

Participant Perspectives

Make Saving More Your New Year's Plan

As you begin the new year, what do you see when you look back? Is it the heap of forgotten new year's resolutions from years past? This year, think about making a resolution that's easy to keep: increasing your contributions to your retirement plan.

What makes it easy? When you participate in your retirement plan, your contributions are automatically deducted from your paycheck and put into the investments you've selected. So even if you never change your original contribution amount, you're still saving money for your retirement. But consider how much more you could potentially accumulate if you periodically increase the amount you contribute. It's as simple as changing the percentage of your pay that goes into your plan account.

Where will I find the money? The new year is a good time to review your budget to look for places to trim. Cutting spending is an effective way to come up with money you can use to increase your contribution amount. And adding part of any raise you receive to your retirement account can also give your savings a boost.

Why can't I wait? The sooner you start saving more for your retirement, the more years your savings will have to potentially grow and compound. Increasing your contribution amount whenever you can may mean a larger account balance at retirement.

Still not convinced? Remember that you'll probably need to save more for retirement than for any other goal that you have.

Saving More May Make a Difference

	If You Increase Your Contribution by \$8 Per Week	If you Increase Your Contribution by \$16 Per Week
After 40 Years You Could Add:	\$69,038	\$138,077
After 20 Years You Could Add:	\$16,017	\$32,035
After 10 Years You Could Add:	\$5,681	\$11,362
After 5 Years You Could Add:	\$2,419	\$4,837

This is a hypothetical example used for illustrative purposes only. It assumes amounts are invested monthly, an average annual total return of 6%, and monthly compounding. It does not represent the result of any particular investment. Your results will be different. Amounts are rounded to the nearest dollar. Tax-deferred amounts accumulated in the plan are taxable on withdrawal, unless they represent qualified Roth distributions. Source: DST Systems, Inc.

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Borrowing From Yourself—Not Always the Best Plan

Where can you turn if you need cash in an emergency? Some people turn to their 401(k) plans. After all, you're borrowing your own money and paying it back to yourself with interest.

But taking a loan from your 401(k) plan may put you at risk of not reaching your retirement goals. Before you take any money from your retirement account, take time to review its impact and the rules associated with 401(k) plan loans.

On the Plus Side

If your plan permits loans (and not all plans do), you'll generally be able to borrow up to half of your vested plan balance, capped at \$50,000. Taking a loan from your plan may be easier and faster than getting a loan from a traditional financial institution. And you'll usually repay the principal and interest to your plan account through automatic payroll deduction.

On the Minus Side

The money you borrow will no longer be in your account benefiting from tax-deferred growth. Plus, you'll be repaying the loan with after-tax dollars. That means the money used for repayment will be taxed twice, since you'll pay tax on it again when you withdraw it at retirement. If you have trouble contributing to your plan account while you're making loan payments, you might end up with less saved for retirement than you need. And the really bad news? If you leave your employer for any reason, you'll usually have to repay the entire loan balance within 90 days or it will be considered a taxable distribution, requiring you to pay income tax on the amount of the loan. Furthermore, you may potentially owe a 10% early withdrawal penalty on the amount in addition to taxes.

Hardship Withdrawals: A Last Resort

If you're faced with a financial emergency and you've already borrowed all you can, you may be able to take a hardship withdrawal from your 401(k) plan account. You must have an immediate and heavy financial need, such as medical expenses that aren't covered by insurance.

You usually can withdraw the money you've contributed, but not employer contributions or earnings. You'll owe income tax and, possibly, an early withdrawal penalty. You won't be permitted to make contributions to your plan for six months after the hardship withdrawal is made. And, unlike a plan loan, withdrawals cannot be repaid to the plan.

