



A MCCOLL BROS. LOCKWOOD COMPANY



Fourth Quarter 2014

# Participant Perspectives Newsletter

## MAKE THIS THE YEAR

Whether or not you make formal resolutions, the beginning of a new year is a good time to take a fresh look at things, establish priorities, and ponder changes you want to make. Here's something in the financial category that might not be on your radar but should be: How much are you contributing to your retirement plan?



It's easy to let inertia take over and never increase your contribution amount. However, if you're not contributing much to your plan now, you might not have enough money to live comfortably when you retire. Maybe this should be the year you make saving for retirement a priority.

### Pay Yourself First

The most convenient way to build up your savings is to have your employer take money out of each paycheck and put it into your retirement account. Look at it as paying yourself first. Start with an amount you can comfortably afford and gradually increase it.

With automatic payroll contributions, you don't have to remember to write a check or transfer funds. And your contributions automatically go into the investments you've selected. Because you don't see the money that goes into your plan account, you aren't tempted to spend it.

### Kick Inertia to the Curb

Watching your savings accumulate can help motivate you to save even more. Review your budget to look for ways to trim spending so you can increase your contribution amount. And when you get a raise or bonus, put some of it away for retirement. Even small increases add up over time.

### Now Versus Later

Being serious about saving for retirement might mean putting off some purchases or scaling back on some plans. But retirement is a big, important goal. Waiting an extra year or two to take a cruise isn't really a problem. Not having enough saved for a comfortable retirement very well might be.

### Small Amounts Can Make a Big Difference

| IF YOU INCREASE PLAN CONTRIBUTIONS BY: | YOU COULD HAVE THIS MUCH MORE SAVED AFTER: |          |          |           |
|--|--|----------|----------|-----------|
|  | 5 YEARS                                    | 10 YEARS | 20 YEARS | 40 YEARS  |
| \$10/Week                              | \$3,023                                    | \$7,101  | \$20,022 | \$86,298  |
| \$15/Week                              | \$4,535                                    | \$10,652 | \$30,033 | \$129,447 |

*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.*

Source: DST

## ROAD TO RETIREMENT: THE MIDDLE YEARS

If you're in your 30s or 40s, the idea of saving for retirement shouldn't be new to you. You're probably already participating in your employer's 401(k) or other plan or investing on your own through an Individual Retirement Account.

Still, investing for retirement may not be the only financial goal you have. You may be saving for a new home or your child's education. And, while you realize the importance of increasing your retirement plan contribution, it may seem that other priorities have a previous claim on your money. What can you do to ensure that you'll have enough in your retirement account to live comfortably after you stop working?

### Time Is Your Ally

When it comes to saving for retirement, the middle years—when you're generally well established in your career—are critical to the growth of your account. With 25 to 30 years before you retire, you should be placing a large portion of your retirement investments in securities such as stocks that offer the potential for higher returns. Only you can decide how much investment risk you're comfortable with. However, with several years before you'll need your retirement plan money, investing in stocks—which historically have always recovered from any decline in value—offers the potential for growth that you need to protect your retirement account against the ravages of inflation.

### Increase Your Contribution

You may think that stretching your paycheck any further than you already do will be an impossible task. But you're likely to find some extra dollars to invest if you really look. By this time, you may have accumulated substantial personal assets. Make a list of them—checking and savings accounts, investments, your home or other real estate, and your pension and retirement accounts—so that you'll know exactly what you currently have. After determining your monthly income from all sources, list your expenses, including mortgage payments, taxes, credit card bills, food, utilities, entertainment, and so on, and subtract them.

