Tele(k)

A short Webinar Series Presented By

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1) Where we stand today

a. 2020 has been a roller coaster of a ride when it comes to the stock market. In February, the stock market had just hit an all-time high, when the Corona virus reared its head and sent the market down 30% from there. After such a quick decline in value, the stock market proceeded to shoot right back up. The market recovered its lost value through the spring and summer. In September it hit another all-time high, just to be followed by another bit of a correction. Easy to say 2020 has been anything but a smooth ride.

2) What is the concern?

a. When it comes to the 401(k) and your investments, we have found that people have a few concerns. The first being the economic environment that we are in. It seems like there are a never-ending list of issues from Covid and the upcoming elections, to the trade war with China and the ever-growing U.S. debt load. Not to say these are not valid things to be concerned about but it is important to keep them in context. If we look back at history, we could find at least one major concern or reason why we would be hesitant to invest in the market, but the one thing that has remained constant is economic growth. Somehow the market has taken everything we have thrown at it and just shrugged it off. So, keep in mind that although it may seem like there are good reasons not to invest right now, history has shown us that if you stay invested over the long run the market will continue to grow.

b. The second major concern that we hear is that “The market is too high.” This has led people to become hesitant about investing now. The thought being that the market seems too expensive right now, so let us just wait for it to go down. There are two problems with that. First, is that people in general, are inherently bad at trying to time the market. In a perfect world we would all sell when the market was up and buy back in when it dropped. In reality, it is not that easy and trying to time the market has led to more harm than good for investors. Second, the market has hit all-time highs hundreds of times. Yes, some of the highs have been followed by a decline. However, an overwhelming majority of times it has been followed with the market going even higher and people who were not invested because they thought it was too high, lost out on significant gains.

3) Outperforming the clairvoyant

a. The best way to take advantage of the volatility in the market is through a strategy called Dollar-Cost-Averaging, and this is what everyone of you is doing in the 401(k). When someone is investing using dollar-cost-averaging they are putting the same amount of money into the market on a regular re-occurring interval. This allows them to effectively buy more of the market with the same amount of dollars by taking advantage of all the dips, significantly boosting their long-term rate of return. So, every paycheck when you put money into your 401(k), you are dollar-cost-averaging your money, and putting your money to work in the most efficient way.

4) Putting it into action

a. Do not do anything. When the market is as volatile as its been this year it can seem like you should be making changes to your account. However, sometimes the best advice is to just stand aside and let your investments do the work for you. Successful investing is not about day trading the hot stock or timing the market. It is about sticking to your plan and the long steady march to meet your goals.

b. Take advantage of your 401(k). The 401(k) is the best tool to help you reach your retirement, so make sure you are saving enough, and you are invested the right way so you can meet your goals.

c. Turn off the news. Successful investing is not done by making changes to your investments based on the hot story of the day, so tune out the noise and make sure that you stick to your plan.

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