REINVENTING
Retirement

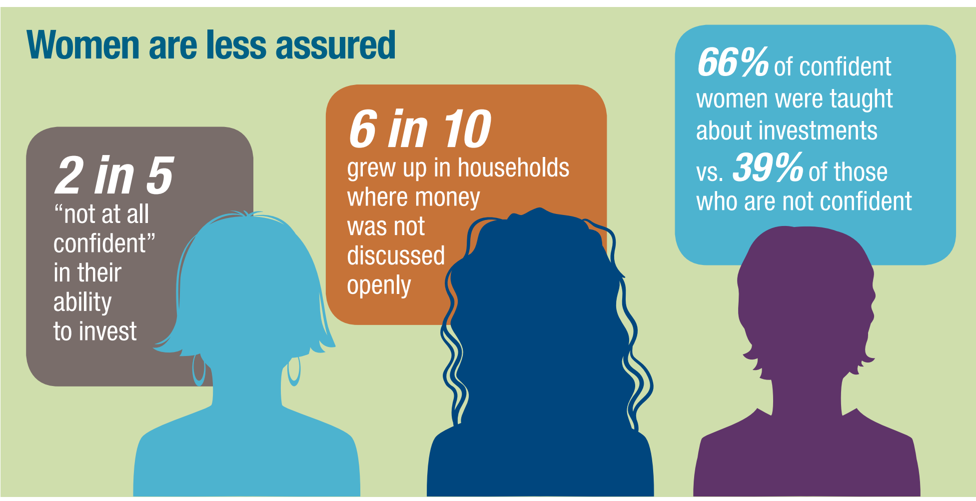
YOUR RETIREMENT PLANNING NEWSLETTER

3rd QUARTER 2015

For Women and Investing, Confidence Is an Ally

Mindset may be more important than the next hot stock when it comes to investing

More women than men are graduating from college today. They make up half the workforce. Many are in charge of paying household bills and college tuitions and shopping for better deals online. So why is it that women are so insecure when it comes to investing?



Source: CNBC.com, February 11, 2015, http://www.cnbc.com/id/102405738

Dismissing the stereotypes

Women are brought up thinking they shouldn't be good at math and analysis, and they extend this thinking to saving for retirement, which requires few special math skills. However, it does require a certain comfort level with taking on risk, something that women learn to avoid at an early age[1]. Stereotypes persist. Most think men are bolder when it comes to investing, but only 1 in 4 women believe men are actually more skilled in investing. Fact is, women tend to do a lot more research than men do before they make a purchasing decision.[2] They talk over ideas with others, which can be a major benefit when making complex decisions about investing.

Confronting risk

Across the industrialized world, women live five to 10 years longer than men[3]; yet they tend to be far more risk averse than their male counterparts. As they age, women tend to get more conservative with their funds sooner than men do, which could create problems down the road. Because they are likely to outlive their spouses and partners, women need to be more financially prepared.

Self-assurance plays an important role in confronting risk: Nearly half of women who are not confident about investing say the stock market is too risky, versus 23% for those who identify themselves as confident.[4]

Not all risk-taking is a good thing, however. Men tend to express more fearlessness than women, which may lead to less effective decisions. A 2000 study at University of California at Davis that compared trading behavior between men and women during the late 1990s tech bubble revealed that men bought and sold investments 45% more frequently than women.

Rapid-fire trading during those years led to poor performance, as men's net returns declined 2.7% versus a 1.7% reduction caused by trading by women.[5]

Continued on Page 2

1 Katty Kay and Claire Shipman, "The Confidence Gap," The Atlantic, May 2014; http://www.theatlantic.com/features/archive/2014/04/the-confidence-gap/359815/

2 Sheyna Steiner, "Investing styles of men versus women," Bankrate.com, June 27, 2012; http://www.bankrate.com/finance/investing/investing-styles-men-versus-women-2.aspx

3 "Why Do Women Live Longer Than Men?" Time.com, August 6, 2008; http://content.time.com/time/health/article/0,8599,1827162,00.html

4 Ibid.

5 "Boys Will Be Boys: Gender, Overconfidence and Common Stock Investment," Quarterly Journal of Economics, 2000; http://gsm.ucdavis.edu/research/boys-will-be-boys-gender-overconfidence-and-common-stock-investment

