GET YOUR RETIREMENT BACK ON COURSE

More Choice, More Flexibility and Investment Advice on Your 401(k), 403(b) and 457
NOW YOU’RE IN CHARGE

The Plight of the Individual Investor

It has long been known that individual investors do not typically fare well in their efforts at do-it-yourself investing. This notion has been validated by numerous studies, including one by Dalbar, Inc., which revealed the staggering margin by which the average individual investor trails the returns of the broader market.

As the chart shows, the study revealed the S&P 500* returned 9.22% while equity investor’s return over that same period was a paltry 5.02%, a difference of 4.20% annually.

The average fixed income investor fared no better over the same period, achieving 0.71% annual while the Barclays Aggregate Bond Index* averaged 5.74%, a difference of 5.03% annually.

Why is the individual investor so inept at capturing the returns of the market? In a word: Emotions.

Emotion drives investors to buy the latest hot investment near its peak and sell the investment after riding it to the bottom on its inevitable slide downward. The “buy high, sell low” scenario is unfortunately not just an anecdote, but is very real for many individual investors.

The end result is simple. Buying on greed and selling on fear might satisfy short term emotional needs, but the lack of discipline may compromise long-term objectives.

Are You a Prudent Saver?

Do you have the time, training and temperament to make good decisions? The vast majority of participants in a company retirement plan do not pay the needed amount of attention to their initial investment selection. Moreover, statistics show plan participants rarely revisit their choices over time as their objectives change and markets evolve.

7 WAYS TO MESS UP YOUR 401(k)**

1. Don’t sign up
2. Don’t get the full company match
3. Take too much risk
4. Take too little risk
5. Follow the crowd
6. Take out loans
7. Cash it out

WOULD YOUR ADVISOR LET YOU MAKE THESE MISTAKES?

Dalbar Study Annualized Returns 1995-2014†
The Self-Directed Brokerage Account (SDBA)

Over the past few years many employers have enhanced their retirement plans to include a brokerage window opportunity so that plan participants have more choice and greater flexibility with their retirement investments. This option, known as the Self Directed Brokerage Account (SDBA), exists in 401(k), 403(b) and 457 plans where participants will have access to professional management, stocks, bonds, mutual funds, and ETFs.

How it Works

Plans that offer the SDBA option provide the opportunity for employees to take full control of a portion of their current retirement account by linking it to the existing Core account. In doing so, participants expand the range of investment choices beyond the Core investments and will have access to the same management style as High Net worth Investors, Institutions and Foundations.

The Core account refers to the retirement account through the employer that offers limited, pre-selected investment choices. The SDBA is very similar to traditional brokerage accounts which exists as an eligible option on retirement plans. Employers that offer the SDBA option allow the employees to transfer a portion of their investments from the Core account to SDBA. Through this account employees have access to investment choices such as mutual funds, stocks, bonds and access to professional investment advice through a Registered Investment Advisor.

SDBAs are currently the most underutilized investment options in 401(k), 403(b) and 457 accounts. However, this option should be used by investors who feel comfortable managing their own risk or are working with a professional Investment Advisor.

The SDBA or a “brokerage window” is a choice on eligible plans that offers investment choices such as mutual funds, stocks, bonds, and access to fiduciary investment advice through a registered investment advisor.
Recent studies emphasize the importance of client-advisor conversations. These reports prove that advisors can add 3% to clients' net returns\(^1\) and retirement savers who sought investing advice enjoyed a median annual return almost 3% higher than those who didn’t – even after the fees they paid for that advice\(^2\).

Financial advisors are not “one-size-fits-all.” They range from retirement plan specialists to broad based benefit advisors. Be sure to take the time to select the one that is right for you. Your retirement is a big investment – make sure you are getting the most out of it.

Don’t let Wall Street determine *your* future. Take back control of your retirement.

**WITH ADVICE**

**ADVISORS CAN ADD VALUE:**
- As effective behavioral coaches (up to 1.5%)
- Applying asset allocation strategy (up to 0.75%)
- Employing cost effective investments (up to 0.45%)
- Managing allocations and rebalancing (up to 0.35%)
- Managing a spending strategy (up to 0.70%)

**WITHOUT ADVICE**

Portfolios of people who didn’t get help suffered from\(^2\):
- Inappropriate risk levels
- Market timing mistakes
- Misunderstanding risks and market volatility

**Sources:**
- The study of 14 large retirement plans with more than 725,000 individual participants and over $5 billion in assets, by Aon Hewitt, a consulting firm, and Financial Engines, an investment advisory firm, between 2006–2012.