



Participant Perspectives Newsletter

THIS IS YOUR LIFE

Life can get in the way of saving for retirement, especially when you're busy with your job, friends, and family. While you know that saving for retirement is important, you have many other things in your life that are important, too. The key is to make saving for retirement a priority while living life to the fullest.

Just Starting Out

It can be overwhelming to begin working at your first "real" job. If you're new to living independently, you may have more expenses than ever, such as rent, groceries, insurance, etc. If you're paying off student loans, that can put an extra strain on your finances. With retirement so far off, you may decide you don't need to save much right now. But the more you save for your future while you're young, the better. Why? You'll give your savings more time to benefit from the power of compounding.

In the Middle

Who has time to think about saving more for retirement when you have kids to raise and a home to maintain? If college tuition costs are looming, you may be tempted to save less or even stop saving for

retirement so you can help your children pay for their education. However, you're probably going to need a lot more money for your retirement than your kids will need for college. And they may qualify for scholarships and other financial aid. If you keep putting saving more for your retirement last on your list of financial priorities, you might not be able to save enough for a comfortable lifestyle.

Nearing Retirement

Just because you're getting closer to retirement doesn't mean you still can't benefit from saving more. This is a good time to increase the amount you contribute to your plan, especially if your nest is empty and your mortgage is paid off. If you're age 50 or older, your employer's plan may allow you to make extra "catch-up" contributions. Saving more when retirement is close at hand can still make a meaningful difference in the value of your account.

Time Is on Your Side

Increasing the amount you contribute to your retirement savings plan each year could make a big difference in the amount you can accumulate in your account.

An Extra \$100 a Month Grows to:

After 10 Years	\$17,308
After 20 Years	\$52,093
After 30 Years	\$121,997
After 40 Years	\$262,481

This is a hypothetical example used for illustrative purposes only. It is not representative of any particular investment vehicle. It assumes a 7% average annual total return compounding monthly. Your investment results will be different. Tax-deferred amounts accumulated in the plan are taxable on withdrawal, unless they represent qualified Roth distributions.

Source: DST



GROWING YOUR RETIREMENT SAVINGS

Some people are natural gardeners; they can grow anything. Others can kill a plant just by picking up a watering can. Fortunately, growing your retirement savings doesn't depend on having a green thumb or some other special skill.

Growth from Contributions

The amount you contribute to your plan during your working years can make a big difference in how much you have in your retirement plan account when you retire. If you don't contribute very much, you can't expect to have a big account balance. If you could be doing a better job in this growth area, increase your contributions gradually until you're on track to meet your savings goal.

Growth from Earnings

The returns your investments generate also add to your account's growth. Over the long term, stocks historically have earned higher returns than bonds and cash alternative investments, although stocks are riskier.* (Cash alternatives are short-term securities that can readily be converted to cash, such as U.S. Treasury bills. Past performance does not guarantee future results.)

If you put too much of your account in lower risk investments, there may not be enough long-term growth to meet your savings goal. Instead, consider investing in a diversified portfolio that includes stocks.**

The stock market can be scary for investors, especially when the market is dropping. But ups and downs are part of stock investing. If your account balance drops due to volatility, resist the urge to cut your losses and sell all your stock investments. If you sell and the market eventually recovers, as it always has after past declines, you'll be watching from the sidelines. Much of the stock market's past growth has occurred during short periods. If you're not invested in stocks during similar periods that may occur in the future, you could stunt your account's long-term growth.

Growth from Compounding

Compounding can boost your account's growth. Any earnings your plan investments generate go into your account. You now have a larger pool of invested money than before—your contributions plus your earnings. A larger pool of invested money has the potential to generate even more earnings. Increasing the amount you're contributing to your plan increases the potential benefit you may realize from compounding.

Keep It Growing

It's not always easy to keep saving. But taking a break can really nip growth in the bud and could jeopardize your retirement. You may think you only need to take a short break. But short breaks can easily turn into longer ones.

There's also no guarantee that you'll be able to start saving again. It's very possible that new financial demands will surface. The thing is, you're already in the habit of contributing to your plan. And it's automatic. Try to avoid taking any breaks.

Growth from Tax Breaks, Too

Plan contributions are tax deferred, which means you don't have to pay federal income tax on the money contributed to your account until you withdraw it.*** And earnings on your plan investments are also tax deferred until withdrawal. Tax deferral means you have more money working for you, and it can help your balance grow.

