PARTICIPANT*insights*

ACROPOLIS® INVESTMENT MANAGEMENT

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The Six Keys to Successful Retirement

By: Debra Moran, QPA, QKA

Is a successful retirement your goal? If so, here are the keys:

(1) Saving More
(2) Spending Less
(3) Working Longer
(4) Risk Taken
(5) Market Returns
(6) Inflation Rates

There's no doubt that the first three factors: saving more, spending less and working longer play the biggest role in how successful you will be at meeting your retirement goals, because these items are in *your* control. The bad news is that while they are simple, they're not always that easy. It's like saying that the keys to a healthy weight are eating better and exercising more. We all know it, yet it's still hard to do!

Saving more and spending less go hand in hand…you can't do one without the other! These two factors are key to a successful retirement because now more than ever, we know that we have to save for ourselves – we cannot rely on Social Security alone. Your employer has sponsored a retirement plan to help you with this essential task.

One very critical factor that is often overlooked is the third one: when you decide to stop working. This is so important because it begins the withdrawal phase. Just two to three years longer in the workforce can have a huge impact on the odds of you meeting your goals. It's also crucial because when you stop working, you remove the savings option. At that point, only one of the first three factors remains a variable, which is how much you spend.

The fourth factor, risk taken, refers to how you choose to invest your savings and there are many types of risk to consider. For example, if you invest your savings in "low-risk" funds you may not face as much *market* risk, but *inflation* risk can have a major impact.

Determining the appropriate risk level for *your situation* is essential, which is why the Acropolis Target Retirement Allocations (ATRAs) are available as a tool to help you make your investment selections. The ATRAs are allocations created by Acropolis which are based upon your approximate retirement year. The mix of stocks, bonds and cash varies by ATRA, depending on the number of years until retirement.

The last two factors, market returns and inflation rates, can be difficult because you have no control over them. If you had retired in 1975, 1995 or 2007, all meant encountering different stock market, interest rate and inflation environments and there was nothing that you could have done about any of them.

Once you find the right balance in your investments for your financial circumstances and risk tolerance, then you can focus on the remaining three factors that are in your control. Establishing the proper savings rate for your replacement income goal, controlling your spending to achieve that savings rate and working long enough to position yourself for success in retirement are key to your financial future.

New Year, New Plan

By: Amy Crews, QKA

Every January, we make lists of things we want to change in the new year. Many times these goals have to do with changing our bad habits, but we also need to take some time to think about our finances. Here are a few tips to help you create a plan for financial success in the new year:

1. **Save more for retirement:** It's important to review your savings annually. Most people are not saving enough for retirement, so try raising your 401(k) savings rate by 1-2%. You probably won't even notice the difference and it will benefit you in the long run.
2. **Track your spending:** Over the holidays, spending can easily spiral out of control. Try tracking everything you spend for one month to determine where exactly your money is going so you can get back in control of it.
3. **Reduce monthly bills:** Review billing statements for any items that can be eliminated or talk with your provider about negotiating a lower rate or reduced fees. Maybe there are some options you can live without?
4. **Commit to paying off your credit cards:** Try the "debt snowball" method of payment. Pay off your credit card balances in order of smallest to largest, rolling the payment from the paid off card into the next card's payment. It is exciting to whittle down your credit card debt one card at a time!
5. **Start an emergency fund:** Unexpected expenses can derail our budget, but if you have saved ahead of time to handle these expenses, when (not if) they come along you will be able to stay on track.
6. **Make one long-term financial goal:** It's easy to get caught up in a multitude of changes you may want to make this year. Start small if you need to. Think about one thing you really want to accomplish financially by year-end and make that your overall goal.

Most importantly, we have to make a *plan* for the changes that we want to see happen. Set smaller goals along the way to ensure each goal will be met by the end of the year!

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New annual contribution limits for 2015!

$18,000 for 401(k) participants under age 50

$24,000 for 401(k) participants age 50 and over

"Be at war with your vices, at peace with your neighbors, and let every new year find you a better man."

-Benjamin Franklin

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