Reinventing RETIREMENT

Your Retirement Planning Newsletter

First Quarter 2018

Dreaming of a Royal Retirement?

Cash flow is king when thinking about your financial future

Cash flow is like the water in the moat surrounding a successful retirement. It's an essential element of financial planning that can help you defend your castle against unexpected expenses, coffer-raiding or overspending. Cash flow planning combines five interdependent activities: setting goals, establishing an emergency fund, calculating your net worth, recording expenses and communicating your wishes to your loved ones — the five elements of cash flow planning.

Look from the Tower: Set Goals

It's impossible to plan without having a goal in mind. When it comes to your future finances, start with the basics, whether it's to pay down school loans or to establish a three-month emergency fund.

For example, if you were faced with a $500 unexpected bill, would you be able to cover it? Nearly six in 10 Americans don't have enough savings to pay a $500 or $1,000 expense, according to Bankrate.[1] Without having a cash cushion, emergencies can cause you to tap funds earmarked for other purposes, such as your retirement. An emergency fund not only can help you manage a car or home repair, it can tide you over in the event of an unforeseen illness or job loss.

[1] "Six in 10 Americans don't have $500 in savings," CNN Money, January 12, 2017. http://money.cnn.com/2017/01/12/pf/americans-lack-of-savings/index.html

Survey Your Realm: Calculate Your Net Worth

Your ability to project your future income needs depends on the clarity of your financial picture today. Your best snapshot for that is your net worth — the total value of what you own minus what you owe. Here's a simplified worksheet to give you a rough approximation of your personal or household net worth.

Net Worth Worksheet

A. What You Own (Assets)	**Value**
Cash on Hand	$
Cash in checking, savings accounts	$
Market value of your home and household items	$
Stocks, bonds, mutual funds	$
Market value of vehicles	$
Current value of 401(k), IRA	$
Other assets	$
TOTAL ASSETS	$
B. What You Owe (Liabilities)	**Value**
Mortgage	$
Home equity loan or line of credit	$
Auto loan and credit card balance	$
Student loans	$
Other liabilities	$
TOTAL LIABILITIES	$
NET WORTH (A minus B)	$

Summon the Scribe! Record Your Expenses

Many people who struggle with not knowing where their money went don't have a firm handle on their expenses. If this fits your description, consider buying a small notebook and recording what you spend every day. Add it up at the end of the month. You may be surprised to see where all your cash is going!

Continued on page 2

Have a 401(k) Plan at a Former Employer?

Here are some options for getting the most out of multiple retirement accounts

You may have had multiple jobs over your career, and left behind retirement account balances — critical building blocks for your retirement. Here's a short guide to your options of what to do with a retirement account left with a former employer:

Roll it over to an IRA

- A rollover IRA allows you to continue any tax-deferred growth.
- A direct rollover IRA helps you avoid current taxes and early withdrawal penalties.
- You retain flexibility to select investments that fit your specific needs.
- A rollover IRA allows you to consolidate your retirement assets in one convenient place when you change jobs or decide to retire.

Leave it in your plan

- Leaving your account in your former plan lets you continue any tax-deferred growth.
- As long as you don't take money out before age 59½, you avoid federal income taxes and a 10% early withdrawal penalty.
- You always have the option to move your savings to another retirement plan later.
- You have continued access to your plan and its investment options, which may be perfectly suitable for your needs.
- You may be protected from creditors.
- You may benefit from lower fees than you would pay in other options.

Transfer it to your current qualified plan (401k, 403b)

- Transferring your account to your current plan lets you avoid current taxes, early withdrawal penalties, and continues any tax-deferred growth.
- Depending on your plan, you may be able to consolidate other retirement assets in one account.
- Your current plan may allow you to borrow from your account (although this generally is not recommended).
- You may be protected from creditors.
- You may benefit from lower fees than you would pay in other options.

You also have the option to take a withdrawal from your qualified plan account. Taking money now means you will have money right now, but it could come at a price of an early withdrawal penalty and taxes due.

Have more questions? Consult your benefits administrator or advisor for guidance on the option that's most appropriate for your individual circumstances.

Dreaming of a Royal Retirement? *Continued*

Sound the Trumpets: Communicate with Your Household

Spouses or significant others often disagree about the role of money in the household. One may see cash as a license to shop and spend, the other for saving. The important thing is to communicate these views and resolve disagreements well before financial stress enters the picture.

Cash flow planning is at the core of financial planning, because cash flow can give you the freedom and flexibility to rule your destiny. That's a worthy goal any king or queen can champion.

Considering a Target-Date Fund for Your Retirement Plan?

Here's what you need to know about this popular investment option

If you are like many investors, researching, selecting, monitoring, and adjusting your investments and asset allocation within your retirement plan can be a time-consuming burden. One possible strategy to consider may be a target-date fund.[2]

A target-date fund takes much of the decision making out of which asset classes to own, at which percentage weights, given your estimated retirement date. As that "target" date approaches, the manager of a target-date fund automatically adjusts your allocations to reduce your market risk.

