ICMA-RC
BUILDING PUBLIC SECTOR RETIREMENT SECURITY

RETIREMENT INVESTING SIMPLIFIED

<Date>

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KEY GOALS

- Earn enough to meet your income needs and goals
- Keep pace with inflation
- Don't outlive your money
- Avoid large losses

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KEY RISKS

You outlive your money or have to cut spending due to:

- Too little risk and you lose to inflation
- Too much risk to try to make up for lack of saving
- Steep investment losses soon before or after retirement

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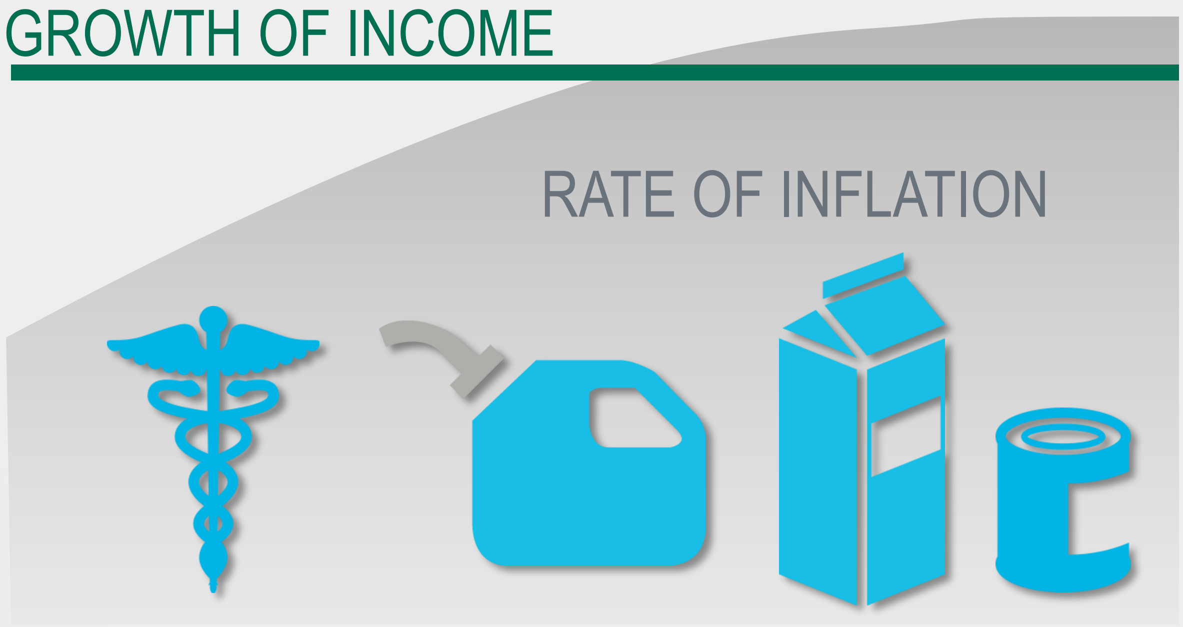
1 DON'T INVEST TOO CONSERVATIVELY

If income doesn't keep up with inflation, you may have to live on less. Health care is a key concern.



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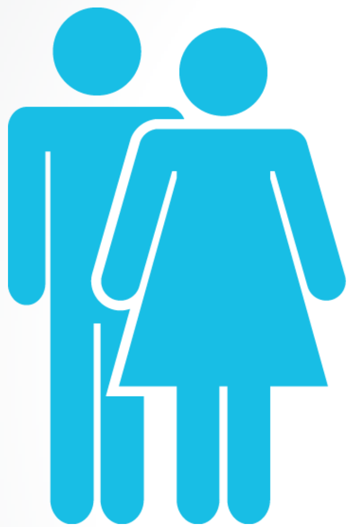
DON'T BE TOO CONSERVATIVE



AGE 65
MARRIED COUPLE*

63% CHANCE

at least one spouse will live **25 years**

36% CHANCE

at least one spouse will live **30 years**

Retirement can last a long time. If leaving assets for loved ones, the time horizon may be much longer!

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* Source: Society of Actuaries, Annuity 2000 Mortality Tables

DON'T BE TOO CONSERVATIVE

- Benefits of diversification – adding stocks ***can*** boost and smooth out returns[1]
- On average, more likely to run out of money with 100% bond portfolio than if you include stocks[2]

[1] "Why Getting Too Conservative as You Age Can Hurt Your Retirement", CBS Moneywatch (3/25/11)
[2] Sources: Vanguard Group (2010), T. Rowe Price (2011), Alliance Bernstein (2013)

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2 DON'T INVEST TOO AGGRESSIVELY

But *too* much in stocks means too much risk

- Losses + withdrawals can be devastating
- Especially key soon before/after retirement
- Bigger ups and downs can be hard to stomach

If markets do well, smaller amounts in stocks should grow your portfolio

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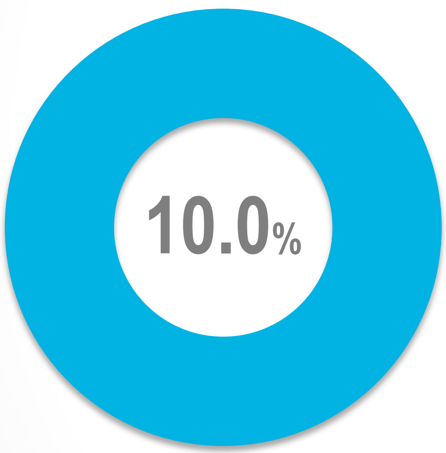
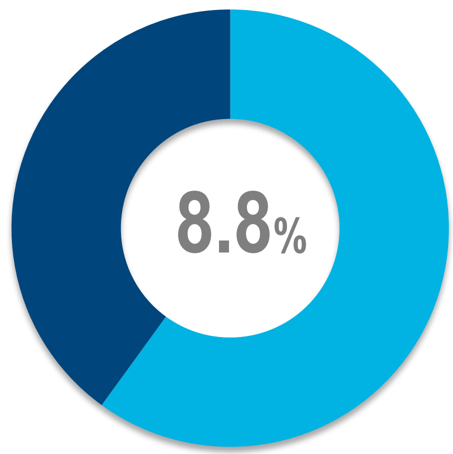
DON'T BE TOO AGGRESSIVE

