REINVENTING
Retirement
YOUR RETIREMENT PLANNING NEWSLETTER
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Keep Your Nest Egg Off the Roller Coaster Ride

Avoiding the emotional roller coaster when saving for your future

When there are big swings in the stock and bond markets, you may experience a range of emotions — sometimes elation, sometimes fear. But emotion should have very little connection to a retirement that may be 15, 20 or 30 years away.

In for the long run

Investing shouldn't be thrilling. In fact, investing should feel relatively boring most of the time. If you have the confidence to maintain a long-term perspective, the fact that stock and bond prices go up and down every day should have little to no impact on your emotions. Consider these two facts:

- Based on 10-year periods, between 1937 and 2011, the U.S. stock market was up 67 out of 74 years.[1] Stock returns, while not guaranteed, also historically have had the best potential to outpace inflation. If your investment horizon is 10 years or more, you have little to be concerned about.
- Bonds, especially those backed by the full faith and credit of the U.S. government, have had a remarkably stable history of paying back principal and interest.

All investors can take steps to remove most of the heart-pounding adrenaline from investing.

1. Seek built-in professional advice

Most retirement plans offer investment options that require very little oversight or ongoing management effort on your part. Employing professional money management, built-in diversification[2] and risk controls, these "do it for me" options include the following:

- **Balanced funds.** By seeking to maintain a roughly equal percentage of investments in stocks and bonds, a balanced fund may be able to provide diversification benefits, which include smoothing of returns.

- **Target-date funds.** In the early years, you'll have more exposure to stocks that have greater reward potential. As you approach and move through your expected retirement date, the allocation automatically shifts to more conservative investments, such as bonds and cash.[3]
- **Lifestage funds.** These funds are designed to align with an investor's specific objective at a given stage of life — growth, growth and income, or capital preservation, for example — and consistently maintain that risk posture over time.[3]

Continued on Page 2

1 Marc Lichtenfeld, "Why Investors Shouldn't Worry About the Next Ten Years," *US News and World Report*, August 22, 2012. **Past performance does not predict future results.** Http://money.usnews.com/money/blogs/the-smarter-mutual-fund-investor/2012/08/22/why-investors-shouldnt-worry-about-the-next-ten-years

2 Diversification does not guarantee a profit or protect against loss. Investors need to carefully consider their ability to invest in a down market.

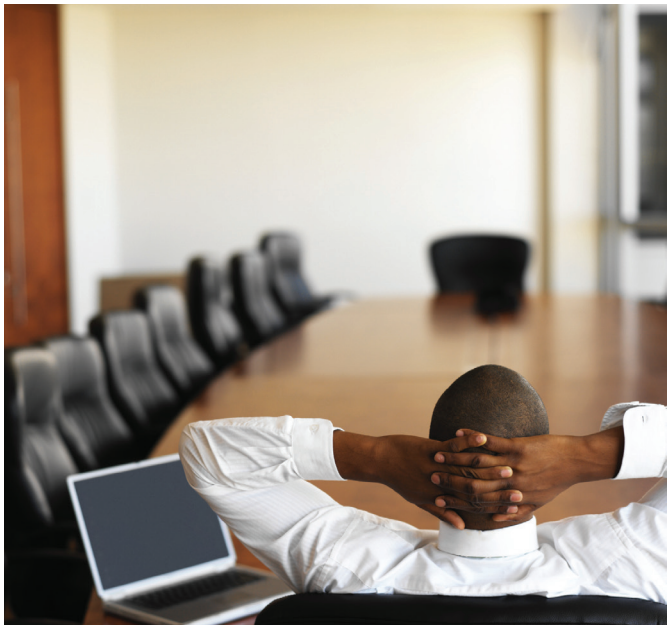
3 Please keep in mind that different investment managers use different investment strategies. Participants should review holdings as they approach the target date to make sure the investments remain consistent with their objectives. The principal value of a target date fund is not guaranteed at any time, including at the target date.

