Tele(k)

A Short Webinar Series Presented By

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What you need to know about your 401(k)

1) What History Has Shown Us

- Duration and magnitude
  - Bull (positive) markets are substantially larger and longer than Bear (negative) markets.
  - The average bull market has lasted a total of 6 years and had a return of 279% during those periods. On the other hand, the average bear market has only lasted just over a year and only gone down 33%.
  - Although it may feel like a down market lasts forever, history shows us that most of the time the market is on the rise, helping us increase our overall wealth.
- Recoveries tend to move rapidly
  - The largest rate of return you will experience is typically in the first five years after a market decline, with the first year alone making up 70% of the total return for the 5-year period.
  - If you are not participating in the market during the bad times you will most likely miss the best performing years in the market because of how quickly the market tends to recover; significantly hurting your 401(k).
- The market tends to move in anticipation
  - The market is forward looking. This means that where the market is now is based on what people expect to happen 3-6 months in the future and not what is happening now.
  - If you wait until you feel comfortable you will most likely miss the biggest part of the recovery.

2) Easy Missteps

- Being scared away from the market
  - There is no need for you to do all the work when it comes to saving for retirement. Investing in the stock market means you will only have to save a portion of your goal and the market will help make up the difference. If you wanted to save $1 million dollars and the market only gave you a 7% annual rate of return (which is conservative given past returns) you would only need to save
    1. 72% of your goal if you had 10 years to get there.
    2. 48% of your goal if you had 20 years to get there.
    3. 31% of your goal if you had 30 years to get there.

- Timing the market
    - The average investor is TERRIBLE at trying to time the market. Too often people make investment decisions based on their emotions leading them to underperform the same exact investment their money is in. They tend to get in when the market is high and already experienced its best returns and get out when times are bad, and the market is at its lows. Trying to time the market has led to the average investor causing significant damage to their retirement.

3) Missing Opportunity

- Delaying savings
    - Life happens which can cause us to postpone savings. However, this means that we are missing out on market growth and will have to save significantly more on our own.
- Keeping funds out on a loan
    - This causes you to not only miss out on growth in your account but costs you more in interest.
- Waiting it out
    - This leads to investors missing the best years the market has to offer while making sure they are participating in the worst.
- Only saving to the match
    - This is the best way to find yourself at retirement without enough money. You will need to save more than just what the match is to ensure you have enough for retirement.

4) Actions You Can (Should) Take:

- Make sure your beneficiary form is up to date.
- Consider refinancing any debt you have. Interest rates are near all-time lows and it could potentially save you a significant amount of money.
- Rerun your retirement figures. Are you still on track for retirement? Do you need to make changes? It is critical to know where you stand now so that you have time to adjust. Talk to a financial professional.
- Budget for the return to reality. As we shift back to some form of normalcy more expenses may start to creep back into your life. Make sure your account for these changes to your monthly expenses.

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