QUARTERLY INSIGHTS

First Quarter - 2016

The first quarter of this year provided market observers with a demonstration of market volatility. Through February 11th, the S&P 500 was down 9.12%. In the following six weeks the average S&P 500 stock increased 15.3% to finish the quarter in positive territory. All capitalization categories experienced gains in the first quarter with the large cap S&P 500 up 1.35%, the mid cap S&P 400 up 3.78%, and the small cap S&P 600 up 2.66%.

This quarter we would like to focus our attention on six of the most common mistakes we see retirement savers make. These mistakes could cause a participant to potentially lose thousands of dollars in either missed earnings, contributions, or government fines.

1. **Not maximizing the employer match –** The matching contribution provided by your employer is meant to provide you with an incentive to save for retirement and should be looked at as an important portion of your overall compensation and benefit package. At a minimum, a participant should be contributing a percentage of his/her compensation that maximizes the employer match or they are leaving free money on the table.
2. **Leaving contribution rate at auto enroll level –** As we discussed in our fourth quarter 2015 newsletter, participants should be reviewing their contribution percentage on an annual basis or whenever a pay raise is received. An occasional 1% increase of your deferral percentage will result in significant long term improvements in your income available at retirement age.
3. **Taking money out before retirement –** After leaving an employer, it can be very tempting to take a cash distribution from your previous employer's 401k plan. Participants should always earmark their 401k balance as retirement assets and not a rainy day fund. An early withdrawal results in a participant paying an extra 10% early distribution penalty on top of their regular federal income tax rates.
4. **Reacting emotionally to market changes –** As we saw this quarter, the market can experience big swings up or down in a short period of time. Participants who make investment changes based on short term market performance generally end up hurting themselves in the long run because they are most likely to sell low and buy high. Picking an allocation that matches your comfort level for assuming risk and sticking with it over a long period of time is the best long term saving approach.
5. **Not rebalancing portfolio periodically –** Once you have selected your ideal allocation, it is important to rebalance your investments back to the original allocation percentage on an annual or periodic basis. Rebalancing is a great tool to help ensure that you sell high and buy low and studies have shown that it can reduce your risk and increase returns over time.
6. **Not calculating how much income you will need in retirement –** Once you know how much income you will need, it is then possible to determine what retirement savings goals you need to set and determine whether saving habits need to be changed. It is important to take into account all aspects of retirement income such as social security, defined benefit pensions, and assets in individual and employer sponsored retirement plans.

If you have any questions about your retirement goals, investment choices, deferral percentages, or any other 401(k) plan item, please contact BenefitWorks at (717) 273-8441 or 1(800) 931-3144.