ACROPOLIS INVESTMENT MANAGEMENT

PARTICIPANT INSIGHTS

Volume 9, Issue 3 • www.acrinv-rps.com • (888) 838-0767 • July 2015

401(k) Top 10 List

By Amy Crews, QKA

In the spirit of David Letterman's "Top 10" list, here's one for 401(k) participants!

10 – Define Your Vision: What is your ultimate retirement goal? State your vision to give yourself something to work towards!

9 – Determine Your Target Savings Rate: Figuring out how much you need to save now is critical to your success! Feel free to reach out to Acropolis for help in determining your target rate, or even how much another 1-2% might impact your paycheck.

8 – Develop a Plan: "Goals in writing are dreams with deadlines" (Brian Tracy, author). Making a plan is the first step!

7 – Create a Budget: Getting a handle on your spending will help you determine how you can begin to save. Try www.mint.com for a great way to budget by capturing your finances in one place!

6 – Reduce Your Debt: Try the "Debt Snowball" method of reducing debt: once the smallest debt is paid off, add that payment amount to the next payment to pay down debt faster. Continue this process (building like a snowball) until all debts are paid off.

5 – Build a Rainy Day Fund: Try to build up 3-6 months of expenses to handle those "what ifs" without raiding your 401(k).

4 – Maximize Your Company Match: Giving up some of your company match = passing up *free money*. If you are fortunate enough to have a company that matches your contributions, do your best to maximize that match! If you're not there yet, try raising your contribution rate 1-2% at a time until you get there.

3 – Invest Wisely: Diversification across asset classes is critical for long-term investment success. The Acropolis Target Retirement Allocations (ATRAs) make diversifying easy by taking the guesswork out of investing.

2 – Resist Withdrawals: Taking withdrawals from your retirement account early can significantly impact your retirement nest egg. $10,000 rolled over at age 25 can potentially grow to over $100,000 by retirement age, assuming an 8% annual return. Think long-term the next time you have the option of cashing out and consider rolling your account over to an IRA or your new employer's plan.

1 – Save Early & Often! You'll be amazed at what you can accumulate if you just get started. The sooner you do, the better!

Women and Investing

By Debra Moran, QKA, QPA

Why is so much emphasis being placed lately on women and investing? Simply put—women tend to live longer than men, and are likely to spend some of their older years alone due to widowhood (current average = 14 years). That's not something that we women like to spend a lot of time thinking about, but the reality is that we should.

The 2014 Aegon Retirement Readiness Survey polled 16,000 men and women across 15 countries, and revealed the following:

- Only 10% of women feel very prepared for retirement and are already saving enough.
- Women are more than twice as likely as men to be found working part-time jobs, which are less likely to have retirement benefits.
- While at lower incomes women earned more than men, the opposite was true at higher income levels. On average, women earned 27% less than men.
- Women are more often faced with breaks in their careers than men, either to care for children or elderly parents.

On a positive note, 77% of women who are offered an employee-funded plan participate in that plan, so women are becoming more active in planning for their retirement.

Regarding their investments, Vanguard reports that 43% of women adopt professionally designed asset allocation strategies vs. 37% of men. Also, women tend to trade in their investment accounts less frequently than men, demonstrating a focus on long-term savings. However, women tend to be more reluctant to take risk with their investments, which could result in being invested too conservatively for their age and time horizon.

The result is clear — while women are making strides in many areas, there are still many obstacles to overcome. What can women do to become more confident and prepared for retirement? Get educated! Take part in any employer-sponsored investment education, as well as online webinars. Check out websites like www.choosetosave.org or www.feedthepig.org for practical investing and saving tips. Also, knowing how much you need to save is the first step in getting there, and online tools such as T. Rowe Price's Retirement Income Planner can give you a general idea of your target in about 10 minutes or less. Acropolis is also here to help! It's time to take action so you can make that retirement dream a reality!

Ask Acropolis

By Amy Crews, QKA

Q— How much can a 401(k) loan affect my account? I pay myself back the interest, right?

A— While it is true that you pay yourself interest on a 401(k) loan, there are many other aspects of 401(k) loans that can negatively impact your account.

Taking a loan out of your 401(k) might be the best option for you depending on your situation, but like any financial transaction, it's best to know as much as possible before you request the loan.

First, the amount that you borrow is not earning in your investments while it is out of your account. So while you do repay yourself back the plan's stated interest rate, any potential gains that may have normally been earned are not being earned on your outstanding loan balance.

There is also an administrative fee charged on loans. This fee will be deducted from your account at the time the loan is processed.

Next, let's talk about taxes. While it is true that you do not pay taxes on the loan amount when you receive the money, loans are repaid with after-tax payments. Whether you are saving on a pre-or post-tax basis in your plan, either way you will end up paying taxes twice on your loan repayments. If you leave the company and have an outstanding loan balance, the loan will become payable in full. If the loan is not repaid within the grace period *(varies by plan)*, the loan will be defaulted and the balance will be taxable to you.

In addition to the impacts already listed, many times participants feel that adding the loan repayment on top of their regular 401(k) contributions is too burdensome, so they decide to stop their contributions. If you are in a plan that has an employer match, then your match will stop while you are not contributing as well. Stopping your regular contributions can end up being the biggest negative impact on your account yet.

We always say that loans are a good option to have in a 401(k) and we still stand by that statement. Knowing they can get to their money if absolutely necessary by taking a loan can be reassuring to participants. However, as you can see, sometimes it may not be the best decision.

Example: $5,000 loan taken at age 35 for 5 years:	+ Impact of stopping contributions ($25,000 salary):
Loss of Gains:* $477 Loan fee: $100 Taxes**: $1,250 Total Lost : $1,827 Future Value of Lost $: $12,512.16 ***	Stopping 6% contribution + earnings: $8,800 Stopping 3% match + earnings: $4,400 New Total Lost: = $15,027 Future Value of Lost $: $102,912 ***
**assuming 8% annual interest* ***assuming 25% tax bracket*	****compounded for 25 years after loan repaid at 8% annual interest*

Acropolis was born from a *simple* idea:

In an industry where high quality, objective advice is hard to come by, we can make a difference by putting the client's interests above our own.

Notice to Clients

Please remember to contact ACROPOLIS® Investment Management, LLC if there are any material changes to your financial situation or investment objectives or if you wish to impose, add or modify any reasonable restrictions to our investment management services. A copy of our current written disclosure statement as set forth on Part II of Form ADV continues to remain available for your review upon request.

Legal Disclaimer