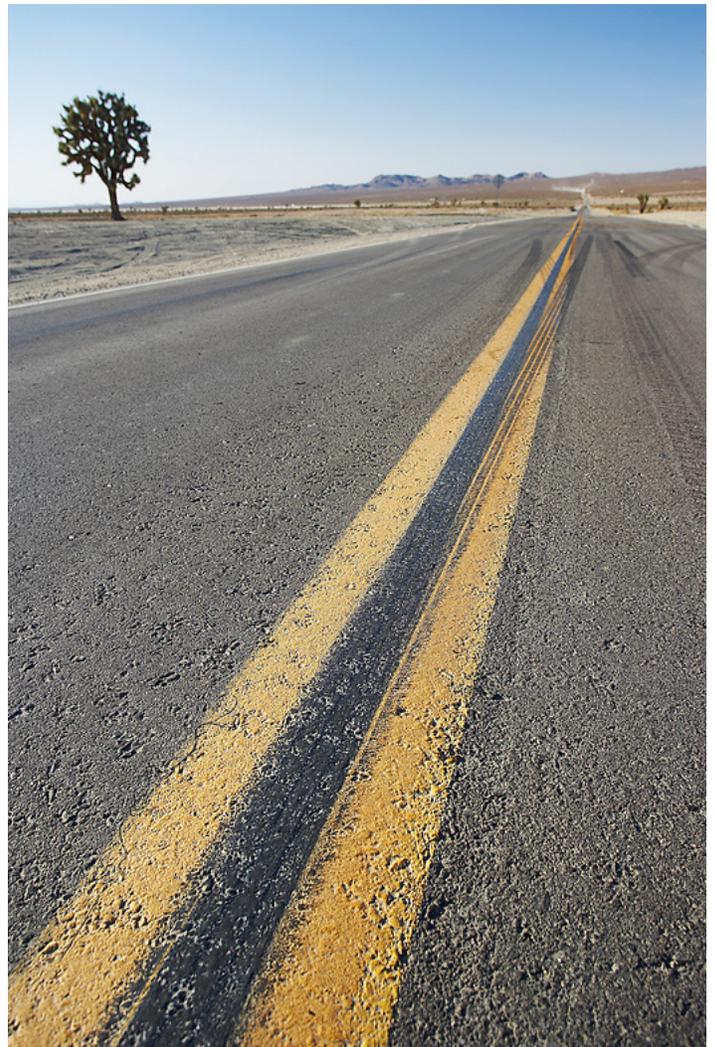
Now that you know how much you have left after you pay your bills, drawing up a budget that earmarks a certain percentage of your income for saving or

investing can help you increase your retirement plan contribution. Put as much as you can afford in your employer's tax-deferred plan, and be sure to contribute at least as much as your employer will match.

### Protect Your Retirement Assets

While some retirement plans allow you to borrow from your account to help with certain expenses—such as buying a house or paying for college—be cautious about using a loan option. While it's true that you'll be paying the principal and interest back to yourself, you'll also be losing out on the growth potential of any funds you borrow.

By contributing the maximum amount to your retirement plan and putting as much money as you are comfortable with into investments with the potential to earn higher returns, you'll be well on your way to a secure future.



## GREET RETIREMENT WITH A THOROUGH REVIEW

As you approach retirement, you may find you have a dilemma. On one hand, you want to preserve the gains your investments have made over the years. On the other, you want to minimize the potentially negative effects of inflation. How do you position your retirement portfolio to meet the conflicting demands of preserving assets *and* outpacing inflation?

While you may be tempted to move the bulk of your assets into more conservative investments as retirement nears, hold off on making changes until you've conducted a thorough review of your current portfolio, your income needs, and your plans for the future.

### Preservation Versus Reality

Before you decide to transfer most of your nest egg out of volatile growth-style investments, such as stocks, consider the effects of inflation on your savings over the 20 or more years that your retirement could last. Then think about expenses, such as health care, that may increase significantly during your retirement. Without the continuing growth of your assets, you may not have enough income to sustain the lifestyle you desire.



### Have a Plan

Just as you have a strategy for investing money for your retirement, you'll want to create a plan for generating income and investing for growth during your non-working years. By reviewing your current asset allocation with your advisor, you can determine what, if any, changes should be made. You can then choose investments and distribution strategies that will help provide the growth and income you'll need throughout retirement.

## BAFFLED BY BENCHMARKS?

You want to know how well your retirement plan investments are performing, but how can you tell? Looking at an investment's total return is a start. But you should also compare your investment's performance to a benchmark index to get a better idea of how well it's doing.

