Ullico Retirement Solutions

PARTICIPANT INSIGHTS

Volume 15, Issue 3 - www.ullico-urs.com - (888) 292-6861 - July 2019

# So Long...but Keep In Touch!

*By Amy Crews, QKA*

In this day and age, it is commonplace to change jobs multiple times in your career. When you do, make sure to roll over your existing retirement assets instead of cashing them out! But while your money is still with your former employer's plan, it is critical to keep your contact information current! This includes valid mailing and email addresses.

It can be easy to treat it like "out of sight, out of mind," but there are many reasons to make sure your former employer can locate you easily.

**Security.** Retirement plans are required to provide certain notices and account updates to terminated participants throughout the year. This includes your quarterly account statements, which contain your account number, balances and transaction history, all of which could be used by someone to gain access to your account. If you fail to update your physical mailing address or email address, your statement and account details may fall into the wrong person's hands.

**Keep track of your money.** For many plans, if the balance for a terminated participant falls below a certain amount, that account can be forced out of the plan. The plan will typically give you 30 days' notice *by mail*, and if you don't respond, your money can be rolled to an IRA in your name, or even cashed out and a check sent to you. No one wants a check or information on a new IRA going to the wrong address!

**Avoid Penalties.** Once you turn 70.5 years old, you will be required to start taking a Required Minimum Distribution (RMD) from your account each year. and pay the related taxes. If you are required to take an RMD, we will reach out to you by mail with instructions on how to complete this distribution. There is a steep penalty for you if the RMD is not taken by the deadline – the IRS charges an excise tax equal to 50% of the distribution amount itself – on top of the actual income taxes owed!

Some plans are set up to allow you to make changes to your contact information online when you are logged into your retirement account. For everyone else, simply contact Human Resources or the Plan Administrator to ensure your records are kept up to date, and you stay informed.

# The "Can I Afford It?" Game

*By Ryanne Tilley, QKA*

Have you ever found yourself in a situation where you really wanted – or even needed – to make a big purchase? Maybe it's a car, or a house, or even a vacation. Determining how much you can afford can be tricky – but YNAB.com suggests a great way to know for sure, *before* you commit!

Let's use housing as an example. Assume you are renting an apartment for $700/month, but you'd like to move to a newer or bigger unit that costs $900/month. You could take the leap, and hope that the money will all work out. OR, you could play the "Can I Afford It?" game. Take three months *before you commit* to the new apartment and higher rent payment, and do the following:

Pay your normal monthly $700 rent, but put the additional $200 you would have needed if you were in the new apartment into a savings account. This money is now OFF LIMITS. You must treat it as if it's already spent. Do this for three months *at a minimum*.

How difficult has it been to make the $900 payment instead of the $700 payment? If it was relatively painless, then go for it!

But if you were struggling, then ask yourself what your real priorities are. Are you willing to sacrifice something else to make it easier—or even possible—to pay the higher rent each month? If not, then you're deciding the new apartment isn't your top priority for those dollars after all. Each dollar can only do one job, so this is a concrete way to *know* if you can actually afford the higher payments or not.

And a big bonus to this approach is that no matter what you decide at the end of it, you have $600 saved up that you can use to either go towards that first/last months' deposit at the new apartment, or put towards something else! Maybe you can pay down a student loan, or even treat yourself to something new for your current apartment so you get a reward either way.

The "Can I Afford It?" game is a lot more reliable than committing to big expenses first, hoping it will sort itself out along the way, only to then find yourself in trouble later.

# Ask URS

*By Debra Moran, QPA, QKA*

## Q: I want to make wise decisions with my investing, but all of those financial terms are like a foreign language to me. Help!

**A:** You are definitely not alone! The financial industry is full of strange terms and jargon. It's always smart to ask questions and make sure you understand what those terms mean. It's key to making wise decisions with your investing and retirement planning! Here's a "summer school" primer of a few key terms:

**Asset Allocation:** The percentage of a portfolio dedicated to each of the three main types of investments: stocks, bonds and cash. The percentages used are strategically chosen to balance risk and reward based on an investor's unique goals.

**Asset Class:** A particular type or category of stocks or bonds. Large Cap stock, for example is the asset class that represents stocks from the largest US companies. Short-term bond is the asset class for bonds with a duration (loan maturity period) of 5 years or less.

**Benchmark:** A standard against which the performance of a security or mutual fund can be measured.

**Bond:** An investment that represents a loan—the borrowing of money by a corporation, government, or other entity. The issuer repays the investor the amount of the loan + interest.

**Diversification**: The practice of investing in multiple asset classes and securities with different risk characteristics to reduce the risk of owning any single investment. Basically, it means "don't put all your eggs in one basket."

**Emerging Markets:** Economies that are in the process of growth and industrialization, such as Africa, Asia, Eastern Europe, the Far East, Latin America, and the Middle East.

**Index:** A hypothetical portfolio of securities representing a particular asset class or market segment. The S&P 500 Index, for example, is the Large Cap index in the US, and represents stocks from 500 of the largest US companies.

**Net Expense Ratio:** What investors are ultimately charged to be invested in a mutual fund. The expense comes out of an investor's account, so a lower net expense ratio means higher returns get passed along to the investor.

**Risk Tolerance:** An investor's ability and willingness to lose some or all of an investment's original value in exchange for the possibility of greater potential returns. Put another way—how big of a market dip can an investor stomach before panicking and making emotional (vs. strategic) changes?

**Security:** A general term used to refer to either a stock or a bond.

**Stock:** Also called an "equity," this is an investment that represents ownership in a corporation. One who owns stock in a specific corporation is a shareholder and partial owner.

**Ticker Symbol:** An abbreviation using letters and numbers to identify specific publicly traded securities.

**Time Horizon:** The amount of time that an investor expects to hold an investment before selling it.

**Volatility:** The amount and frequency of fluctuations in the price of an investment within a specified time period.

Our goal at Acropolis is to simplify the intimidating task of investing by offering globally diversified custom asset allocations, giving you the confidence to invest properly.

Ullico Retirement Solutions was born from a *simple* idea:

***"We believe that organized labor deserves a trusted partner, and labor should provide for the needs of labor."***

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