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To Roll or Not to Roll?

By Ryanne Tilley, QKA

Once you start saving in an IRA or an employer's retirement plan, the topic of rollovers will likely come up at some point. A rollover is when you transfer money from one retirement account to another. No matter which direction the transfer is going, there are always at least three big things to consider:

Cost: There is always an expense associated with your account. Depending on the type of account, this can include investment expenses, administrative fees and transaction fees. Determine your "all-in" cost in the account where your money currently is, and compare that to the all-in cost of the account to which you are considering rolling it. Higher expenses could eat into the returns in your account, so knowing the difference in costs for all of your options is important.

Choice: Employer-sponsored retirement plans have a limited list of investment options. If you like the choices in your new 401(k) better, that might be a reason to roll it over to the new plan. Or, if the reverse is true (and the plan allows for it), you could opt to keep your money in your former employer's plan. An IRA can provide a much greater variety of options, but that isn't always a plus for investors who don't want to have to navigate an unlimited list of choices.

Your Priorities: Cost and choice are major factors, but neither of those alone have to be the basis for your decision. What do you want and/or need as you plan for retirement? If having all of your retirement assets consolidated in one place has value for you – then cost and choice might carry less weight in your decision. If you particularly like the tools available to you through a certain provider, or the distribution options are more flexible in one account versus the other, etc., all of these can factor into your rollover decision.

If you decide to roll, a direct rollover (where funds are sent directly to the new institution) is best, as it eliminates any possible tax consequences. If you have a rollover check made out to you personally, you have 60 days to get the check (and any taxes withheld) deposited to another eligible tax-qualified account. Otherwise, it becomes a taxable distribution to you.

Many things factor into your strategy for retirement. A rollover can be a useful tool if it helps accomplish your goals.

Back to School: What Is An Index Fund Anyway?

By Amy Crews, QKA

Before we talk about what an index fund is, let's talk about what an index is. An index is a specific group of securities, or a collection of a similar type of securities in the market. For example, the S&P 500 Index is the Large Cap index in the US markets. That means the S&P 500 Index collectively tracks the stocks of 500 of the largest US companies. It provides a way to see at a glance how that particular class of stocks, or segment of the stock market, is performing.

An index **fund** is a mutual fund that invests in the same companies included in the index it is designed to follow. There is a manager who oversees the investments for the mutual fund, but they are basically following a formula – they mirror what is in the index. Since it is a fairly straight-forward approach, without a lot of internal manipulation, index funds typically have low expenses. The ones in your employer's retirement plan average less than a tenth of a percent. Since fund expenses come out of your returns, having lower expenses can potentially lead to greater earnings over time.

The goal of an index fund is to get the same returns the index itself earns (less the fund expense) – no better, no worse. This is in contrast to actively managed mutual funds. In an active fund, the money manager's goal is to do better than the index – to outperform. To do this, instead of using the formulaic approach of the index fund manager, they mix and change what is in the fund on a continual basis. They might leave out some companies from the index all together because they don't anticipate them doing well, and they might include companies that aren't in the index at all in the hopes that they increase the overall earnings of the fund. This approach is much more costly, so the fund expenses are much higher.

Often people will say they don't mind paying higher expenses if they can get higher returns with active funds. However, historic returns show that index funds still outperform their active counterparts 75% - 80% of the time. Acropolis primarily utilizes index funds to help keep your expenses low and consistently get market returns.

Ask Acropolis

By Debra Moran, QPA, QKA

Q: How do I prepare for the Grim Reaper?

A: It's a fact of life that we are all going to die at some point. While it's not something we enjoy thinking about, it is worth some effort and cost today in order to alleviate cost and pain for your family later.

Planning for death means not only planning for what happens after you die, but also what happens if you are incapacitated and unable to handle decisions yourself. No matter the size of your assets, it is still very important to prepare so that your loved ones are taken care of.

First, write your last will and testament. It's possible to draft up a simple will inexpensively on your own through *legal*zoom, SmartLegalForms, or ROCKETLAWYER, etc., but you may want to contact an attorney if your situation is complex. You will name an executor who will oversee the settling of your property, finances, debt, etc., as well as name a guardian for your minor children.

What if you don't die but become ill or incapacitated? For this, you will need three things; a living will, a health care power of attorney, and a durable power of attorney.

Your living will (aka advance health care directive) outlines your wishes for medical care if you cannot speak for yourself. Make sure to give a copy to your physician and one to a family member. Additionally, if you become terminally ill and do not want to be revived, you will want to fill out a Do Not Resuscitate (DNR) order with your doctor.

It's impossible to cover all medical possibilities in a living will, so for those unexpected occurrences, you may also want to designate a Health Care Power of Attorney (HCPOA). The HCPOA designates a person to make medical choices for you that are not covered by your living will. This also authorizes them to access your medical records and apply for Medicare on your behalf.

A durable Power of Attorney (POA) is the person appointed to attend to financial or legal matters if you are incapacitated. It goes into effect immediately and lasts until you die. If you are giving just one person complete control over everything, you could potentially use *legal*zoom, etc. Consult an attorney for more complicated scenarios.

While a will directs the distribution of most of your assets, you still may have life insurance and your retirement plan to consider—which will likely go directly to the designated beneficiary(ies). Make sure that your heirs know about these accounts and give them a copy of the beneficiary forms.

There are many reasons you might need life insurance, and having loved ones who depend on your income is at the top of the list. There are several types of life insurance, the least expensive being term life insurance. This is a policy that is in place for a set period of time—ideally until your dependents are financially independent.

You **may** also need a revocable living trust (RLT). Most people need a will, but not everyone needs an RLT. Determining factors include your age, how wealthy you are, whether you're married, and the status of any beneficiaries. You may want to consult an attorney to see if you would need an RLT.

Finally, once you have all your paperwork in place, pack it all into a master file that your executor, close family member or friend know how to find, and provide them a copy.

Be smart and start preparing! My father died without a will, causing all of his assets to go through probate. This cost his estate 6% in fees and considerable delays in asset distribution. Though he knew he should have a will, he didn't take care of it while he could. I urge you to start preparing for your family in the case of your ultimate graduation.

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.