

Participant Corner

Four Tips for Increasing Your Retirement Dollars

The Month in Brief

Stock prices surged in August as investors cheered positive news of a potential COVID-19 treatment and welcomed a month-long succession of upbeat economic data. The Dow Jones Industrial Average rose 7.57 percent, the Standard & Poor's 500 Index climbed 7.01 percent, and the Nasdaq Composite soared 9.59 percent.¹

% CHANGE	Y-T-D	August 2020
DJIA	0.38%	7.57%
NASDAQ	31.24%	9.59%
S&P 500	8.34%	7.01%
Bond YIELD	Y-T-D	1 YR AGO
10 YR Treasury	-1.23%	0.69%

Sources: Yahoo Finance, August 31, 2020

The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

Monthly Quote:

“You’ve got to get up every morning with determination if you are going to go to bed with satisfaction.”

GEORGE LORIMER

Monthly Tip:

If you have a son or daughter graduating from college next year, remind them to try and build an emergency fund. Those with the least seniority can be the first to be laid off in the workplace, and sometimes that first job after college doesn’t work out.

Monthly Riddle:

Sally promised Kate today that she will tell Kate a big secret on the day before four days from the day after tomorrow. If today is Saturday the 13th, on what day and date will Sally tell Kate her big secret?

Last Month’s Riddle:

How is it possible to name three consecutive days without using the words Monday, Tuesday, Wednesday, Thursday, Friday, Saturday, or Sunday?

Last Month’s Answer:

Yesterday, today, and tomorrow

Four Tips for Increasing Your Retirement Dollars



Four Tips for Increasing Your Retirement Dollars

1. Don't Cash Out Retirement Plans When Changing Employment

When you leave a job, the vested benefits in your retirement plan are an enticing source of money. It may be difficult to resist the urge to take that money as cash, particularly if retirement is many years away. If you do decide to cash out, understand that you will very likely be required to pay federal income taxes, state income taxes, and a 10 percent penalty if under age 59½. This can cut into your investments significantly and negatively impact your retirement savings goals! In California, for example, with an estimated 8 percent state income tax, someone in the 28 percent federal tax bracket would lose 46 percent of the amount withdrawn. When changing jobs, you generally have three options to keep your retirement money invested - you can leave the money in your previous employer's plan, roll it over into an IRA, or transfer the money to your new employer's plan.

2. Take Your Time: Give Your Money More Time to Accumulate

When you give your money more time to accumulate, the earnings on your investments, and the annual compounding of those earnings can make a big difference in your final return. Consider a hypothetical investor named Chris who saved \$2,000 per year for a little over eight years. Continuing to grow at 8 percent for the next 31 years, the value of the account grew to \$279,781. Contrast that example with Pat, who put off saving for retirement for eight years, began to save a little in the ninth and religiously saved \$2,000 per year for the next 31 years. He also earned 8 percent on his savings throughout. What is Pat's account value at the end of 40 years? Pat ended up with the same \$279,781 that Chris had accumulated, but Pat invested \$63,138 to get there and Chris invested only \$16,862!

3. Don't Rely on Other Income Sources, and Don't Count on Social Security

While politicians may talk about Social Security being protected, for anyone 50 or under it's likely that the program will be different from its current form by the time you retire. According to the Social Security Administration, Social Security benefits represent about 34

percent of income for Americans over the age of 65. The remaining income comes predominately from pensions and investments. They also state that by 2035, the number of Americans 65 and older will increase from approximately 48 million today to over 79 million. While the dollars-and-cents result of this growth is hard to determine, it is clear that investing for retirement is a prudent course of action.

4. Consider Hiring a Financial Professional!

Historically, investors with a financial professional have tended to “stay the course”, employing a long- term investment strategy and avoiding overreaction to short-term market fluctuations. A financial professional also can help you determine your risk tolerance and assist you in selecting the investments that suit your financial needs at every stage of your life.

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:

1. The Wall Street Journal, August 31, 2020

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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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