**Prices of fixed income securities may fluctuate due to interest-rate changes. Investors may lose money if bonds are sold before maturity. Cash alternative investments may not be federally guaranteed or insured, and it is possible to lose money by investing in cash alternatives. Returns on cash alternative investments may not keep pace with inflation, so you could lose purchasing power.*

***Diversification does not ensure a profit or protect against loss in a declining market.*

****Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax savings. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.*



Taking a Break Can Limit Growth

Taking a break from saving for retirement could put your future financial security at risk. Here are examples of the negative impact taking a five-year or a 15-year break can have.

ANNUAL CONTRIBUTION	NO BREAK	5-YEAR BREAK	15-YEAR BREAK
Years 1–5	\$2,000	\$2,000	\$2,000
Years 6–10	\$2,000	0	0
Years 11–20	\$2,000	\$2,000	0
Years 21–40	\$2,000	\$2,000	\$2,000
Account Value			
After 40 Years	\$331,915	\$261,883	\$171,470

These are hypothetical examples used for illustrative purposes. They do not represent the results of any particular investment vehicle. Monthly contributions and a 6% annual return (compounded monthly) are assumed. Your investment results will be different. Tax-deferred amounts accumulated in the plan are taxable upon withdrawal.

Source: NPI

MULTIPLE ACCOUNTS, ONE ASSET ALLOCATION

Working for more than one employer during your lifetime may mean you have more than one retirement account. Add to that any investment or individual retirement accounts you've opened, and you may end up with portfolio "clutter"—and lower returns than you'd hoped for.

Standalone Accounts

One drawback of having multiple accounts is that you may have a lot of similar—or even the same—investments. This can happen when you choose the same asset mix for each account. But different retirement accounts offer different investment choices.

One may include a strong bond choice, while another may excel in its stock offerings. By not taking advantage of the particular strengths in each account's investment lineup, you could be forgoing potentially higher returns.

Another drawback of having multiple accounts is that owning many different investments makes it much more difficult to monitor your portfolio's performance. If you can't easily tell how your investments are doing, you might not make changes when they're needed.

A Pie with Many Slices

Instead of treating each account separately, consider coming up with a target asset allocation to apply to your overall portfolio. Then select the strongest investment offerings from each account to create a diversified* asset mix that reflects your risk tolerance and time frame. By taking this approach, you'll have fewer investments to keep track of, which could boost your portfolio's overall returns.

It may take a little effort. But with the help of your financial professional, you can get your retirement accounts in sync.

**Diversification does not ensure a profit or protect against loss in a declining market.*

CONSIDERING AN IRA? TAX TIME'S A GOOD TIME

Individual retirement accounts (IRAs) offer a wide range of investment options and potential tax advantages. For 2015 and 2016, you can contribute up to \$5,500 (\$6,500 if you're age 50 or older) to an IRA as long as you have earned income equal to the contribution amount.

But first you'll have to decide whether a traditional or a Roth IRA is a better fit for you.

The Tax-deferred Traditional IRA

If your employer doesn't offer a retirement plan, a *traditional* IRA may be a good choice. Generally, you can deduct contributions made to a traditional IRA for tax purposes if neither you nor your spouse is covered by a retirement plan at work.

With a traditional IRA, your account can potentially grow tax deferred until you begin taking withdrawals. Then you'll pay taxes on the money you withdraw at your regular income-tax rate. You'll have to begin taking required minimum distributions soon after you reach age 70½.

You still can contribute to a traditional IRA even with active participation in an employer's retirement plan. However, the deduction is phased out once your income exceeds specified limits.

Another benefit: All or part of any contributions you make to a traditional IRA by April 18, 2016, may be deductible on your 2015 income-tax return.

A Roth's Tax-free Earnings

One attractive feature of a *Roth* IRA is that if all requirements are met, earnings are never taxed, even when you withdraw your money. The longer you have until you retire, the more you may benefit from the tax-free growth potential of a Roth IRA. Another advantage of a Roth IRA is that there are no mandatory withdrawals during your lifetime, so your account can continue to grow tax free for as long as you want it to. However, contributions to a Roth IRA are made with after-tax dollars and are not deductible. Eligibility is phased out when your adjusted gross income reaches a threshold amount.



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.

#0123-2017



RoseStreet
ADVISORS

BENEFITS | INSURANCE | INVESTMENTS

244 North Rose Street
Kalamazoo, MI 49007
269.552.3200

www.rosestreetadvisors.com

Carl Doerschler, CMFC®
cdoerschler@rosestreetadvisors.com

Scott Higgins, AIF®, CFP
shiggins@rosestreetadvisors.com

Jill Ingersoll
jingersoll@rosestreetadvisors.com

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



M Financial Group™