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U P D A T E

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Growing Your 401(k) Plan

Your 401(k) plan's ultimate size is primarily a function of two factors — how much you contribute and how much you earn on those contributions. Of course, you know you should contribute the maximum amount possible ($18,500 in 2018 plus a $6,000 catch-up contribution for individuals over age 50, if permitted by the plan). But what steps should you take to maximize your returns? Consider these tips:

✔ **Take advantage of employer-matching contributions.** Contribute at least enough to take full advantage of any matching contributions. A 50% match on your contributions is the equivalent of earning 50% on your money in the first year. If you plan to contribute the maximum and your employer matches contributions, have the $18,500 taken out of your pay uniformly throughout the year. Most employers match contributions as they are made, so you could forgo some matching if you reach the limit before year-end.

✔ **Select your investment alternatives carefully.** Since you are responsible for investment decisions, understand any alternatives and review all available information before making choices. Keep in mind the long-term nature of your retirement goal and select investments for that time period. For most participants, that will mean that a significant portion of their portfolio

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Before Taking Money from Your IRA

You've done all the right things to prepare for your retirement. You've systematically made contributions to your IRA and have a good nest egg built to support your future. Beginning at age 59½, you can take distributions without penalties; and if you saved using a Roth account, you can withdraw principal at any time. But before you withdraw money, you should ask these important questions:

Am I retired? The purpose of your IRA is to provide you with an income stream during retirement. If you are taking money out for any other purpose, you need to think long and hard before dipping in.

Are there other income sources? The more money you have in your retirement account, the more potential you have to generate growth, so you should try to find other sources if you need money. Your IRA should always be the last resort.

Do I really need the money? Once distributions can be taken without a penalty, some people think it's open season to start withdrawing money. While you've worked hard to save that money, just remember to think about the consequences. Any withdrawals you take before retirement could end up limiting your income later in life when you no longer have a paycheck.

On the other hand, make sure you don't wait too long to access the money. At age 70½, you'll have to take required minimum distributions (RMDs), which will be based on your savings balance and life expectancy. If you don't take the full RMD, there is a 50% penalty on the amount that is not withdrawn. ✔✔✔

Growing Your 401(k)

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should be invested in growth alternatives, such as stocks.

✔ **Rebalance periodically.** Numerous studies have found that rebalancing reduces portfolio volatility, often with increased returns. By rebalancing, you are following a fundamental investment principle — you are buying low (those investments that are underperforming) and selling high (those investments that are performing well). Remember that you set your asset allocation strategy because you believed those were the appropriate percentages of various investments you should own. Thus, you need to make rebalancing a habit so your portfolio doesn't become more risky than intended. Since your 401(k) plan is tax deferred, there are no tax ramifications to buying and selling within the account.

✔ **Limit the amount of company stock owned.** Purchasing too much company stock is risky. Not only is your job and livelihood tied to the company, but your retirement savings are also tied to the same company. It is generally recommended that any one stock not comprise more than 5% to 10% of your portfolio's value. If you own company stock in your 401(k) plan, look at how much of your total balance it represents. Take steps to immediately reduce that percentage if it is over 10%.

✔ **Don't borrow from your 401(k) plan.** While it may be comforting to know you can gain access to your 401(k) fund when needed, only borrow as a last resort. It's true that you are borrowing from yourself and will pay interest to yourself, but there are also hidden costs to this borrowing. When you borrow, some of your investments are sold. While your loan is outstanding, you miss out on any capital gains or other income those investments may have earned. Interest rates are typically very reasonable, often prime rate or a couple percent over prime. That makes it easier to pay back the funds but could mean your 401(k) account is earning lower returns than if it was invested in other alternatives. Also, if you leave the company while a loan is outstanding, you must repay the entire balance within a short period of time or the loan will be considered a distribution, subject to income taxes and the IRS 10% early withdrawal penalty if you are under age 59½ (55 if you are retiring).

Please call if you'd like help with decisions involving your 401(k) plan. ✔✔✔

Stock Selection Tips

✔ Purchase stocks that fit your investment goals and criteria. A growth stock may be a good investment, but it doesn't belong in your portfolio if you have a low tolerance for risk and are investing for income.

✔ Don't worry about the overall stock market and whether it is at a high or low level. Instead, concentrate on purchasing stocks for the long term at a fair price.

✔ Don't invest based solely on a stock tip. The tip may be valid, but you need to carefully research the company to be sure of that.

✔ Invest in stocks whose businesses you understand. Good candidates for investment include products, stores, or restaurants that impress you.

✔ Carefully research a company before investing in its stock. People spend weeks researching a new car, refrigerator, or house, but often spend little time reviewing investment options. Read the company's annual report, Form 10-K, and analyst reports. Investigate the company's business, new products, financial position, debt structure, competition, and management.

✔ Don't rush into purchasing a stock. Good stocks can rise in value for years, so it shouldn't be necessary to buy one within a very tight time frame.