Axia Advisory Corporation
20 East 91st St., Suite 202
Indianapolis, IN 46240
info@AxiaAdvisory.com

Time, Not Timing, Is the **Key** to **Long-term Success**

It's not getting in and out of the market — it's adhering to a sensible investment strategy over time

When the markets undergo stress, some investors worry that their net worth is diminishing permanently. Sometimes, these folks panic, selling at or near a market bottom, and then wait too long to get back in once the market recovers. This becomes a danger during larger-than-typical market declines, when some investors make decisions based more on emotion than logic.



History has shown that financial markets recover after even steep declines; it's just a question of time. A mountain of evidence also shows that no one can predict the future, including the direction of the stock market. There's little use in trying to base your investment plans and decisions on the predictions of others.

Indeed, you can lose more money by trying to time the market. This is mostly because market timing involves two decisions: knowing when to get out, and knowing when to get back in. Getting both decisions right is devilishly difficult, even for professional investors. In addition, selling at the wrong time locks in actual losses, while staying invested only incurs losses on paper — they don't really affect you until you sell.

Be a "Steady Eddy"

Instead of trying to time the market, you should establish a solid, long-term investment plan and stick to it. Contributing to your retirement plan each month imposes a certain discipline that has the potential to make you more money over time.[4] This is because your regular investment buys fewer shares of a fund when prices are high, but more shares when prices are low. The result? A lower average cost per share that can result in more money to spend in retirement.

4 There is no guarantee that dollar-cost averaging will generate a profit or protect against investment losses. Investors need to carefully consider whether they can continue to invest in an extended down market.

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(continued from Page 1)

2. Stay engaged with — and on top of — your plan

It makes sense to revisit your investment strategy at least once a year to make sure your investment selections are in tune with your goals. Pay close attention to your retirement time horizon. If you are more than 10 years away from your expected retirement date, you can put more emphasis in your portfolio on stocks.

Although no investment approach is without risk, following these steps will help you save and invest in a way that may not be as exciting as a Las Vegas roulette table, but that can help put you on the road to a secure retirement.

Adding **Predictable Income** to Your **Retirement**

Income annuities can provide steady income during a market rough patch

When you stop working, you'll likely need to rely on some combination of Social Security, withdrawals from your workplace savings plan and individual retirement account (IRA), and personal savings to generate income to live on. It may make sense to include some percentage of guaranteed retirement income in this mix. Why? Having guaranteed income — such as annuity income — smoothes those years when financial markets become choppy.

What's an annuity?

An annuity is simply a contract between you and an insurance company. In exchange for your premium purchase, the insurer promises to make regular payments back to you, either beginning immediately or at some specified time in the future. Annuities have two phases: an accumulation phase (the period before you start taking payments) and an income phase (beginning when you start taking payments). There are basically two types of annuities:

Fixed annuities – Insurance company takes market risk

In a fixed annuity, your payments are credited with a fixed rate of interest. During the accumulation phase, your money is guaranteed[5] to grow at a fixed interest rate for a specific period of time and compounds tax-deferred until you take withdrawals.[6] A fixed annuity can be immediate (that is, guaranteed payments begin right away) or deferred (guaranteed payments begin in five, 10 or 20 years). You can also choose how long you wish to receive payments from the annuity during the distribution phase, such as for 20 years, for your lifetime, or for your lifetime and your spouse's lifetime.

Variable annuities – You take market risk

With variable annuities, you will earn returns based on the investment options you select, much as you do in your 401(k). Although you fund a variable annuity with after-tax dollars, the growth accumulates tax-deferred until withdrawn, and you can switch among the annuity's investment options without tax considerations.

Annuities should be considered long-term investments, and while they have the potential to offer predictable income in retirement, they are not appropriate for all investors. Here's a simple comparison chart to highlight some of the pros and cons of owning an annuity.