Different market indexes track different types of investments, so be sure you use an appropriate index as a yardstick. Here are some of the most common market indexes.

**DOW JONES INDUSTRIAL AVERAGE<sup>SM</sup>** measures the performance of 30 of the largest U.S. corporations. The Dow is one of the most widely recognized indicators of stock market activity. Stocks listed on the Dow are often referred to as "blue chip" stocks.

**STANDARD & POOR'S 500 INDEX (S&P 500<sup>®</sup>)** tracks the performance of 500 financial, industrial, transportation, and utility company large-cap stocks. The S&P 500 is a value-weighted index, which means it gives greater weight to stocks having the greatest market value.

**S&P MIDCAP 400 INDEX<sup>®</sup>** tracks the performance of stocks from 400 medium-sized U.S. companies.

**RUSSELL 2000<sup>®</sup> INDEX** tracks the performance of approximately 2,000 small U.S. companies. It's a benchmark for small-cap stocks.

**NASDAQ<sup>®</sup> COMPOSITE INDEX** is a market-weighted index that follows domestic and international stocks traded through the NASDAQ electronic exchange.

**NYSE COMPOSITE INDEX<sup>®</sup>** measures common stocks listed on the New York Stock Exchange.

**WILSHIRE 5000 TOTAL MARKET INDEX<sup>®</sup>** is the broadest index for the U.S. equity market. It includes almost all stocks traded in U.S. markets.

**MORGAN STANLEY CAPITAL INTERNATIONAL (MSCI) EAFE INDEX** follows non-U.S. companies in Europe, Australia, Asia, and the Far East.

**BARCLAYS CAPITAL U.S. AGGREGATE BOND INDEX** measures U.S. investment-grade bonds.

## INHERITING AN IRA

If you inherit a traditional individual retirement account (IRA), you basically inherit the income taxes that will be payable when money is withdrawn from the account. Your tax liability could be significant if you take all the money out of the IRA right away. You might come out ahead in the long run by choosing another option.



### Make It Your Own

If you are the sole designated beneficiary of your *spouse's* IRA, you have the option to leave the account as is and designate yourself as the account owner. Or you can roll the funds over into your own traditional IRA.

Either way, you won't *have* to take any money from

your IRA until after you reach age 70½. Then, the tax law requires annual withdrawals of minimum amounts (called “required minimum distributions”). As long as you meet the required minimum, however, you'll have the flexibility to leave money in the IRA if you want to—allowing the balance to continue growing tax deferred.

Just be aware that any distributions you take before age 59½ could be subject to a 10% penalty in addition to income taxes. So you might be better off *not* treating the IRA as your own if you think you'll have to make pre-age-59½ withdrawals. If you decide to be treated as the IRA *beneficiary* (discussed next), the penalty doesn't apply.

### The Beneficiary Route

A nonspouse designated beneficiary can also stretch out withdrawals—and the related taxes—by setting up an inherited IRA. Minimum withdrawal amounts are calculated using an IRS life expectancy table, and the deadline for the first withdrawal is December 31 of the year after the year the account owner died. (A surviving spouse who decides to be treated as the IRA beneficiary can wait to start withdrawing funds until December 31 of the year the account owner would have reached age 70½.)

All of these rules are tricky—and different rules may apply if an IRA passes through an estate instead of directly to a designated beneficiary. Your financial advisor can help you sort through your options.

*This information is for general and educational purposes and not intended as legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Information obtained from third party sources are believed to be reliable but not guaranteed.*



A MCCOLL BROS. LOCKWOOD COMPANY

### MBL Advisors Inc.

1017 East Morehead Street  
Charlotte, NC 28204  
Luther Lockwood  
704.335.4522

[Luther.Lockwood@mbl-advisors.com](mailto:Luther.Lockwood@mbl-advisors.com)

Abe Early  
704.335.4518

[Abe.early@mbl-advisors.com](mailto:Abe.early@mbl-advisors.com)

Securities and Investment Advisory Services offered through M Holdings Securities, Inc., a Registered Broker/Dealer and Investment Advisor, Member FINRA/SIPC. MBL Advisors Inc. is independently owned and operated.



M Financial Group™