



401(k) Plan Participant Monthly Newsletter

June 2022

MONTHLY WEBINAR: UNDERSTANDING RISK & MARKET VOLATILITY

Having an understanding of asset allocation and investment risk can help investors panic less, especially during times like these where market volatility is high. Though the market fluctuates constantly throughout the year, when the markets are in a seemingly downward trend, most people start to feel panicky and consider making risky decisions with their investment savings out of fear. Understanding how risk and return could potentially affect your account balance is crucial, especially as your retirement timeline shortens. Attend this month's webinar to learn how proper asset allocation can help your savings continue to grow, even during times of market turmoil as well as some costly mistakes to avoid during these volatile times.

UNDERSTANDING BEAR MARKETS

Since 1929, we've seen 25 bear markets (defined as instances of greater than 20% market decline). Below are 12 of the most noteworthy events in these bear market periods, with a closer look at their durations and the bull markets that followed. A bull market is when stock prices rise by 20% after two declines of 20% each.

While short-term uncertainty and market volatility in today's markets will continue, history shows that it is possible to bounce back from even the bleakest of market crises. Riding out the tough times, even though it can be difficult, and staying the course will more often than not lead to more favorable results in the long term.

We suggest coming up with a plan tailored to your personal objectives and financial situation and remaining confident in that strategy, even when things might look scary. If you don't have a plan yet or would like help setting one up, please give us a call.

Market event	Market peak	Bear return	Duration (months)	Next bull market return	Duration (months)
Crash of 1929	Sept.-'29	-86%	32	129%	23
1937 Fed Tightening	Mar.-'37	-60%	61	158%	49
Post-WWII Crash	May-'46	-30%	36	267%	85
Eisenhower Recession	Aug.-'56	-22%	14	39%	13
Flash Crash of 1962	Dec.-'61	-28%	6	76%	39
1966 Financial Crisis	Feb.-'66	-22%	7	48%	25
Tech Crash 1970	Nov.-'68	-36%	17	74%	31
Stagflation	Jan.-'73	-48%	20	62%	32
Volcker Tightening	Nov.-'80	-27%	20	229%	60
1987 Crash	Aug.-'87	-34%	3	417%	113
Tech Bubble	Mar.-'00	-49%	30	101%	60
Global Financial Crisis	Oct.-'07	-57%	17	326%	132
Average		-42%	22	161%	55

Upcoming Seminars

Understanding Risk & Market Volatility

June 2022

Understanding risk can help you invest smarter and panic less during times of higher volatility in the market. Most people have no idea how this volatility can affect their ability to retire. Join us to learn how an understanding of investment risk and asset diversification can help you make smarter and more confident financial decisions.

Roth Versus Pre-Tax Contributions

July 2022

Your retirement plan offers Roth, or after-tax, contributions in addition to traditional pre-tax contribution options. But which one should you use? This webinar focuses on the similarities and differences between each option and goes through some of the decision-making process that should be used to decide.

529 Savings Plans

August 2022

529 Savings plans have become a popular way for people to save for their dependents' future education expenses. Join us to learn more about the different types of plans and advantages to having a savings plan in place.

Saving for Retirement in your 20s and 30s

September 2022

Join us to discuss tips for early savers and learn how establishing your retirement plan early can benefit you in retirement. It's never too soon to start saving for your retirement!

Budgeting & Healthy Habits

October 2022

One of the first steps in financial planning and preparing for retirement is getting a clear picture of your full financial situation. It's a fact of life: most of us take on debt at some point. It may not be possible to avoid, but it is possible to manage. Setting up a budget and having a sound plan in place can not only reduce stress, but can increase your overall wellness. Join us for some budgeting strategies and tips on how to get your budget started so you can feel strong and confident about your ability to retire successfully.

COMMON INVESTMENT TERMS/DEFINITIONS:

Stocks: Stocks are a type of security that gives stockholders a share of ownership in a company

Bond: A bond is a debt security, similar to an IOU. Borrowers issue bonds to raise money from investors willing to lend them money for a certain amount of time. In return, the issuer promises to pay a specified rate of interest during the life of the bond in addition to repaying the principal amount.

Mutual Fund: A mutual fund is a company that pools money from many investors and invests that money into securities such as stocks, bonds and short-term debt. Investors buy shares in mutual funds and each share represents an investor's part ownership in the fund and the income it generates.

