



FOUR FINANCIAL
MANAGEMENT

THE RETIREMENT TUNE-UP

A MULTI-POINT INSPECTION FOR
YOUR RETIREMENT ACCOUNTS



FINANCIAL MAINTENANCE MANUAL

We all know that retirement savings are important, but too often these accounts get ignored with little attention paid to them. Employer-sponsored retirement plans and IRAs are critical components of our futures, and if you want to be proactive and properly tend to your financial future, here are five actions you can take on an annual basis to properly maintain your retirement accounts.





1.

VERIFY BENEFICIARIES

Life is beautiful and there are many loved ones who help make it so. It's hard to think about to whom you wish to leave your assets, and easy to forget about updating that list in a timely fashion. However, it's important to remember those who make your life enjoyable and maintain your beneficiaries list. Take time each year to think if your account beneficiaries are exactly how you want them. Here's a list of common life events that could prompt a change. Remember, these events might apply to you or your beneficiaries:



1. VERIFY BENEFICIARIES

There are two ways an inherited account can be distributed if a beneficiary passes away before the account holder:

PER CAPITA

A deceased beneficiary's share of the inheritance will be dispersed to the remaining surviving beneficiaries. e.g. if the account owner had three children listed, but one pre-deceased the owner, then their inheritance would be dispersed amongst the remaining siblings.

PER STIRPES

A deceased beneficiary's share of the inheritance will be dispersed to that beneficiary's heirs. In our example above, the deceased beneficiary's share of the account would go to their estate (and in turn their spouse or children), not necessarily their siblings.

Many people prefer a Per Stirpes arrangement, but you might be surprised to learn that the default option for many employer-sponsored retirement plans is actually Per Capita. In fact, many investment firms don't even offer Per Stirpes or Per Capita as a choice on their beneficiary forms. It is wise to check with your investment firm to see which is the default option.



PRO TIP

If you decide to name your trust as the primary or contingent beneficiary of your retirement account, be sure to ask whether your investment firm allows the inheritance to "pass through" the trust to the trust beneficiaries. Otherwise, there may be unintended tax consequences.



2.

BOOST YOUR CONTRIBUTIONS

As we get older, our willingness to spend more on luxuries increases. Better groceries, nicer vacations, more hobbies - as you shift your lifestyle, your spending tends to increase as well. This is, by and large, fine. Lifestyle inflation is a perfectly normal progression in the cycle of one's financial life. However, lifestyle inflation should be applied to your savings as well.

As part of your yearly tune up, you should strongly consider increasing the retirement plan savings withheld from your paycheck. If you want to sustain your escalating lifestyle, you need to make sure your retirement savings keep up. Even small increases - say from 5% to 5.1% or 5.25% - make a difference and will add up in the long run. This goes for your IRA contributions as well. If you are not contributing the maximum each year, try to get as close to it as possible. The key is to get in the habit of always pushing your savings upward.



PRO TIP

Many employer plans offer supplemental savings options such as Roth 401ks and even after-tax savings. Combine tax planning with your salary deferral to make optimal decisions.



3.

ASSESS PERFORMANCE

At the end of the day, results matter. Checking your annual performance is the most basic step in diagnosing potential problems in your portfolio. The key here is to ensure that you're comparing apples to apples, so to speak. If you're invested mostly in bonds, you likely won't match up closely to a stock index. For a portfolio that is largely comprised of international securities, a U.S.-centric benchmark won't serve as an apt comparison.

If you don't have access to a blended benchmark that is applicable to your portfolio, you may have to incorporate some math and makeshift estimations. Just be cognizant of these relevant factors when interpreting your performance metrics.



PRO TIP

With the right tools, you can evaluate advanced metrics to gain deeper insight into your portfolio and individual securities. Beta, risk-adjusted return, peer-compared return, upside/downside capture, and other data points provide useful context for overall performance.



4.