Too much in stocks can mean extra risk for little extra return

100% US STOCKS



60% US STOCKS
40% TREASURY BONDS



Just slightly lower returns than 100% stock portfolio with half the volatility

For illustrative purposes only. Annual returns, 1926-2015. U.S. Stocks as represented by S&P 500.
Source: Morningstar Direct

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3 CONSIDER YOUR PENSION, SOCIAL SECURITY

Some argue you should:

- Include them in your portfolio mix
- Treat them as a bond
- Shift more money to stocks if your stock allocation is then too low

PENSION, SOCIAL SECURITY AS BONDS?

- ✓ You can take more risk and/or higher withdrawals
- ✘ May lead you to take more risk than you're comfortable with
- ✘ Can't accelerate pension/Social Security payments if needed

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4 BE WARY OF “DON’T TOUCH PRINCIPAL”

Limit withdrawals to interest and dividends?

- May lead you to overinvest in high yielding, riskier investments
- When rates rise, bond investments lose value but you get more so you spend more
- In taxable account is less tax-efficient

Total return is what matters

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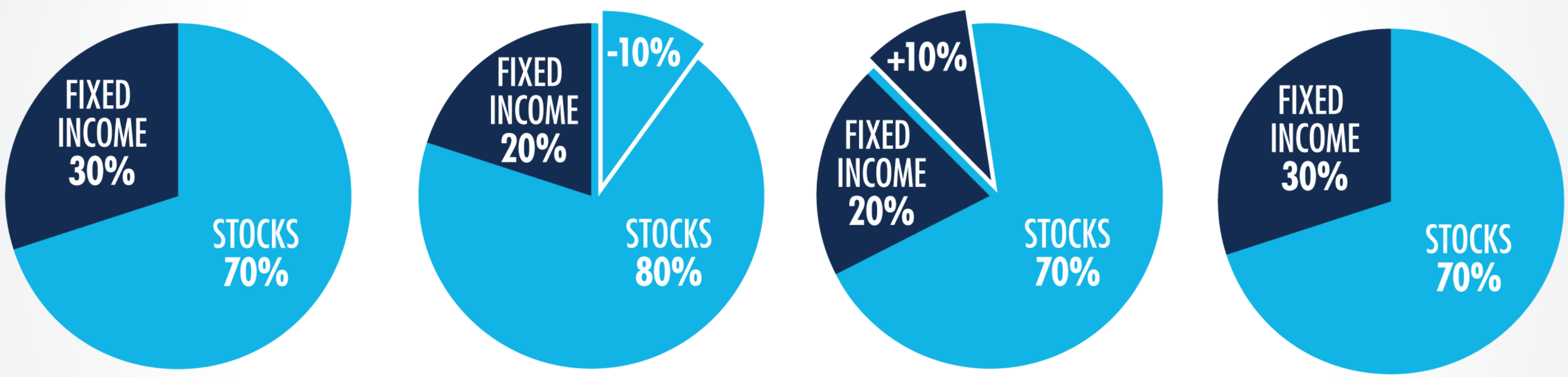
5 MANAGE RISK ONGOING – REBALANCE

Start of Year 1 | **End of Year 1** | **Rebalance – End of Year 1** | **Start of Year 2**



Goal – change investments so the resulting risk level again matches your target and comfort level

For illustrative purposes only

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REBALANCING TAKEAWAYS

- **Main benefit –** disciplined strategy to manage risk, reduce potential losses
- Especially key as you near and enter retirement
- In volatile markets, may boost returns. In other markets and time periods, may lower them.
- Also aim to rebalance different types of stocks and fixed-income investments
- Non-retirement accounts – pay attention to taxes

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REBALANCING – HOW OFTEN?

Assume 50-50% stock/bond mix is your target. How often should you rebalance back to that mix?[1]

- **By time period –** every 1-2 years
- **By percentage threshold –** if stocks or bonds are more than 55%.[2]

[1] For illustrative purposes only
[2] Consider different, smaller thresholds for rebalancing within different types of stocks or bonds.

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REBALANCING – HOW OFTEN?

- ✓ **By time period –** following schedule helps take the emotions away
- ✓ **By threshold –** can adjust quickly to major market movements

- ✘ **By time period –** could be slow to adjust to major market move
- ✘ **By threshold –** have to constantly monitor

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6 SUPPORT YOUR INVESTMENT STRATEGY

1. Funds that auto-rebalance based on their objective
   - Target-date, target-risk, lifetime income, and most balanced funds

2. Annual rebalancing service, if available

3. Review your portfolio yearly
   - With your ICMA-RC representative
   - Update your ICMA-RC financial plan

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TAKEAWAYS

- Set a goal for your investments and follow it
- Aim for balance between too little or too much risk
- Pay attention to investment risk – rebalance
- Periodically review your portfolio – say yearly
- Coordinate investment and withdrawal strategies

Coordinate your investments with your overall financial plan. Consult your ICMA-RC CERTIFIED FINANCIAL PLANNER™

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QUESTIONS

Learn more about investing for and during retirement

www.icmarc.org/invest