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

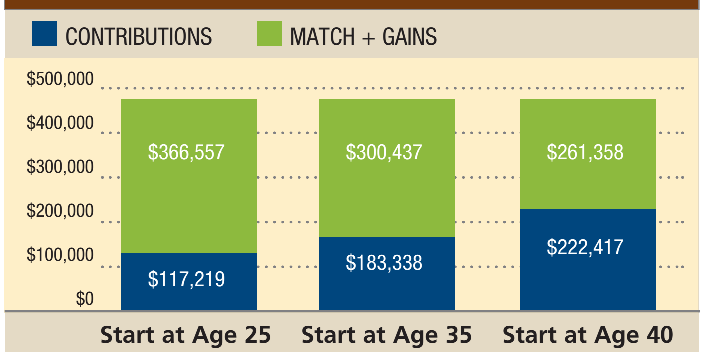
Procrastination Can Cost You

Putting off retirement savings is a missed opportunity

Most people start saving for retirement at 35—fully 10 years beyond the ideal age, according to a recent Financial Engines survey.[6] Reasons to procrastinate are familiar to many. "I have many other financial priorities." "I don't have a clue on how to get started." "There's no way I can find an extra $200 a month to put toward retirement."

But delaying your savings can be costly, as the chart below shows. Let's say Tom starts saving 6% of his $36,000 salary at age 25. With a reasonable rate of return and adding to his contributions each year, Tom could have close to $500,000 by age 65.

Where does the money come from?



Source: Financial Engines. Assumptions: Saver increases contributions by 1.5%, takes advantage of a 3% employer-matching contribution each year until a maximum deferral is reached, and averages a 5% annual return.

Jeanelle waits until 35 and will need to contribute twice as much—12% of her yearly salary—to achieve the same goal as Tom. Ernesto, who waits until 40, has a steeper hurdle: The amount of annual contribution required to build a $500,000 retirement nest egg rises to 16.5%.

Why does the investor have to make higher contributions the longer he or she waits? The simple reason is lost opportunity, in a few forms.

The loss of compounding – When your money earns a return, that return is added to your original investment and earns even more money. That's compounding.

The loss of company-matching contributions – If your company matches your 401(k) or 403(b) contribution, it will add a certain percentage to your contribution each month. This is basically free money for you.

The loss of annual increases in contributions – If you are not increasing your contributions, you lose the potential for investment growth on those higher amounts.

Putting things off is human nature. But it's never too early or late to start to save, and waiting until your late 30s or early 50s doesn't cause irreversible damage to your ability to build a nest egg. It just means you may have to contribute more to your retirement account than you would have if you started earlier.

6 http://blog.financialengines.com/2015/04/14/the-cost-of-financial-procrastination/

For Women and Investing, Confidence Is an Ally

(continued from page 1)

Five tips to gain financial poise

Here are five things you can do to become more assured in your ability to save and invest.

1. **Read up on risk.** All investing involves some form of risk. To get a greater potential return than holding cash in your mattress (which is risky too—it can catch fire, remember), you may have to take some form of risk. There are several ways to control how much risk you are comfortable taking.
2. **Start investing at work**, if you haven't already started. Your 401(k) is an easy place to start. If you have 10 years or more until retirement, you can potentially afford to take more risk in your account than if you only have five years to go. This, of course, depends on your particular situation. But you still may benefit from owning some combination of stocks and bond funds in your account. Take advantage of the financial education that's available through enrollment meetings or on your plan's website.
3. **Join a women's investing club**, and share a growing common interest with other women.
4. **Share financial duties with your spouse.** If you divide up certain responsibilities, such as preparing the annual tax return or researching a better rate on your mortgage, you'll gain insights into your financial life that will help you make the right money decisions.
5. **Seek help.** If you still lack certainty in your ability to manage your investments, you may find value in having an investment professional to talk to.

Getting educated and taking action by learning and doing are the two best ways to take charge of your financial future, and gain the confidence you need to make the most of it. Truly, it's a case of mind over matter.

Good **Financial Habits** Start **Early**

Getting into a regular savings groove starts with a single first step

Working at a job in high school may help form lifelong financial habits with a big payoff. Gretchen, a 40-year-old registered nurse, started babysitting and working at a grocery store when she was 15. She regularly put half of her paycheck in a savings account, along with any birthday or gift money she received from her parents or relatives.

Fast forward 25 years, and you may be surprised to learn that Gretchen's savings paid for nearly half of her undergraduate college education. And the habit of saving at least 20% of her salary—putting half in a retirement savings account and half in the bank—helped her pay off school loans in less than 10 years, and put down a sizeable down payment on a condo.

Best of all, with $250,000 already socked away in her 401(k), Gretchen is confident that she will reach her goal to retire at age 67 if she keeps making contributions and increasing them every time she gets a raise.

