 2016 Retirement Confidence Survey).