



## 401(k) Plan Participant Newsletter

September 2022

### INFLATION

Inflation is the decline of purchasing power of a given currency over time. The rise in the general level of prices, often expressed as a percentage, means that a unit of currency effectively buys less than it did in prior periods.

An increase in the supply of money is the root cause of inflation, though this can play out through different mechanisms in the economy. When we calculate the amount you need to retire, we calculate for inflation into the amount you will need to ensure that you will be adequately funded for your retirement goals.

### THE VALUE OF COMPOUNDING INTEREST

Compound interest is the interest you earn on interest. It is the result of reinvesting interest rather than paying it out, so that interest the next period is then earned on the principal sum plus previously accumulated interest.

This concept can be illustrated by using basic math: if you have \$100 and it earns 5% interest each year, you'll have \$105 at the end of the first year. At the end of the second year, you'll have \$110.25. Not only did you earn \$5 on the initial \$100 deposit, you also earned \$0.25 on the \$5 in interest. While 25 cents may not sound like much at first, it adds up over time. Even if you never add another dime to that account, in 10 years you'll have more than \$162 thanks to the power of compound interest, and in 25 years you'll have almost \$340.

Taking even larger numbers into consideration, a \$10,000 investment, for example, could potentially yield up to **\$2.3 MILLION\*** over a 30 year period due to compounded interest.

The longer your money is invested, the more compounding can potentially grow those assets so the earlier you start saving, the more of an impact compounding will have on your savings.

\*potential for growth depends on funds selection - past performance does not guarantee future results.

### VOLUNTARY AUTO INCREASE

The good news is that the earlier you start saving for retirement, the shorter amount of time you will need to save to hit your savings goal. Most people need to save more - often times a lot more than they expect - in order to build a retirement fund that will meet their needs in retirement. Small automatic increases to your deferral amount over time are a good way to help you to achieve your savings goals.

## Upcoming Seminars

### 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.

### Retirement Readiness/ Distribution Strategies **November 2022**

As you near retirement, financial planning and determining your distribution strategy for your retirement assets is more important than ever. The methodology to plan one's retirement is not a single model, but a combination of a few different models that are checked and double checked against each other. Join us as we talk through some strategies and financial planning items that you should keep in mind as your retirement deadline approaches.

### Financial Wellness **December 2022**

Financial wellness is a state of being in which you can meet current and future financial obligations, feel secure in your financial future and make choices that let you enjoy life. Financial wellness can also improve your mental and physical well-being. Join us to learn more about achieving financial wellness.

## THE IMPORTANCE OF KEEPING YOUR ACCOUNT INFORMATION UP TO DATE

When reviewing your account, take time to review your designated beneficiaries. This is an important step since retirement account assets typically are not governed by your will. Instead, the assets will pass to the beneficiaries named on the account, which is why it is of utmost importance to keep this information up to date. By keeping your beneficiary form up to date, you can ensure that your assets will be distributed as you intended.

Remember to make changes to your beneficiaries after any significant life event, including marriage, divorce, birth of a child, or any other milestones. If you're unsure if your beneficiary information is still current, reach out to the team at Onward Financial Network and we can help you verify who you have chosen and make any necessary updates.

## ASSET ALLOCATION

Asset allocation involves dividing your investments among different assets, such as stocks/bonds/cash. The allocation that works best for you will change throughout your lifetime, depending on how long you have to invest and your ability to tolerate risk.

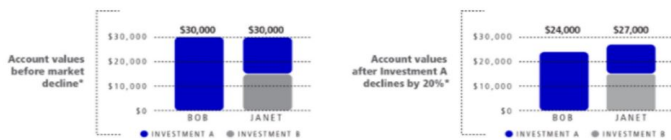
## ALLOCATION & DIVERSIFICATION

Having all of your retirement savings in a single asset class can be extremely risky. Asset allocation can be an important and valuable strategy for your retirement planning, and there are a number of ways to pursue asset allocation and portfolio diversification. Diversification is the practice of spreading your money among different investments in order to reduce your loss potential. This strategy can be summed up as "don't put all of your eggs in one basket."

Historically stocks, bonds and cash have not moved up and down at the same time. Factors that may cause one asset class to perform poorly may improve returns for a different asset class. Investors diversify their portfolio in hopes that if one asset class is losing money, the other asset classes in the portfolio will make up for those losses.

### How diversification works

Imagine two investors, Bob and Janet, each with \$30,000 invested. Bob has put all his money in just one investment. Janet, however, has split her \$30,000 equally between two investments.



Now imagine what happens if Investment A loses some of its value, while Investment B remains stable. Bob, who held only Investment A, sees his portfolio decline by 20% in this case by \$6,000. Janet, however, who was diversified, is less impacted - the investment that dropped by 20% caused in her portfolio to decline by only \$3,000 or 10%. Since Janet spread out her investment, her risk was reduced.



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.

## EMPLOYER MATCHING

Do you know if your employer is matching your retirement contributions? As an incentive to encourage their employees to save for retirement, many employers will match a portion of the funds that the employee contributes to their 401(k) and yours could be one of them. This is a huge opportunity for increased savings towards your retirement and you should make sure to make the most of it by contributing the maximum amount to receive the maximum company match! And, if you are not taking advantage of the company-sponsored 401(k) plan/employer matching contributions, we can assist you with getting started and answering any questions you may have.

## VIP MORNINGSTAR MONITORING PROGRAM

The VIP Morningstar Monitoring program started as a question posed from one of our clients. They wanted to know "how will I know that you have reviewed my portfolio each month?" Our answer was: "by sending you a report with commentary so you can start to see how a wealth management advisor views your account." The history of this program is rooted in the 90's and has grown in magnitude, depth and impact ever since. The VIP Morningstar Monitoring program is designed to help you keep in touch with your money. We monitor your investments and trend your account and provide market commentary to you on a monthly basis. The VIP Morningstar Monitoring Program is unlike any other service from a Wealth Management Advisory firm today and is a true illustration of our tagline of **objectivity/competency/attention to detail**. We use technology to bring you closer to us and our process, so that you have peace of mind that you are simply not a number, but a valued client and friend. And, if followed consistently, this program can help the average participant comprehend the trending of their account and make better management decisions based on a deeper understanding of how their risk and investment choices interact over time. If you are not participating in the VIP Morningstar Monitoring Program but would like more information, please reach out to us.

## WHAT HAPPENS TO YOUR 401(K) ACCOUNT WHEN YOU LEAVE YOUR EMPLOYER?

When you leave your employer and you have an account on their retirement plan, you will have a decision to make. Do you cash out the account, leave it on the plan or move it somewhere else? Depending on how your company's plan is designed, if you have less than \$5,000 in your account, after 45 days, if you do not make a decision, a decision will be made for you. Your money could be "forced off" the plan and you either receive the cash or notification that the funds have been moved to another financial institution that you now have to track down. Plus, if you are under age 59 1/2 and the cash is distributed to you, you will have to pay taxes and an additional 10% early withdrawal penalty assessed by the IRS! If you have more than \$5,000 in your account you have the option to leave the money where it is, but that does not necessarily mean that is the best option. If you have another retirement account, it might be a good idea to combine them to reduce your risk of losing sight of an old account and also to have a more clearer picture of what assets you have saved for retirement. If you have a loan on your account, that loan will be paid off first before any funds are dispersed or rolled over and you will be taxed on it as if it were a cash distribution unless the loan is paid in full.