CBIZ Retirement Plan Services

RETIREMENT
MATTERS

2ND QUARTER 2018

YOUR RETIREMENT PLANNING NEWSLETTER

Jumbles of Numbers

Without setting your life goals, saving and investing can seem like a bunch of disconnected facts and figures

For many investors, the process of monitoring progress to retirement can seem to swirl around a bunch of numbers: portfolio performance, market index returns and portfolio rebalancing percentages, to name a few.

These are important figures to keep in mind, but they miss a key critical element: how you go about defining and prioritizing your unique life goals, and then tracking your progress toward them. Here are five ways to make sure that the numbers don't sidetrack you from what's really important — living the personally enriching life you have imagined for yourself.

Start with the big picture. The way you view your long-term financial picture generally can be segmented into three goal "buckets:" your needs (think housing, health care), wants (hobbies, travel) and wishes (fishing boat, new outdoor kitchen).

Be specific. What goals are most important to you? To pay down debt? To provide college educations for your children and grandchildren? To take up a new passion? Once you've identified your goals, put a specific price tag on them. Just as with *The Price is Right* TV game show, the closer you get to the actual retail price of your goals, the better. Then, rank them in order of importance. For example, is taking a trip once a year more important than entertaining friends and family every weekend?

Match "must haves" and "nice to haves" to your income. Basic needs take priority: you need housing, food and health care. If your investments, Social Security and other sources of income can cover your basic needs, you can begin to focus on wants and wishes. One of the values that a financial advisor can bring you is to facilitate goals-based planning discussions, and providing tools to help you visualize how your investments and savings can help you achieve those objectives.

Be flexible. Unless you have perfect self-awareness, you probably won't be able to afford all your wants and wishes. It's relatively easy to scale back some of them to achieve greater balance among your goals, assets and future income.

Own your future. Money is simply a tool that, used correctly, will give you the freedom to pursue your goals. The value and satisfaction you derive from your wealth is more a function of how you see yourself living a meaningful life, and having the flexibility to adjust as your life changes.

When planning for the future, it sometimes can be tempting to focus on performance returns and growth in account balances. But numbers can just as easily distract you from the life purpose that your savings and investing enable. By paying greater attention to how you are progressing to your goals, rather than simply the yardstick used to measure them, you reaffirm the eternal wisdom that life comes first, money second.

Five Money Rules to Live By

Evergreen principles for finding financial balance

It's not simply a matter of working harder; it's much more about using your non-financial skills and talents in new ways to bring you prosperity and a greater sense of personal satisfaction. Here are five tips to follow when seeking balance in your finances.

1. Access to money is not evenly distributed. Take the time to understand credit scoring and how it can affect your ability to get lower-cost money — in terms of lower credit card rates, auto financing and more. Credit scores are driven off your payment history. If you pay off your credit cards and other bills on time, you will benefit from a higher credit score. But paying late has a negative effect on your score that could result in your paying more for mortgages and other big-ticket items. Home ownership has long been a way for people to build a nest egg. Even if the tax incentives may not be as compelling as they once were, owning a home is a form of forced savings that can build significantly over time.

2. Think like a business owner. Your greatest asset is your ability to make an income from your unique talents. Thinking like an entrepreneur — even if you have a regular job — is a critical way to survive in the 21st century, when the only certainty is change. At work, do you routinely look for new problems to solve? Are you willing to take on new challenges? As you find opportunities to apply your unique talent and skills, you are reinforcing your value to the organization. Goodwill and flexibility go a long way to creating a career path that you may never have imagined for yourself.

3. Build work and non-work relationships. Your ability to be successful depends on how well you build relationships with others. These are the folks who can refer you to the next great career opportunity, or a volunteer gig that can bring you great personal satisfaction and happiness. Remember, relationship-building is different from networking. Networking is mostly about what you can get from others. Relationship-building is based on what you have to give others. And don't forget mentoring as a positive way to give back to your work and non-work communities.

4. Be positive. "Once you replace negative thoughts with positive ones," said Willie Nelson, "you'll start having positive results." Low self-esteem or lack of confidence are two major reasons why people don't achieve their goals. Being positive is a self-reinforcing feedback loop. If you catch yourself getting discouraged about a financial or personal setback, turn it around.

5. Don't neglect health and happiness! There's nothing more important than your good health. Having lots of possessions is not wealth. The ancient philosophers have long argued that true wealth and happiness stem from an abundance of the spiritual, not the material. Be sure to take time each day for good diet and exercise, and learn to appreciate that your total well-being depends just as much on these two pillars as it does on your financial security.

Test Your Money Smarts

Think you have a good handle on the basics of investing? Take this 10-question quiz to see how you rate on basic investment skills.

1. If you buy a share of company stock,
   a. You own a part of the company.
   b. You have loaned your money to the company.
   c. You become responsible for the company's debts.
   d. The company will return 100% of your investment to you, with a fixed rate of interest.

2. If you buy a company's bond,
   a. You own a part of the company.
   b. You have loaned your money to the company.
   c. You become responsible for the company's debts.
   d. You have a say in how the company is managed.

