ACROPOLIS® INVESTMENT MANAGEMENT

PARTICIPANT INSIGHTS

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The Magic Number

By Debra Moran, QPA, QKA

To create a retirement-savings plan is to do some math. Most of us don't like math but hang in there and keep reading because knowing your "savings number" is the ***most important factor*** you need to know to reach retirement income security. Seriously. People believe that the most important factor is how they invest their money, but the most important factor by far is your savings rate. ***You just can't invest your way out of needing to save.***

The Multiple of Annual Salary: Many will tell you that you need to have at least 10 times your gross annual salary by the time you retire. So a household earning $50,000 would need to have $500,000. That metric is clear and fairly easy to remember – but it doesn't tell you how to get there.

The Percentage of Income: Others will tell you that you need to have saved enough to replace 75% of your gross income annually (75% of $50,000 = $37,500 annually). Again, easy to understand, but how do you get there?

The Percentage to Save Each Year: This approach might not tell you the bucket of money you'll have at retirement, but it *will* tell you what you need to be doing *now* to get where you want to go. Now that is actionable, and it is critical to know that number and save it! See below to find your number!

This chart assumes retirement at age 65, 75% replacement of income, current Social Security benefits, and 8% annual return. So, a 40 year old with a $50,000 salary and $25,000 saved (1/2 of salary), will need to save 22% of total income per year. (Percentage includes employee *and employer* contributions.)

Age	No Savings	1/2x Annual Salary	1x Annual Salary	1 1/2x Annual Salary	2x Annual Salary	2 1/2x Annual Salary	3x Annual Salary
25	10%	8%	5%	3%		-	-
30	14%	11%	8%	5%	2%	-	-
35	18%	15%	12%	9%	6%	3%	-
40	25%	22%	19%	15%	12%	9%	5%
45	37%	33%	29%	25%	21%	18%	14%
50	56%	51%	47%	42%	38%	33%	29%
55	95%	89%	83%	77%	71%	65%	59%

Warren Buffett: ***"Do not save what is left after spending, but spend what is left after saving."***

Tools of the Trade: Increasing Your Deferral Rate

By Ryanne Tilley

If you've done the first critical step in saving for retirement— figuring out how much you need to save (see above) — the next step is figuring out how to actually save that amount. It can feel overwhelming when there are so many other things competing for every dollar in our paychecks. But don't panic! Below are some tips for easy ways to increase your current deferral rate and start tackling the gap between what you're currently saving and the savings rate you want to achieve.

Do it 1% at a time. Have you ever calculated how much 1% of your pay actually is, and how little you might miss it from your paycheck? If you make your contribution on a pre-tax basis, you feel it even less, since you don't have to pay taxes on the amount you defer. For the majority of us, 1% equates to little more than a trip through the carwash or a drive through Starbucks. Adding 1% at certain intervals (Monthly? Quarterly?) makes small adjustments a step at a time — small adjustments that have a huge impact!

When you get a raise. It's always rewarding when you receive a pay increase. It's also a great time to increase your deferral rate! Consider splitting that raise between bringing it home in your paycheck and saving it in your 401(k). It's a win-win… you have more money in your paycheck and you're a couple steps closer to the savings rate you're aiming for.

When you get your tax refund. Are you one of those people who gets a tax refund each year? While you can't deposit it into your 401(k), you could earmark part of it for some of your normal living expenses you usually rely on your paycheck to cover, and increase what you contribute to the 401(k). It accomplishes the same thing as depositing your refund directly into the plan, and now you've increased your savings rate.

No matter how you go about it, the more you can do today, the more it could pay off for you in the form of a bigger nest egg by the time you are ready to retire. Happy Saving!

Ask Acropolis

By Amy Crews, QKA

Q: *What risk level is right for me?*

A: There are many types of risk in investing, but this answer focuses on market risk (or, how likely is your account to go up or down). This is also called *volatility*. In deciding how much market risk to take, it's important to understand the market risk associated with three main types of investments:

Cash: Cash is lower risk, often taking the form of a savings account or money market fund. While it is always a good idea to have a "rainy day" fund that is easily accessible, cash is not a type of investment you necessarily need in your retirement plan until you are around 5 years from retirement.

Bonds: Bonds typically fall in the moderate risk category, though bonds can run the gamut from very low risk (government bonds) to very high risk (junk bonds). Bonds are used to offset the volatility of the stocks in a portfolio, and the percentage of bonds vs. stocks you should have in your portfolio varies depending on your situation...mostly your time horizon. Note: your retirement plan with Acropolis does not contain any "junk" bonds.

Stocks: Stocks are a higher-risk type of investment with a higher potential return. Within the stock category, there are varying levels of risk depending on the type of stocks. For example, a large-cap stock fund made up of large U.S. companies has historically been a lower risk option than an international stock fund. Here are the major stock types arranged in order of typical risk level:

Large Cap: U.S. companies with market capitalization over $10 billion – tend to be less volatile than mid to small company stocks.

Mid Cap: U.S. companies with market capitalization from $2 - $10 billion – less risky than smaller company stocks but more growth potential than large company stocks.

International: Non-U.S. companies which are further categorized as "developed" and "emerging" markets. Emerging markets are usually more volatile than developed international countries.

Small Cap: U.S. companies with market capitalization of less than $2 billion - more growth potential, but also higher risk of failure, so more volatile.

When deciding how to invest, it's important to consider what risk is appropriate for *you*. It can be tempting to choose the fund or asset class with the highest recent returns, but recent or past performance is no guarantee of future returns. Large Cap may be the big winner one year but Small Cap or International may win the next. It's these ups and downs that cause many investors to question their investment choices and often make emotional decisions that cost them in the long run.

Yet, as important as this is, many people just don't have the time or desire to research investments. That's where the Acropolis Target Retirement Allocations (ATRAs) come into play! ATRAs are professionally managed allocations based on a target retirement year. The ATRAs automatically become more conservative as you approach retirement, are rebalanced systematically, and are diversified with the goal of optimizing returns for the amount of risk taken. If you'd like help with your investments, just contact Acropolis.

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.

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