RETIREMENT PATHWAYS 1Q19

PAVING YOUR WAY TO A DIGNIFIED RETIREMENT

NATIONAL CRISIS: Among working households a shocking 92 percent of workers age 25-64 do not have retirement account balances that meet the minimum saving benchmarks as recommended by the financial services industry.*

Your team at Qualified Plan Advisors (QPA) is here to provide you with a path to become ready for retirement. This newsletter includes information about general investing, saving for retirement, budgeting, health care and finance, as well as other topics that will be useful in planning your retirement.

NAVIGATION:

Appropriate Ages: 18 - 29 Saving Experience: Beginner	Appropriate Ages: 30 - 49 Saving Experience: Intermediate	Appropriate Ages: 50 - 65 Saving Experience: Advanced	Appropriate Ages: ALL Saving Experience: ALL

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1. National Institute on Retirement Security, "The Retirement Savings Crisis: Is it Worse Than We Think?" June 2013. Indices mentioned are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. All investing involves risk. Depending on the types of investments, there may be varying degrees of risk. Investors should be prepared to bear loss, including total loss of principal. Examples are hypothetical and for illustrative purposes only. The rates of return do not represent any actual investment and cannot be guaranteed. This commentary is for informational purposes only and does not constitute investment advice nor reference the appropriateness of any individual investment alternative. Advisory services offered through Prime Capital Investment Advisors, LLC. (PCIA) a Registered Investment Advisor. Prime Capital Investment Advisors doing business as Qualified Plan Advisors, "QPA." 6201 College Blvd., 7th Floor, Overland Park, KS 66211.

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Rule #1 - Pay Yourself First

After experiencing apartment living in Atlanta following college graduation, two of my college buddies and I decided to rent a house near the hospital where we worked. Our new 'bachelor pad' was in a great location of town and afforded us plenty of space for the same monthly rent as our apartment. And then I remember the feeling of 'adulthood' that set in as the realtor called to request $2,500 for a security deposit.

One day, as I was sorting through the mail, I came across a letter from Vanguard Investments addressed to my roommate, Joe. Because of this moment, I credit Joe with some of my successes today.

After seeing his letter, I talked to Joe and asked when he set up an investment account. The conversation quickly revealed that, unlike Joe, I had failed to take advantage of the 403(b) retirement plan at the hospital. Through his 403(b) payroll contributions, the hospital match, and the investment growth over a 2-year period, Joe managed to save over $8,000. I was shocked. Nobody our age had $8,000. And Joe never felt like it was a burden to put away this money.

Most young adults tend to take the approach I attempted: paying myself first, then using the rest of my paycheck for rent, food and drinking beer on the weekends. I thought for sure my friends were doing the same thing.

<u>What I learned were the three principles Joe practiced:</u>

1. Pay yourself first. Directing money rather than spending money is a big key component.
2. Beyond arm's length. Set up an account to hold your dollars apart from your regular checking account
3. Act as if the money doesn't exist. Disregard the urge to spend the money you've put away.

I am uncertain if Joe continued to disregard the $8,000. Had he invested those dollars into S&P 500, his $8,000 would have grown to what would be over $58,000 today - a realized annual return of over 8%.
With the environment we currently live in, saving, investing and learning how to properly invest is accessible to everyone at a basic level. Learn how you can better your investment lifecycle. Contact Will Steih, CPA.

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Halftime: 4 Quarters to Save

If you're like me, you've been "adulting" for about 15-20 years now. Much like a football game, some plays have been challenging, some fun, some painful, and we've grown from all of them.

I'm here to tell you as your "Financial Coach", no matter what the score is, right now "It's Halftime!" It's time to get this game figured out. You are in the middle of your career. You have set goals for yourself. You have dreams you want to realize. There are people depending on you to be the best you can be. It's HALFTIME. Before you know it you'll be in the 4th quarter, and you don't want to go into the 4th quarter down by 3 Touchdowns! Why? Because there's not going to be enough time to catch up.

Now is the time to put your foot on the gas! Right now, it's Halftime, you need to think about what you did in the first half, make a few adjustments, and then run onto the field for the second half and claim your VICTORY!!!

Here's a few plays to make sure you are keeping an eye on your finances:

Log in to your company's retirement plan website.

Sounds simple, doesn't it? Think about how long it has been since the last time you reviewed your account. Once you log in, take a look at your account balance and the current mixture of stocks to bonds. Use the online tools to get a quick assessment of whether or not you are on track to retire at age 65. Also complete our risk tolerance questionnaire. Does the amount you have invested in stock funds match your risk tolerance? Do you have enough in stocks to get the growth you need to reach your retirement goal? You might find that you need to accept a little more stock market exposure to reach your retirement goal. Remember to choose an investment strategy that you are comfortable with and stick with it during good markets and bad. Don't let a short-term market decline cause you to change your game plan.

Review your bank statements.

A key to managing your finances is understanding your expenses. Your bank statement shows the total deposits and withdrawals for the month. DO THIS: Add up the total withdrawals from each of the last twelve statements you received. Next, divide the total by twelve to get your average monthly expense. Think about this number. Is it more or less than your average monthly deposit? Are there any changes that you could make to reduce your expenses? Saving more for retirement now, will have a bigger impact on your account balance than the rate of return you get on your investment. Is there any way you could save more now? Don't just think about this – Lace Up you Cleats and GET THIS DONE!

Use Automatic Increase tools inside your retirement plan.

Most company retirement plans have the ability to automatically increase your savings rate each year. Go ahead and turn this feature on so that you are slowly but surely saving more money each year. The slight increase each year will hardly be enough to notice out of each paycheck, yet the long-term results over your career will be significant.