3. Since 1929, the type of investment that has earned the most money for investors has been
   a. Stocks.
   b. Bonds.
   c. Savings accounts.
   d. Certificates of Deposit (CDs).

4. If you buy the stock of a new company,
   a. You cannot lose money.
   b. You can lose all the money you used to buy the stock.
   c. You can lose only a portion of the money you used to buy the stock.
   d. The FDIC will insure the investment you made in the stock.

5. Kendrick owns a wide variety of stocks, bonds and mutual funds to lessen his risk of losing money. This is called
   a. Saving.
   b. Compounding.
   c. Diversifying.
   d. Shorting.

6. What asset class has, on the whole, produced the best performance results since 1929?
   a. Bonds
   b. Stocks
   c. Gold
   d. Bitcoin

7. Tom was to have $100,000 in savings in 20 years. The sooner he starts to save, the less he'll have to save because
   a. The stock market will be higher in 20 years.
   b. Interest rates will be higher in 20 years.
   c. Interest on his savings will start compounding.
   d. Inflation will reduce the purchasing power of his $100,000 goal.

8. Mutual funds have a number of attractive characteristics for retirement plan investors, EXCEPT (pick one):
   a. They are guaranteed to earn more than bank savings accounts.
   b. They are managed by experts at picking investments.
   c. They offer risk-return potential that reflects the many types of securities they invest in.
   d. They pool money from many different investors.

9. Which all-in-one investment is designed to get more conservative as you approach retirement?
   a. Roth IRA
   b. Fixed annuity
   c. Target-date fund
   d. Money market fund

10. All the following statements are true about international investing EXCEPT (pick one):
   a. There are more companies outside the U.S. than inside the U.S.
   b. International investments are often used to broaden diversification and spread investment risk.
   c. There are particular risks involved with investing internationally, including political risk and currency and liquidity risks.
   d. International stocks always offer more return than U.S. stocks.

Answer key: 1.a; 2.b; 3.a; 4.b; 5.c; 6.b; 7.c; 8.a; 9.c; 10.d.

This quiz was adapted from one developed by the Securities and Exchange Commission. For a deeper explanation of most answers, visit http://www.sec.gov/investor/tools/quiz.htm, and click on the appropriate answers.

TIPS AND RESOURCES THAT EVERYONE CAN USE

New Tax Law Preserves Medical Deduction

For the next 18 months, Americans with high medical bills will be able to continue to write off expenses exceeding 7.5% of their income. To claim the deduction, filers must itemize. However, now that the standard deduction has been increased to $12,000 for individuals, $24,000 for joint filers, it may make sense to simply claim the standard deduction, according to the AARP.[1]

Q&A

Does it still make sense to give to charity?

2017 may be the last year that tens of millions of Americans got a tax break for donating to their favorite charities. That's because the new higher standard deduction of $24,000 per couple ($12,000 single) that President Trump signed into law last December means that only a tiny percentage of taxpayers likely will take itemized deductions, such as those for charitable donations. Still, many donors will continue to give, because the main goal of charitable giving is doing some good.

Quarterly Reminder

Summertime is a great time to get organized

From a tax or portfolio management perspective, the dog days of summer don't have much going on. But it's still a great time to organize your financial records and get ready for the second half of the year. How easy is it for you to put your hands on bank statements, tax receipts, IRAs or estate planning documents? Office supply stores have sturdy file boxes for keeping all your records in one place. Set up file folders to contain all your most important financial papers and records.

Tools & Techniques

Think of buckets, not budgets, when saving for specific goals

The advantage of using buckets for short-, intermediate- and long-term goals is that you can keep clear and specific tabs on the risk-return profile of the types of investments you use to fund them. If you know you'll need a certain amount of money within 12 months to meet a certain goal, you're not likely to invest in stocks within that bucket, because stocks are susceptible to short-term volatility.

[1] Dena Bunis, "How You Can Deduct Your Medical Expenses," aarp.org, January 12, 2018. https://www.aarp.org/money/taxes/info-2018/medical-deductions-irs-fd.html?intcmp=AE-HP-FLXSL-DR-SLIDE1

Not intended as tax advice. Consult your own tax, legal, and accounting advisors before engaging in any transaction.

CBIZ Retirement Plan Services

National Resources Local Presence

Tucson, AZ 520.320.3811

Denver, CO 720.493.8289

Minneapolis, MN 612.436.4615

Charlotte, NC 704.841.7892

Los Angeles, CA 310.268.2703

Atlanta, GA 770.858.4401

Kansas City, MO 816.945.5199

Cleveland, OH 877.323.3867

San Jose, CA 800.847.5347

Cumberland, MD 301.777.1500

St. Louis, MO 314.692.2249

Philadelphia, PA 877.876.3539

6050 Oak Tree Blvd. • Cleveland, OH 44131 • 800.404.6033

Kmotion, Inc., 412 Beavercreek Road, Suite 611, Oregon City, OR 97045; 877-306-5055; www.kmotion.com