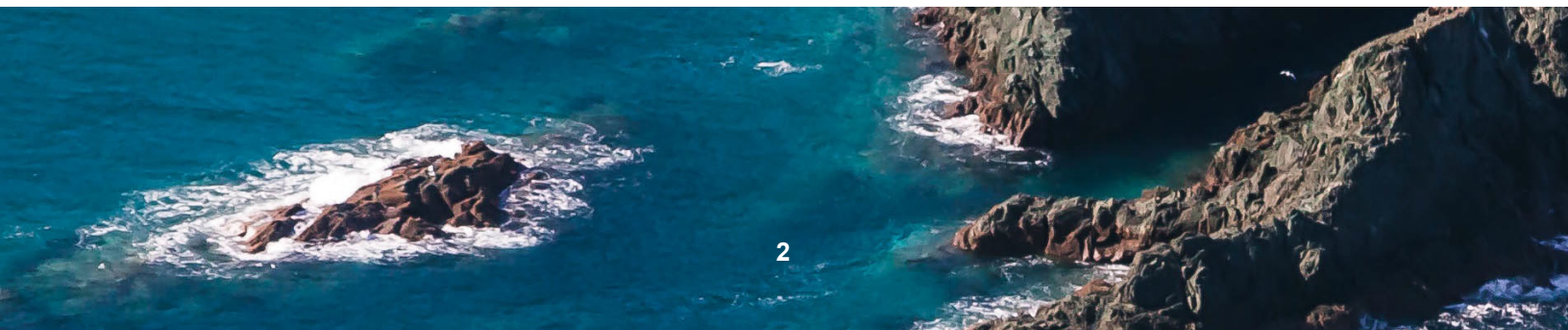
Exploring Your Retirement Plan

You never know what you might find when you start exploring places you generally ignore. You might find a rare baseball card in the attic, for instance, or discover your long lost high school ring lodged behind a dresser. And who knows how many treasures you might unearth in the garage.

If your employer's retirement plan falls into the "unexplored" category, it's time for a change. Your retirement account can play a key role in turning your dreams for the future into reality. If you aren't familiar with your plan and your account, you could be missing out on a valuable opportunity to build a potentially secure retirement.

Dig for Details

Maybe you've been putting this off, but if you haven't taken a really good look at one of your retirement plan statements for a while, now's the time. The first thing most people look at is their updated account balance. The statement also generally shows how much was



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contributed to your account during the preceding period and the vested portion of your account balance.

Although mistakes are rare, they can happen, so get in the habit of checking your statements carefully to make sure the details are right. Give your account a thorough review at least once a year. Make sure the following are correct:

- Personal information (i.e., name, address, phone, etc.)
- Hire date (since it can affect vesting)
- Contribution amounts (yours and your employer's, if applicable)
- Investment instructions
- Beneficiary designation (in general, your spouse must be named beneficiary of your retirement plan unless he or she waives that right in writing)

Probe Investment Performance

Your account statement also provides investment performance information, which could help you make decisions about the funds or portfolios in your plan account. By themselves, performance numbers don't tell you much. For instance, you may think a fund's return is poor, but you can't really tell how well the fund performed until you compare its performance to the returns of similar investments during the same period. Here are some pointers for gauging performance:

- Use a market index of comparable securities as a benchmark for each investment (e.g., the S&P 500 index as a benchmark for large-cap stock funds or portfolios).¹

- Compare returns over various similar investment periods (e.g., three months, one year, three years, etc.).

Benchmarking helps put performance in perspective. For example, when a fund or portfolio has a negative return, it's troubling. But it's less troubling when the fund's comparable index dropped by a similar percentage. And, if the overall market dropped 10%, a fund that lost 5% of its value may actually be a relatively strong performer. Even positive fund performance can be disappointing. Returns of 5% during a period when an appropriate benchmark rose 15% are unsettling and may be a reason to investigate further.

Investigate Other Options

It's a good idea to be familiar with all your investment options, even if you're not thinking of making a change to your plan account. For example, if your plan offers a fund you're interested in, be sure to look over the information your plan provides before investing in the fund. Find out about the fund's:

- Investment objectives (for example, growth, income, or a combination of these)
- Investment holdings and how they may help the fund meet its objectives
- Potential investment risks
- Financial highlights, including performance figures (keeping in mind that past performance does not guarantee future results)

1. Source/Disclaimer: Standard & Poor's Composite Index of 500 Stocks is an unmanaged index that is generally considered representative of the U.S. stock market. It is not possible to invest directly in an index. Actual results would vary from benchmarks and would likely have been lower. Past performance is not a guarantee of future results.