Annuity Pros	Annuity Cons
Offers retirement income payments that you cannot outlive.[5]	Fees and sales charges to pay for the death benefit guarantee and certain other contract features can be significant (see the prospectus for details).
Tax-deferred growth potential means that your money could grow faster than it would in a taxable account.[6, 7]	Withdrawals or earnings made before age 59½ may be subject to ordinary income tax plus a 10% penalty.
Provides protection from market declines — your beneficiaries generally will get back the greater of your account value or the value of your contributions less prior withdrawals.[5]	In a variable annuity, your returns are not guaranteed — just the amounts that you pay in (less withdrawals), or the current account value. And you have to die for your family to get the death benefit.
Offers access to professionally managed investment options and tax-free exchanges between them.	

Annuities can be an important component of your retirement income strategy because they offer predictability. If the idea of taking less income when markets go down is worrisome, or you're losing sleep wondering what will happen to you or your spouse if the market suffers a big downturn, perhaps having a percentage of predictable income in an annuity may be worth considering.

5 All guarantees are subject to the claims-paying ability of the insurance company offering the annuity.

6 Withdrawals made prior to age 59½ are subject to ordinary income taxes and may be subject to a 10% federal tax penalty.

7 Taxable investments held longer than 12 months may qualify for lower capital gains and/or qualified dividend tax rates, which may make the return on the taxable investments more favorable.

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Boomers on the Brink

How much should I save before retiring?

In a recent survey, more than half of workers say they guessed when asked how much in estimated savings they would need for retirement, and very few say they have used a retirement calculator to project their future needs.[8] As a general guideline, some financial planners recommend that you save between 10% and 15% of your income for retirement, starting in your 20s. To do a quick check on where you are relative to your future retirement needs, try this simple calculator: http://money.cnn.com/calculator/retirement/retirement-need/.

Q&A

When does it make sense to consider an IRA rollover?

When you are retiring or changing jobs, it may be a good time to consider consolidating all of your retirement assets into an IRA. Having all of your retirement funds in one place makes them easier to manage. It also simplifies tax reporting when you begin to take income from your retirement nest egg. However, you should be sure that the investment options available to you in an IRA rollover are at least as attractive as your current 401(k) plan, and that investment fees you pay to set up and maintain the IRA are reasonable.

Quarterly Reminder

April 15 is the deadline for funding an HSA

Health savings accounts (HSAs) allow individuals who are covered by high-deductible health plans and who are not enrolled in Medicare to get triple tax savings on money set aside for medical expenses. Contributions are tax-deductible, earnings on the account are tax-free, and withdrawals for qualified medical expenses are also tax-free. Visit the U.S. Treasury's website for more details, http://www.treasury.gov/resource-center/faqs/Taxes/Pages/Health-Savings-Accounts.aspx.

Tools & Techniques

When should I take Social Security payments?

If you need immediate income, delaying is probably not an option. If you don't need the money now, though, waiting a few years may be better, especially if you're still working or under the age of 66. Secondly, if you like guaranteed payouts, delaying Social Security benefits may make sense, because payments are higher the longer you delay taking them. Finally, life expectancy is a factor. Taking payments at 62 may boost your income now, but what if you live until 100? Consult with a financial or tax advisor so that you fully understand the options that are available, and you can make the best choice for you.

Corner on the Market

Basic financial terms to know

Market Correction

A market correction is a negative movement of at least 10% in a stock, bond, commodity price or index, which usually is considered a natural adjustment to overvalued prices. Corrections are generally temporary dislocations in an otherwise up-trending market or asset class. Historically, corrections are shorter duration than a bear market or full-scale recession, but they also can be the first step into an extended down market.

8 "16th Annual Transamerica Retirement Survey: A Compendium of Findings About American Workers," Transamerica Center for Retirement Studies, August 2015; https://www.transamericacenter.org/docs/default-source/resources/center-research/16th-annual/tcrs2015_sr_16th_compendium_of_workers.pdf

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

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