



In everyone's best interest

EMPLOYEE BENEFIT CONSULTANTS | RETIREMENT PLAN ADMINISTRATORS | REGISTERED INVESTMENT ADVISORS

QUARTERLY INSIGHTS

Fourth Quarter - 2017

Investors for the past eight years have had few, if any, complaints and 2017 was no exception. The S&P 500 realized a 21.8% annual return and a return of 6.6% for the fourth quarter. However, large capitalized stocks were outperformed by the return of international equities for the first time since 2012.

The Russell 2000 Index which reflects the performance of small U.S. companies had a 3.3% return for the quarter and a 14.7% annual return.

In looking at the market's record ascent, it has been surprisingly smooth, with low volatility. In 2017 the S&P 500 did not have a single day when it moved more than 2% in either direction. Moreover, 2017 marked the first year the S&P 500 recorded a positive total return in each calendar month.

For the balance of this newsletter, let's turn our attention to dollar cost averaging.

A simple definition of dollar cost averaging is the buying of shares of individual stocks or mutual

funds at fluctuating prices. Over time you pay an average price for all shares. This buying method reduces volatility during years when saving for retirement, since one is buying into the market when prices are rising and falling.

Consider your buying method with your company's 401(k) plan. Every pay period the company you work for contributes both your elective contribution and any company matching contribution to your designated investment choices. As you well know, the market fluctuates on a daily basis. Furthermore, all of us would like to buy when prices are low and sell when prices are high, in other words, at the "right time".

However, the "right time" is unknown. Trying to "time the market" just doesn't work. There is no certain way to know when both the high and low will occur. With your 401(k) plan, the frequent investing of your retirement contributions makes dollar cost averaging work to your advantage.

Consider the following chart:

Month	Contribution	Share Price	Shares Purchased	Shares Owned	Avg Cost Per Share	Account Value
April	\$125.00	\$20.75	6.024	6.024	20.75	\$125.00
May	\$125.00	\$21.60	5.787	11.811	21.17	\$255.12
June	\$125.00	\$19.82	6.307	18.118	20.70	\$359.10
July	\$125.00	\$20.50	6.098	24.216	20.65	\$496.43
Aug	\$125.00	\$20.85	5.995	30.211	20.69	\$629.90
Sept	\$125.00	\$21.50	5.814	36.025	20.82	\$774.54

This chart demonstrates the importance of continuing to invest during times when the market is going up and down. Note that when the share price went down, the \$125 contribution bought more shares, bringing down the average cost per share of your investment. Dollar cost averaging works well because although stock prices fluctuate from day to day, they historically have gradually increased over longer periods of time. Remember – you're a long-term investor!

If you have any questions about your current contribution percentage, allocation, or existing investment choices please contact an investment advisor at BenefitWorks

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