

# Participant Corner

## Millennials – The Time to Start Saving is Now!

### The Month in Brief

Hopes for a quick resolution to the U.S.-China trade dispute faded in May as discussions broke down and rhetoric from both sides turned tough again. The disappointment lingered on Wall Street: the month saw losses for stocks. On Main Street, consumer confidence was strong and inflation tame. Mortgage rates reached year-to-date lows, but the latest data on home sales showed weak spring buying. The price of crude oil fell significantly, and so did the yield on the 10-year Treasury.<sup>1</sup>

% CHANGE	Y-T-D	1-MO Change	2018
DJIA	6.38	-6.69	-5.63
NASDAQ	12.33	-8.07	-3.88
S&P 500	9.78	-6.58	-6.24
REAL YIELD	12/31 RATE	5 YRS AGO	10 YRS AGO
10 YR TIPS	2.14	2.51	2.83

Sources: barchart.com, bigcharts.com, treasury.gov – 2/28/19<sup>1,18,19</sup>  
 Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly.  
 These returns do not include dividends. 10-year TIPS real yield = projected return at maturity given expected inflation.

### Monthly Quote:

“There is no chance, no destiny, no fate, that can hinder or control the firm resolve of a determined soul.”  
 ELLA WHEELER WILCOX

### Monthly Tip:

If your teen or young adult children perform “odd jobs” to make extra cash, they are self-employed, and the money they earn from this work is taxable. Your children may be responsible for paying income taxes on such earnings, possibly through estimated tax payments.

### Monthly Riddle:

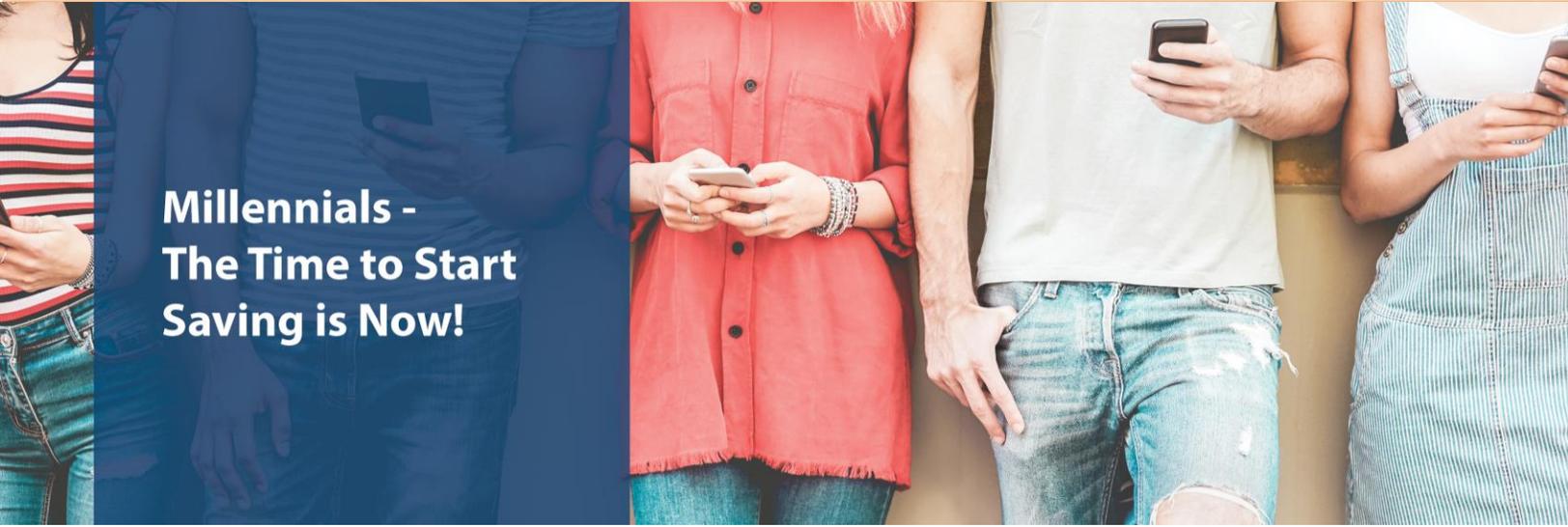
What has several dozen keys, but cannot open one door?

### Last Month’s Riddle:

Small, soft, and cuddly, I’ll pull on your heart. I share only my last name with a real-live animal who might tear you apart. What am I?

### Last Month’s Answer:

A teddy bear



## Millennials - The Time to Start Saving is Now!

Typically, younger people don't make retirement savings a priority. Living expenses, student debt, rent or house payments, and other day-to-day expenses mean that retirement savings take a back seat. In fact, a survey from January 2016 says that 40 percent of millennials don't have a retirement plan in place, and 57 percent haven't started saving. That attitude, however, will make it much more difficult to have a secure retirement later, according to seasoned retirement plan advisors.

The main thing that millennials are sacrificing by not saving now is time. Time allows funds to grow through compounding, and that can turn relatively modest savings into much larger nest eggs. For example, saving \$50 each month in a retirement account earning 6.5 percent annually and compounded monthly would generate retirement savings of \$226,781 over 50 years. A millennial who starts saving the same amount 30 years later, allowing it to only compound for 20 years, would have only \$24,525 at the end of the 20 years.<sup>2</sup> And \$50 each month isn't a huge amount, even for a cash-strapped millennial. Some other retirement savings tips include:

- Take full advantage of employer-sponsored retirement plans, like 401(k) or 403(b) plans. Funds contributed to these tax-advantaged programs grow free of taxes, which means more money stays in the account to generate interest.
- Contribute at least as much as your employer is willing to match. If your employer matches 3 percent of your salary, you should start by contributing that much.
- Otherwise, you're "leaving money on the table." Your employer match instantly increases your contribution, and your money grows faster.
- Don't worry about not being an investment expert. Many retirement plans now offer target-date funds (TDFs). Also known as lifecycle or age-based funds. TDFs automatically adjust your investment assets as you age, so you don't need to balance your funds yourself.

One common objection millennials have about contributing to an employer-based retirement fund is that they may not stay with that employer. Actually, very few people stay with a single employer for their entire careers, and retirement plan funds can be rolled over into a new employer's plan or rolled over into an IRA if you leave your job.

**Disclosures:**

In addition to the options listed here, there may be other options available. You should also consider your other options before rolling over retirement savings. Consider the differences in investment options, services, fees and expenses, withdrawal options, required minimum distributions, other plan features, and tax treatment. This material is not intended to replace the advice of a qualified attorney, tax advisor, investment professional or insurance agent. This is a hypothetical illustration and does not represent an actual investment. There is no guarantee similar results can be achieved. If fees had been reflected, the return would have been less.

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**Citations Economic Section:**

1 - [barchart.com/stocks/indices?viewName=performance](http://barchart.com/stocks/indices?viewName=performance) [5/31/19]

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**Citations Article:**

1. <http://money.usnews.com/money/personal-finance/articles/2016-05-27/who-needs-a-retirement-plan-apparently-not-millennials>
2. <http://www.bankrate.com/calculators/savings/simple-savings-calculator.aspx>

## About Capstone Retirement Group

Capstone Retirement Group is a professional retirement plan consulting firm. We partner with plan fiduciaries to identify and implement the optimal retirement plan for their organization.

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