Here are some basic facts about target date funds that you should know before you buy:

It is a popular option for retirement plans.

Target-date funds are growing in popularity as investment options in qualified plans. In fact, as of December 31, 2016, 88% of target-date mutual fund assets were held through defined contribution plans and IRAs, according to the data from the Investment Company Institute.[3]

It offers one-stop diversification and rebalancing.

A target-date fund is a single investment option that provides a diversified, professionally managed allocation to stocks, bonds and other investments.[4] The allocation is automatically rebalanced to a preset target allocation based on your retirement horizon and becomes more conservative over time.

A target-date fund follows a more conservative "glide path" as your retirement approaches.

Let's say you are 37 years old and expect to retire at age 67, or 30 years from now, so you consider looking at a target-date fund with that same 30-year time horizon. If you choose to invest in this fund, it might begin with an 85% allocation to stocks and 15% allocation to bonds. As you approach age 47, that allocation might gradually switch to more of a 70%/30% stock/bond allocation to reduce some of the stock market risk. This shift in asset allocation over time is known as the fund's "glide path."[5] As you approach your retirement age of 67, that glide path might incorporate a higher allocation to bonds and cash than stocks.

The glide path design can be very different from fund series to fund series.

Fund providers treat the allocation to stocks in target-date funds very differently. Some view continuing exposure to stocks past the normal retirement age of 65 as being less desirable for investors, and therefore eliminate or sharply reduce the allocation to stocks at age 65. Other fund providers view exposure to stocks as being important to continue "through" retirement age. Therefore, it's important to incorporate your personal view of risk when evaluating target-date funds.

A target-date fund can be actively or passively managed, or follow a mixed approach.

Different managers can follow different asset management approaches.

Some invest all of their assets in actively managed mutual funds, and others in index funds. Some use a mix of active and indexed investments, including exchange-traded funds (ETFs).

A target-date is designed to be a standalone investment.

Some plan participants combine multiple funds in their retirement accounts to provide more diversification. A target-date fund is intended to be a plan participant's sole investment within his or her plan. It's important to note that selecting multiple options may result in a participant incurring more risk.

The general objective of a target-date fund is to generate the appropriate amount of asset accumulation to produce an adequate amount of retirement income over the course of your retirement. Of course, there can be no guarantee that any target-date fund will meet this objective.

2 Please note the principal value invested in these funds is not guaranteed at any time, including at the specified target date.

3 "Eighty-eight percent of target-date mutual fund assets were held through defined contribution (DC) plans, ICI finds", PLANSPONSOR, March 23, 2017. https://www.plansponsor.com/Bulk-of-Target-Date-Funds-in-Retirement-Accounts/

4 Diversification and rebalancing do not protect against loss or guarantee a profit. All investing involves risk, including loss of principal.

5 These hypothetical asset allocation examples are intended solely to illustrate the concept of the glide path. They are not meant as investment advice.

Retirement in Motion

Tips and resources that everyone can use

Taking Care of Elderly Parents

The significant cost of formal long-term care services is leading many aging adults to rely on informal care from adult children. And although many parents are living longer and healthier lives, it's likely that many Americans will assume this role during their lifetimes. Roughly 6% of adult children today serve as caregivers, and 17% will take on this role at some point. Those who do provide care devote an average of 77 hours per month.[6]

Q&A

Is my retirement account protected from identity theft?

Most retirement plans have advanced identity theft and fraud protection safeguards, and a recent IdentityForce survey indicated that 68% of HR executives are actively looking at identity theft protection as an employee perk.[7] To determine how safe your account is, review the online fraud policies and recommendations of your retirement plan provider. Check your account balances and activity at least once a month to be sure there has been no unauthorized trading. To be extra vigilant, be sure to change your username, password and security questions every six to nine months.

Quarterly Reminder

Finances are already top of mind as you head into tax season. As you gather your tax information, explore areas of personal finance beyond your taxes due and whether to apply your refund to next year's bill. Review your retirement plans and accounts with your financial professional to help determine whether your portfolios are well positioned to meet your retirement goals. And if you are over the age of 50, don't forget to take advantage of catch-up contributions available to you in your plan.

Tools & Techniques

Are you at risk for investment fraud?

If you've ever made an investment in response to an ad on television, email solicitation or a phone call from someone you did not know, you may be vulnerable to investment fraud. AARP has developed a short quiz to gauge your susceptibility to this risk. To access it, visit aarp.com and enter "investment fraud vulnerability quiz" in the search window.

[6] Gal Wettstein and Alice Zulkarnian, "How Much Long-Term Care Do Adult Children Provide?" Center for Retirement Research at Boston College, June 2017, 17-11. http://crr.bc.edu/wp-content/uploads/2017/06/IB_17-11.pdf

[7] State of Progressive Employee Benefits, 2017. IdentityForce.com. https://www.identityforce.com/2017-state-progressive-employee-benefits

Kmotion, Inc., 412 Beavercreek Road, Suite 611, Oregon City, OR 97045; www.kmotion.com

LPL Financial

RP-413-1217
Tracking #1-677886 (Exp. 12/19)