Gretchen's five top financial tips

1. **Max out contributions to your 401(k).** "Because this money comes out of your paycheck, you never see it, or miss it. Your 401(k) is probably going to be your biggest source of retirement income," she notes.
2. **Stay invested in stocks.** Comfortable with investment risk and with a 25-plus year time horizon until retirement, Gretchen maintains an 80-20 allocation to stock funds and bond funds in her portfolio and rebalances once each year to make sure her stock or bond exposure doesn't get out of whack. Please note, this may not be good advice for everyone. If and how much you invest in stock and bond funds will depend on how risk adverse you are, your time horizon, goals, etc.
3. **Live within your means.** Owning a modest condo with total annual expenses (mortgage, insurance, utilities and taxes) that add up to less than 28% of her gross annual salary, Gretchen lives under the 30% to 35% threshold that many experts advise.
4. **Watch your "fun" spending.** Gretchen frugally drives a 10-year-old car, has no debt other than her mortgage, pays off credit cards in full each month, and eats out only twice a month. "You'd be surprised at how satisfying it is not to shop just for the sake of shopping," she says.
5. **Build an emergency fund.** Gretchen took 10 years to build $30,000 in an emergency fund. Kept in a low-interest taxable money market account, this money is easy to get to if she needs it, and it's designed to last six months if she becomes incapacitated or can't work.

Retirement in Motion

TIPS AND RESOURCES THAT EVERYONE CAN USE

Boomers on the Brink

Divorced? Update your beneficiary designations

If your marriage is letting go, you need to update and change your beneficiary designations to be sure your legal and financial documents clearly reflect your intentions about where you want your assets transferred after death. This may apply to you if you own multiple bank and brokerage accounts, life insurance policies, retirement accounts (IRA, 401(k) and 403(b)), or annuities. The beneficiary designations you make in these accounts almost always trump whatever your will says, so updating your will alone may not be sufficient.

- Change your beneficiaries by filling out a new form and sending it to the financial institution handling the account.
- Keep an up-to-date inventory of your records so you don't miss an account by accident.
- And if your divorce agreement specifies that you will receive some portion of your spouse's retirement account, be sure that you get a court order called a Qualified Domestic Relations Order (QDRO) that clearly specifies the terms of the settlement.

Q&A

Did you convert an IRA to a Roth IRA in 2010?
You may be able to take a tax-free withdrawal

If you converted to a Roth in 2010, you've reached the end of the five-year waiting period and can tap your Roth without penalty or taxes. But you still need to follow two key IRS rules. First, withdrawals can be tax-free if you have reached age 59½ or have kept funds intact in the Roth for five years. And second, if you are under age 59½, in order for the distribution to qualify as tax-free, the distribution must be for a first-time home purchase or the result of death or disability.

Tax laws are complex and subject to change, so you should consult with a tax advisor before you take any distribution from a qualified retirement account.

Quarterly Reminder

Take steps to prepare for year-end that will reduce taxes

You can reduce your tax bill in April by maximizing your contributions to your qualified plan, or possibly contributing to a traditional IRA if you qualify for deductions. Also, making an extra mortgage payment in December can increase your mortgage interest deduction. And finally, if a Health Savings Account (HSA) is offered at work, sign up. It's like a 401(k) and a checking account that you can use for medical expenses. Contributions typically are deducted from your paycheck before taxes, and you can use the proceeds to pay for the portion of your health care costs not covered by insurance.

Tools & Techniques

Planning for a boomerang kid

According to the Pew Research Center, 36% of all 18- to 31-year-olds were living at home in 2012.[7] If you have a grown-up child returning to the roost, it will help a great deal to set expectations about how he or she will be contributing to the household. Rent, utilities, food, cell phone service and chores are all topics that should be on the table—as well as how long the arrangement will last. In the meantime, if you are a recent empty nester and are tempted to downsize, you may want to think carefully ahead—at least plan for a guest suite with a sleeper sofa.

Corner on the Market

Basic financial terms to know
Bottom fishing

Sometimes stocks become cheap because there's a problem with the company or the economy is out of balance. Investors who buy beaten-down stocks are said to be bottom fishers (or sometimes "deep value" investors). Bottom fishers hope that a stock's price decline is temporary and that company-specific issues or a turnaround in the markets will return it to health and profits. The strategy can be risky because the company's stock price may be low for a reason and may not recover.

7 Richard Fry, "A Rising Share of Young Adults Live in Their Parents' Home," Pew Research Center, August 1, 2013; http://www.pewsocialtrends.org/2013/08/01/a-rising-share-of-young-adults-live-in-their-parents-home/

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