READJUST YOUR ALLOCATIONS

Diversification of asset classes helps to improve long-term investment performance and reduce risk and volatility. As you review your portfolio performance, you probably notice that some investments grow at a greater rate than others. Over time, the overall makeup of a portfolio can change significantly, leaving you with an allocation very different from what you started with. Maybe your desired allocation is 60% stocks / 40% bonds, but after a prolonged down period in the stock market, your portfolio has become 50% stocks / 50% bonds. Your retirement account may no longer be aligned with your goals and expectations. Now, if the stock market were to recover, you'd participate in that recovery with only 50% of your investments while expecting to participate with more!

Re-aligning your investment percentages to your preferred levels is known as rebalancing. Studies have shown that doing this at least once per year improves portfolio performance in the long term. Many plan sponsors will allow you to automate the rebalancing process (at no cost), but it is still a good idea to periodically check that everything is in order.

4. READJUST YOUR ALLOCATIONS

You should be aware of your risk tolerance – the severity of ups and downs you can stomach in the pursuit of returns. This measure is usually derived from some combination of personal disposition and prescribed corresponding return, say from retirement planning.

Risk tolerance is not a static condition, though. It can change over time based on life progression, market conditions, financial goals, or a host of other factors. Do you have reasons to shift to a more conservative or aggressive portfolio? Take the time to consider whether your retirement account is positioned in line with your current risk tolerance. Another step to consider is to take a deeper look into specific asset classes and determine whether they warrant greater or lesser exposure.



PRO TIP

Want more invested in technology? Think you need to protect against rising interest rates? The world is constantly evolving, so don't be afraid to be proactive and apply your research and intuition to your portfolio.





5.

HAVE A PLAN

“Fear and greed drive the market” is an old adage, familiar to most investors. It’s a bit of a misnomer, though, as it’s more individual behaviors than the market as a whole being driven by these sentiments. But the point stands – powerful impulses can influence investor decision making, and these impulses usually strengthen at market extremes, as the pressure of the situation mounts. The way for you to combat high pressure, high fervor, and high stakes market environments is the same way other successful people thrive – through diligent planning and preparation.

When you’re comfortable and the market is in between extremes, your head is clear and there’s no pressure to make a decision. This is the time to consider what you want to do if the markets or your investments move a certain way. Think through what you can tolerate, what it really means to make a change to a more conservative/aggressive stance, and what your ultimate priorities are for the account. Know where you will turn and who you will listen to for information and research. And when the time comes, execute with confidence.

5. HAVE A PLAN

In times of stress, you can take comfort in the retirement planning you've done and know that your plan has suboptimal markets factored in. You can shake off the fear of missing out, and remember that your number one priority isn't maximum return for a short period of time, but rather a successful retirement in the long run. But most importantly, you have planned to be in this situation and have already decided what to do.



PRO TIP

Remember, it's easy to sign up for an employer-sponsored plan and just let the market take you where it may, but it's not a great plan. With this annual five-point inspection, you can perform needed maintenance to your accounts and finally feel in control of your financial future!



RETIREMENT TUNE UP CHECKLIST

1.

BENEFICIARIES

Reassess and update your beneficiary list yearly to make sure you have it the way you want.

2.

CONTRIBUTIONS

Make small increases to the amount you are contributing to your retirement savings.

3.

PERFORMANCE

Check your growth against similar metrics to make sure you are aligned.

4.

ALLOCATIONS

Rebalance your allocations to ensure your desired risk and goals are being met.

5.

PLAN

Decide, ahead of time, what you will do if the market shifts. Then proceed confidently.

Thanks for checking out our Retirement Tune Up Guide. We hope it provided insight on how to start taking control of your retirement savings.



As a thank you for downloading and reading this guide, we would like to invite you to receive your **Four Financial Management MasterPlan**. Our MasterPlan is a deep dive into your investments and retirement outlook. We will give you an unbiased look at these issues and answer any questions you may have about managing your wealth. Simply [click here](#) to schedule your MasterPlan consultation.