OK Team, you know the game plan. How bad do you want it? Are you willing to do what it takes to win? Now get out there make it happen! Vince Lombardi coached the Green Bay Packers to two Super Bowl victories. He famously said, "Winning is not a sometime thing; it's an all the time thing. You don't win once in a while, you don't do things right once in a while, you do them right all the time. Winning is habit. Unfortunately, so is losing."

I hope this locker room speech will help you do what it takes to realize your dreams. Making these half-time adjustments is up to you. No one else can do it for you. If you have questions, please give us a call today. Now get out there and WIN YOUR GAME! Go get'em Champ!

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The Path to Successful Investing

As an advisor, many times I'm asked what the most important component of financial planning is. It seems that so often financial planning meetings and questions revolve round rate of return, the market, economy, etc. While these topics are important, I'm not sure I'd even rank it in my Top 5 of most important concepts. In my clients' financial lives, there are other areas which offer far more return on investment (ROI) assuming your portfolio is prepared correctly.

So let's talk about those Top 5 concepts: I think knowing where your money goes and living within your means is #1. It's king to success, and the basis for preparing for a comfortable retirement. Let me explain.

It's rare that I meet someone for the first time with anything but a basic, very general understanding of where their money goes. But it's fairly common that upon inspecting where the money is going, we can find anywhere from a 3-10% waste! When I say waste, I'm referring to a couple types… one in which they did not know of the expense, and the other, upon further reflection, that is not generating more value in life than the extra dollars in a savings or retirement account would. Sometimes, however, the problem is far bigger and the lifestyle is simply too expensive for the income brought in.

For many, that 3-10% is the difference needed for a great retirement! The other benefit of knowing where the money is going is that during long-term planning, it helps us to hone in fairly precisely on "your number" well in advance from retirement. This allows you to structure your long-term funding plan with potential tax implications in mind.

<u>So how do you figure out where your money is going?</u>

1. **Minimize the amount of accounts your household moves money through.** One checking account, one credit card, etc. The more accounts, the more cumbersome. Capture the data daily either through software or a spreadsheet, or even just on a note pad.

2. **Revisit all expenses.** Go back into your expenses and force them into categories… Take automobile expense as an example: I'd have categories like loans, service, gas, insurance, etc. The more granular you get, the better.

3. **Now, catch your breath as you arrive at the inevitable.** "I had no idea we were spending that much on that!" Focus in on your biggest costs. You're bound to find a few costs you're able to reduce.

4. **Once you know where the money is going, this becomes the basis for the budget.** Budget off of the data and categories. Pay yourself first in the form of saving (10-15% of income). Then mission critical things come second (mortgage, utilities, etc.). You can then budget for the things that are luxury (restaurants, vacation, etc.)

Now with all of this in mind, I don't mean that you should not enjoy your life and the fruits of your hard work along the way. In fact, quite the opposite. By removing waste, knowing where your money goes and living within your means, you become financially efficient. The vast majority of the time, your overall satisfaction and happiness will actually increase!

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1Q2019 | All Ages

Markets Overview

After a high-flying January, stocks continued to rally throughout the month of February, with the Dow, S&P 500, and NASDAQ gaining another +4.03%, 3.21% and 3.44%, respectively; delivering the best January and February returns since 1987. This brought each of the aforementioned indexes into double-digit return territory for the year. International markets weren't quite as strong but the MSCI EAFE still added +2.56% and the MSCI Emerging Markets index mustered a +.23% increase, landing each just above the +9% threshold year-to-date. Bonds were essentially flat, with the Barclays US Aggregate dipping -.06% for the month, landing at +1.0% for the year.

Last month we wrote about our cautious optimism moving forward, as a more accommodative Federal Reserve, hope for trade resolution, and reasonable valuation levels gave us reason to believe that more gains could be on the horizon. While we haven't seen a material change in the economic picture in the last 30 days, data does appear to be softening, and this last leg up has given us a bit more reason for pause in the short-term. Earnings in February were generally strong on a backward-looking basis, but more modest looking forward, and though Indexes are not quite back to their 2018 highs, they have been plowing forward at a pace that is not likely sustainable for the rest of the year. On January 1, very few analysts would have predicted a year of double-digit gains for markets in 2019, and now that we sit at those levels, it's possible that we will shift back into a more volatile cycle of trying to hold onto what we have made for the next few months.

As mentioned above, the primary drivers for markets remain relatively the same, but we are lacking a major catalyst for movement. Until we get more details on trade resolution and another round of quarterly earnings, we expect the risk markets to trend mostly sideways or even down. We need to see if companies are able to execute a "soft landing" into normal growth rates moving forward or if we will in fact see negative growth in some sectors without the support of a tax reform. Until then, we will likely see company-specific news drive broader markets as investors search for clues around the next trend that we will encounter. Additionally, we continue to examine the conflicting messaging delivered by equities and bonds. Many technical equity indicators have turned bullish, while the yields on bonds have remained relatively flat during this strong double-digit equity rally to start the year. This tells us that investors' short-term economic and market outlook is more modest than equities would leave us to believe, or even bearish.

With all of this in mind, we feel that we are well positioned in our portfolios moving forward, as we have maintained a balanced exposure to both growth and value equities, and a focus on higher credit quality and shorter duration in our fixed income allocations. Though we would never suggest market timing as a prudent activity for long-term investors, we do feel that it's appropriate to manage risk through small adjustments over time and a commitment to diversification. We will take a deeper look at our positioning moving forward in our quarterly update next month. In the meantime, please don't hesitate to reach out to your advisors with any questions, or to schedule your next review.

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