



Communication Corner Newsletter - March 2014

Be Aware When You Compare

It's tempting to ask your colleagues how much their retirement account is up for the year or what they are doing to get such a high return, but before you ask the question and then heed their advice, make sure you know what you are really comparing.

Risk Tolerance

Our belief is that one of the first things you should do when investing for your retirement is to assess the level of risk that you are comfortable taking with your account. To assess your level of risk, ask yourself how uncomfortable would you be if your account was down 5% one quarter? Would you immediately panic and sell your account or do understand that potential short term decline is part of investing? If you answered that you would panic, then your risk tolerance is probably lower than someone who is comfortable with market fluctuations. You need to be mindful of the concept of risk tolerance when asking your neighbor how he or she has their account allocated. If you are a conservative investor and your coworker is an aggressive investor, your account allocations should be different and your results may not be the same.

Time Horizon

The appropriateness of an investment strategy can be greatly impacted by the numbers of years you have until you intend to use the money. You may be taking advice from someone in your same age bracket, but you should not assume just because you have the same amount of gray hair that you have the same distribution strategy for your money. It is important to take into account all of the retirement and savings accounts that you have to access for retirement income when planning your investment strategy for each. For instance, your coworker may be intending to withdrawal from his IRA first while saving his 401(k) balance for later use, while you will need to draw from your 401(k) immediately; this difference in distribution strategy can have a significant impact on asset allocation.

Benchmark

You wouldn't compare a compact car's performance to that of a race car; just as you should not compare a bond to the S&P 500 Index. To clarify, just because you hear that "the market" is up 20%, you shouldn't assume that the way that you have your assets allocated is intended to directly correlate with the general stock market. Utilize the information provided to you on your 401(k) vendor's website to make sure that you are correctly assessing your holdings to their appropriate benchmark and not to a number you hear on the news.

Want to Assistance Deciding What Strategy is Most Appropriate for You?

As the Financial Advisors who help represent the participants in your company's retirement plan, we're here to help start or enhance your road to retirement! If you'd like to learn more about how Grinkmeyer & Leonard Wealth Management can help you, contact us today or visit us online at www.retirementplanready.com.



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