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Don't Forget the Documents

When you joined your retirement plan, you received a summary plan description (SPD) that spells out how your plan works. If you've never read through it, take time to do that now. SPDs must be plainly written so participants can understand them. Be sure to keep your SPD on file in case you have questions. Here are some of the things you can find in your plan's SPD:

- Description of the plan's benefits
- Plan participation and benefit eligibility requirements
- The amount you can contribute to the plan
- How contributions will be invested
- The plan's vesting provisions
- How and when you can access your retirement money (including information on hardship withdrawals and loans)

On occasion, your employer may make changes to the plan. If and when that happens, you'll receive a description of the changes, so be sure to promptly open and read any mail you get from your retirement plan. Then file it away with your SPD and your account statements.

Your Findings

Now that you've blown the dust bunnies off your retirement plan and shined a light in the nooks and crannies of your account, don't lose your momentum. Open those statements when they come, review your investments' performance on a regular basis, and get the answers to any questions you may have about how your plan operates.

After all, it's your money and your future—so it's up to you to stay informed.

Retirement Budget Considerations

There's no time like the present to start thinking about your retirement budget—even if retirement is still several years away. By looking ahead, you may be able to see if the money you've saved could be adequate to meet your retirement needs.

What Do You Want?

You probably have two general goals for your retirement savings. Your first goal is to have enough money to cover your basic living expenses: rent or mortgage, food, utilities, taxes, transportation, insurance, and so on. Your second goal is to have enough to pay for the extra things you'd like to do during retirement: travel, pursue hobbies, spend time with family, relocate, or any other plans you've dreamed about.

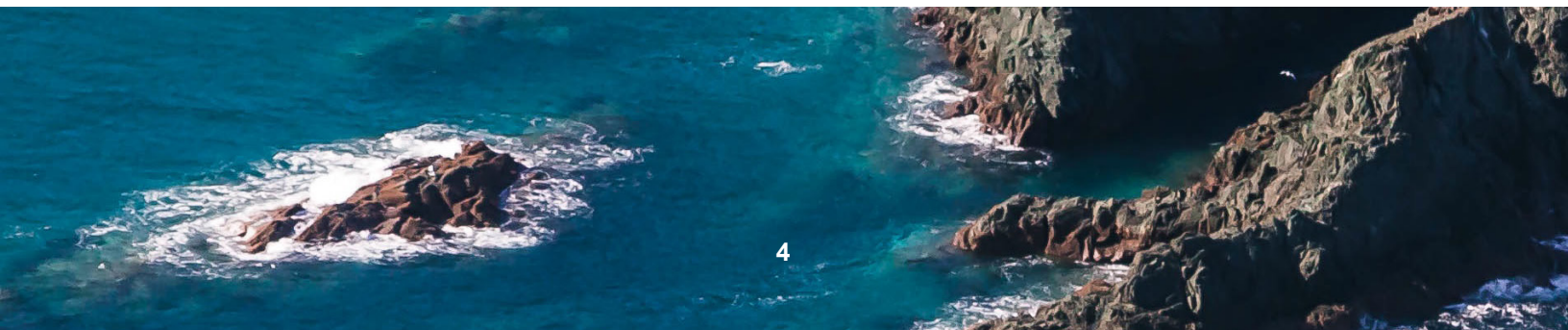
You probably have a good idea of how much your basic expenses will be, but what about the extras? How much will they cost? If it's more than you think you'll be able to afford, you might consider increasing your retirement plan contribution while you're still working.

Here's to Your Health!

You're probably covered by your employer's plan right now, but what about after you retire? Health care coverage can take a big chunk out of your retirement income. Medicare provides only basic coverage—and, in many cases, you'll have to pay for it. Unless your employer offers retiree health insurance, you'll probably want to buy a supplemental policy as well.

Make a Practice Budget

Your financial professional can assist you with designing a spending plan. First, write down all the expenses—basic and extra—that you expect to have in retirement. Then, estimate your retirement income



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from all sources—pensions, employer retirement plans, individual retirement accounts, Social Security, etc.

Will you have enough income? If not, start thinking of ways to increase it. Contributing more to your plan, continuing to work for a few additional years, or getting a part-time job in retirement are possibilities to consider. Consider consulting a professional before taking action.



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