Tele(k)

A Short Webinar Series Presented By

SageRutty And Company, Inc.

What You Need to Know About Your 401(k):

1) Post Predictability

- It is common in movies to reach the end and find a major twist that you never saw coming, only to look back on the plot and discover hints that you may have missed along the way. Our brains naturally latch onto stories of this "post predictability" because its coded as a mistake and we are wired to learn from these mistakes. The problem is that when you are IN the moment it is impossible to know what hints will come to fruition.
- Similarly, the stock market is continuously giving clues to what may happen next. However, it is impossible to know what they mean. Its only when you look back on what has happened that you can find which clues were predictive and which were noise.

2) Days Out of the Market

- With hindsight being 20/20, many investors think that they will be able to time the next market moves. This is a dangerous strategy for your retirement account.
- When trying to time the market, you have to be correct twice. First on when to get out of the market and then again on when to buy back in. This strategy can lead to significantly lower returns over time because you are more likely to miss the best days in the market.
- In missing as few as the 10 best days from 12/31/04 to 12/31/19 you would have cut your rate of return by more than half. Successful investing is not about timing the market, but about how much time we spend in the market.

3) What Can You Do?

- Make Tax Smart Moves
  - If your income for 2020 is less than your typical year, consider utilizing any ROTH contribution options you have in your 401(k).
  - If you have a taxable account that has experienced losses, it might be a great time to do some tax loss harvesting to reduce your taxes come next April.
  - If you are part of a high deductible health care plan, you have access to an HSA which is the most tax efficient way to grow your money if used correctly.
- Dollar Cost Averaging
  - You are already dollar cost averaging in your 401(k) accounts. It is a great strategy for investors to consistently invest the same amount of money to their account over regular time periods. Dollar cost averaging naturally buys more shares of mutual funds while prices are low and fewer when they are more expensive, helping to increase total return on your retirement account.
- Rebalancing
  - Market volatility can lead to your investment allocation, your split between stocks and bonds, deviating from your investment plan. Rebalancing your account regularly is critical to making sure your investments are aligned with your plan.

As always, your team at Sage Rutty & Company is here to help. If you have questions, concerns, or would like help with planning for your financial future, please do not hesitate to reach out at 401k@sagerutty.com or 585-512-2385.