QUARTERLY INSIGHTS

Second Quarter - 2017

The stock market continued to perform well in the second quarter, especially international and emerging markets. The U.S. economy continued to expand at a slow, steady pace and the unemployment rate is expected to drop to 4.3% by year end. As a result, the Fed raised the federal funds rate by .25% in June.

The S&P 500 Index (large cap stocks) gained 3.1% last quarter which was the seventh consecutive quarterly gain. The Russell 2000 Index (small-cap stocks) lagged large-cap stocks with a 2.5% increase. The S&P 500 Index has increased 9.3% through the first half of the year compared to the Russell 2000 Index return of 5.0%.

Looking at fixed income, the expectation of the Fed's rate increase had little effect on market prices. All segments of fixed income delivered respectable returns with investment grade U.S. bonds leading all segments by gaining 1.4% this quarter.

A major topic of interest to investors in IRAs and 401k plan is distributions. All 401k plans have a defined retirement age, typically 62 or 65. When a participant reaches that age and meets a minimum number of years of service, he/she is considered to be fully vested. He/she may retire and start taking withdrawals from his or her account. Another age that triggers a possible distribution is 59 1/2. At this stated age, an active participant may elect to take partial distributions from his or her account or rollover a portion of their account into an IRA while still working for the employer sponsoring the plan. Plan specifications may permit this type of distribution known as an in-service distribution.

Distributions to a retired employee can be in the form of an annuity payment. With this type of payout, monthly payments are made during an annuitant's lifetime and are usually guaranteed to a survivor for a specified number of years. Insurance companies provide these contracts and the monthly payment is dependent on the life expectancy of the retiree, the account balance, the credited interest rate and the duration of the survivor payments.

The form in which a retired employee takes distributions from a qualified account is a personal choice and depends upon several factors. Some of those factors are living expenses, income needs, other income sources, health of the participant and his/her beneficiaries.

If a participant's contributions were made with pre-tax dollars, distributions are taxed when received. If contributions were made with after-tax (Roth) dollars, that portion of distributions attributable to those dollars and the earnings in the account are received tax free assuming the distribution occurs five years after the first Roth contribution.

Qualified retirement plan or IRA distributions must be made on or before the required beginning date of April 1 of the calendar year following the later of: (1) the calendar year in which the employee attains age 70 1/2; or (2) the calendar year in which the employee retires. In the case of an IRA or a 5% owner, number (1) method applies. When the required beginning date is reached, the required minimum distribution (RMD) must begin. The RMD is calculated by dividing the prior year-end account balance by the life expectancy factor which is taken from an IRS table.

When reaching retirement age, an investor has many important decisions to make about their retirement investments. The advisors at BenefitWorks would be happy to discuss your options with you. Please give us a call at (717) 273-8441 to set up an appointment.