ACROPOLIS® INVESTMENT MANAGEMENT

PARTICIPANT INSIGHTS

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After a Market Correction

By Amy Crews, QKA

It's no secret that the last quarter has brought a lot of ups and downs in the market. Some drops have felt significant, and you may have heard the term "Market Correction" tossed around.

Technically, a market correction is when the stock market declines 10% from its' previous high. It's a natural part of the stock market cycle and can be scary—although it doesn't have to be! There are some positive things you can do after a market correction to take advantage of the drop.

First and foremost, **increase the amount you are currently contributing to your 401(k).** This is huge! When the markets are down, prices are low and that is when it makes the most sense to buy. This means any new money you contribute to your 401(k) plan or other investment accounts has more buying power than before. The same $100 can buy more shares of the same investment, and when the market rebounds, you will get to reap the rewards.

Secondly, **confirm your account is set to rebalance automatically.** If you have chosen to invest in one of the professionally managed allocations—the Acropolis Target Retirement Accounts (ATRAs)—never fear! The ATRAs are already rebalanced on a quarterly basis *for you.* If you have chosen your own allocation for your 401(k) account, and have not already signed up for automatic rebalancing, you might consider adopting the practice.

What is rebalancing? Rebalancing realigns your current investment balances according to your future investment election percentages—which should be tied to your investment time horizon. This practice sells high (funds that have appreciated in value) and buys low (funds that have depreciated in value) for you—which maintains your risk profile. An account that is rebalanced regularly is usually in a better position to weather a correction than one that has gotten out of whack with your original asset allocation.

And finally, **take a deep breath and smile.** This is the time to be patient, and remember that investing and saving for retirement is a long-term strategy. Corrections in the market can allow the market to consolidate before moving toward higher highs—a good thing. Knee-jerk, emotional decisions can have negative consequences in the long run, so establish a plan and trust it! If you have questions about your current allocations or anything else that you should be considering, your Acropolis team is ready to help!

How To Stay on Track With Holiday Spending

By Ryanne Tilley

We are reaching that time of year— school has started, the temps are starting to cool down, and before you know it, the holiday season will be here! While that certainly means an opportunity to enjoy friends and family, for many of us it can also mean panic and stress over figuring out how to afford all of that celebrating and gift-giving. Here are some tips on how to enjoy the holidays without getting off track with your finances.

1. **Save a little each month** specifically for the holidays. Even $50 a month will give you a "holiday bank" of $600 a year, putting you far ahead in the game!
2. **Make a list of every person you want to buy for—and the gift you want to get for them.** Better yet, make a list in January for everyone you already know you will buy for the next year and pick up those gifts on sale throughout the year.
3. **Set a budget and stick to it.** Take that list you wrote out and allocate how much you can/want to spend on each gift.
4. **Know your shopping habits**. If you're an impulse buyer, do your shopping online or at stores where you are less likely to purchase for yourself or blow your gift budget.
5. **Buy what you can during after-holiday sales** for next year: wrapping paper, gift bags, decorations, etc.
6. **Buy in bulk.** Do you buy gifts for coworkers? Neighbors? Buying in multiples can mean big discounts.
7. **Research prices online.** Compare online prices and specials to the in-store prices. Ask the store if they will honor online pricing, and you can eliminate shipping charges.
8. **Consider gifts of your time or talents.** Chances are if you are giving someone a gift, you have some kind of important relationship. What if you offered to make dinner for them, or plan a bike ride or museum outing together? Isn't that much more rewarding than a new sweater?
9. **Utilize coupons.** Many stores offer both online and in-store coupons or even rewards programs. But beware of opening multiple store credit cards, as interest rates can trip you up!
10. **Take advantage of sites like Groupon, Living Social, Overstock, Restaurant.com, etc.,** where you can purchase goods and services at extremely reduced prices.

Ask Acropolis

By Debra Moran, QPA, QKA

Q— Should I pay off my mortgage or save for retirement?

A— This is a great question and one that we get often. There are good reasons to make saving for retirement the higher priority throughout your career, yet we think that it makes sense to pay off your mortgage before you retire.

There are many factors to consider when making this decision. When it comes to trying to determine the best course of action for what is likely your largest asset—your home—it is often a very emotional decision. My first piece of advice is to try to be as objective as you can.

The biggest reason people want to pay off their mortgage early is eliminating that monthly payment from cash flow and ensuring that, no matter what, they own their home outright. That can be a huge relief, as well as have an immediate, direct impact on how much you need for expenses each month. While paying off your mortgage may have a big payoff emotionally, it often is best to calculate the mathematical benefit of investing more for retirement. Remember that Albert Einstein called compound interest the 8th wonder of the world!

Paying off your mortgage can feel as if it brings relief—but if you do so at the expense of saving for retirement, you might want to reconsider. If you don't already have enough saved up to retire when you want to, please don't use the money you have saved to pay off your mortgage. You can always borrow money for your home (you already have), but no one will lend you money to fund your retirement.

Often people focus on the interest rate on their home loan. Let's say you have a current interest rate of 4%. By paying off your mortgage, you are saving yourself that interest, and essentially "earning" 4% on the money you used to pay off the note. It depends on your asset allocation, but if your retirement accounts have historically earned more than 4% (over the long run), you will actually be losing money. In addition, even if you consider your home as an investment, albeit an illiquid one, the long-term increase in residential real-estate values has historically trailed that of other traditional portfolio investments.

On the other hand, we have generally advised clients to enter retirement without any mortgage debt and while there are always exceptions, our advice remains unchanged.

The primary reason to get rid of your mortgage by the time you retire is that your house payment is generally your biggest expense. Once you stop working and don't have income, you want your expenses to be as low as possible without sacrificing your lifestyle.

In order to achieve both saving for retirement and paying off your mortgage by the time you retire, you could consider refinancing (with a lower interest rate and/or shorter term) or consider making extra principal payment amounts so that you coordinate the payoff with your retirement date (as opposed to paying your mortgage off all at once).

In summary, your heart may say "just do it," but the math may show something else. If you have not contributed the maximum amount to your 401(k) and/or IRA accounts, we believe that this should be the priority.

If you have questions about your current circumstances, don't hesitate to call us. We're happy to walk through the details and help you make a decision that makes sense for you!

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.

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