Annuity: An annuity is a contract between an individual and an insurance company that requires the insurer to make payments to that individual, either immediately or in the future. You buy an annuity by making either a single payment or series of payments and the annuity payout may come as a lump-sum payment or a series of payments over time.

Money Market Funds: Money market funds are a type of mutual fund that invests in high quality short-term debt. Many investors use money market funds to store cash, or as an alternative to investing in the stock market.

Hedge funds: Hedge funds pool money from investors in securities or other types of investments with the goal of getting positive returns. Hedge funds are not regulated as heavily as mutual funds and generally have more leeway than mutual funds to pursue investments and strategies with increased risk of investment losses.

Glide Path: A glide path is the target date fund's (TDF) formula for calculating the investment mix, based on the number of years to the proposed retirement date.

Certificate of Deposit (CD): A certificate of deposit is a savings account that holds a fixed amount of money for a fixed period of time, and in exchange, the issuing bank pays interest. Certificates of deposit are considered to be one of the safest savings options however the risk with CDs is the risk of inflation growing faster than your money, which can lower the real returns over time.

Broker: A broker is an entity that lets you buy and sell investments.

Dividends: A portion of a company's profits that is paid out to shareholders on a quarterly or annual basis is known as a dividend.

Dollar-Cost Averaging: Dollar-Cost Averaging is an investment technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of share price - thereby reducing the risk of paying too much for an investment because you are investing the same amount of money whether the market is up or down.

Volatility: Volatility occurs when there are big swings in either direction of the stock market or individual stocks. If the stock market rises and falls more than 1% over a period of time, it would be considered a "volatile market".

PAPER STATEMENTS

It isn't too late to set up paper statements for your 401(k) account! The default option by many investment platforms is to send them electronically but you still have the option to receive a paper copy as well. So, if you aren't receiving a statement, but would like one, reach out to us to request help with making sure paper statements are set up for your account!

WHY HIRE AN ADVISOR?

Hiring an advisor is much like delegating other professional tasks to specialists - for example, lawn care or housekeeping. Although you may be able to do the work yourself, you can certainly benefit from a professional's knowledge, experience and attention to detail, and in the process, reallocate the time you used to spend on those tasks to other priorities. Working with an advisor can also make you a more knowledgeable investor as you can start to internalize some of the knowledge that is passed on to you from that professional - comparable to a personal coach helping an elite athlete fine-tune his or her skills and apply discipline in training.

People's emotions are often tied to the market's recent performance, which can lead to reactionary and impulsive behavior choices that you might not otherwise consider. Advisors have more robust knowledge of the ins and outs of past market performance and expectations of what to expect over time. By letting a professional "take the wheel" investors can avoid emotional reactions to market conditions and increase the odds of having a positive investment outcome.

RAISES & BONUSES

When it comes to bonuses, many people are unsure of what they should do with the money. Use it for bills? Use it for things they normally wouldn't buy? Or simply save it?

In our opinion all of these things are good options but strategic planning can give you most bang for your buck.

Whenever you receive a pay raise, this is always a good time to review your retirement plan contribution. A good rule of thumb is to increase your contribution, even if only by a little bit, every time you receive a pay increase. This is a simple way to help you reach your retirement goals without really feeling any financial discomfort. Or, a philosophy that we like to recommend when a bonus payout is received is known as the 1/3 rule.

- Spend a third of your bonus on things that have meaning or things that will improve your life and reward you for going to work and working hard every day. After all, a bonus is a reward your employer is giving you and that shouldn't be forgotten.

- Defer a third of your bonus into a retirement or other tax advantaged account. For example, putting the money into your pretax 401(k) will help to lower your taxable income thereby offsetting that additional income you would otherwise be taxed on.

- Pay down any debt that you have with a third. Whether it be credit cards you're trying to get under control, a student loan that just won't go away, or paying down that car loan, we think that this is tremendously productive in the overall cost scenario of interest paid. It all sounds simple when you read it, but many people don't give it much thought and the next thing you know the money is gone and spent.

If you would like to talk to one of our team members about your personal financial situation and what your best option(s) for any additional bonuses or pay raises might be, please call our office.



Securities offered through Securities America, Inc., member FINRA/SIPC.
Advisory services offered through Securities America Advisors, Inc.
Onward Financial Network and Securities America are separate entities.