✔ While diversification is an important portfolio strategy, only purchase as many stocks as you can reasonably monitor.

✔ Monitor your stocks after purchase. Read quarterly and annual reports to ensure they remain good investments.

✔ Maintain realistic expectations. High expectations often result in frequent trading, as you continually look for investments to meet those expectations.

✔ Set target selling prices — both high and low — when you purchase a stock. You don't have to sell when stocks reach those prices, but you should at least reconsider the investment.

✔ Analyze and learn from your mistakes. Understand why you lost money on a particular stock so you can try to prevent the same thing from happening in the future.

✔ Review all your stocks at least annually. Look at them as a whole to make sure they are still compatible with your overall investment objectives. ✔✔✔

How Much Is Too Much to Pay for a House?

There are a few situations in life when it seems like money should be no object: weddings, birthdays…and purchasing a dream home. But in reality, a house is generally the largest investment people make over the course of their lifetime, and there is real financial danger in being blind to important factors when looking at a beautiful home. Before you let yourself fall in love with the house you're considering, think about the location, comparable houses, area trends, and a realistic budget to see if it's worth the asking price.

Location, location, location. Yes you fall in love with the house itself, but much of its value has more to do with where it is than the high-end finishes inside. Ask yourself the following questions:

- How attractive is the area?
- How easy is it to get around?
- What is the crime rate?
- How are the schools?

This is also where the "buy the worst house on the block" adage comes in. It's not that you have to buy an ugly house, but recognize the house can change — the location won't. So you may as well get a bargain in a great location instead of paying for a premium house.

Sometimes a location that seems unappealing is actually undergoing positive change. It is good to see what is going on in the area that could affect the value of the home. Consider current trends in the neighborhood (you may need the help of a real estate professional) to try to determine how much value the property will hold. Ask yourself the following questions, for starters:

✔ Are young, upwardly mobile families starting to move into this area?

✔ Are new roads being built or existing highways being expanded?

✔ How is the economy? Consider national, regional, and local confidence in the economy.

✔ Is it a buyer's market with too much supply and not enough demand driving prices down, or a seller's market that may result in aggressive bidding wars over most properties?

If you've determined the house is in the location that is best for you, you still need to figure out if the dollar amount per square foot is reasonable. What are comparable houses selling for? A good real estate agent who is familiar with the neighborhood can help you figure out if the house is overpriced for the area by checking recently sold homes with similar square footage and features.

It can be difficult to determine the accurate and future value of a home, but it's a bit easier to figure how much you can afford to pay for a house. Your lender will set a ceiling for you by determining how much they will approve for you to borrow based on your income-to-debt ratio and other financial risk factors. But just because you may be approved for a large amount does not mean you should spend it. Consider how those mortgage payments will factor in with everyday expenses and lifestyle, and don't forget you will need an emergency fund for costly home repairs. Before you fall in love with a house you may not be able to afford, set a budget that works for your circumstances and house shop in that range.

Nowadays with sites like Zillow and Realtor.com, it can be hard to only look within your means. Scrolling through listings on your couch is much easier than going out to tour each one with your agent, and the pricey homes tend to have lovely photographs. So don't underestimate the pull of a seemingly perfect but over-budget home. HGTV shows are as popular as they are for this very reason: we love beautifully designed (and expensive) houses. If you find yourself having a hard time resisting the premium-priced house, consider your overall financial objectives.

If you buy the most expensive house you can get, will that stall your savings for your children's educations or delay your retirement? Are you wiping out your savings to make a massive down payment? Keep in mind you can always stay a few years and build up equity and then sell up…or make enough changes to a house you like at purchase and turn it into your dream home. A financially practical, comfortable house will always beat out a mansion that leaves you house-poor.

Please call if you'd like to discuss this topic in more detail. ✔✔✔

U P D A T E

Dreams and Goals: What's the Difference?

A dream is a vision that inspires you to work hard, smart, or both. It's what gets you up in the morning and keeps you on the job no matter how tough or trying it may be. As pleasant as the dream may be, however, it lacks specificity. Specifics are for goals and plans of action.

A financial goal and plan of action to meet it sounds like this: I'm going to retire when I'm 65 years old, with a lifestyle that costs $150,000 a year in today's dollars, and maintain it, adjusted for inflation, for as long as I live. Of that amount, $120,000 is going to come from my personal savings, which means I need to save a total of $1.7 million. That means I have to save $40,000 a year, and my savings has to earn 8% a year, pretax.

To summarize: a financial goal consists of 1) a date by which time you'll need 2) a specific amount of money that lasts 3) a specific amount of time. The action plan calls for 1) setting aside a specific amount of money, 2) investing it to achieve a specific rate of return, and 3) monitoring your progress and making necessary course corrections to remain on target.

What good goal setting comes down to is making fairly reliable projections of what your financial goals are going to cost in the future and when that future will arrive. After that, the creation of a plan to meet those goals is needed. Good financial planning isn't a one-time exercise. Please call if you'd like to discuss this in more detail. ✔✔✔

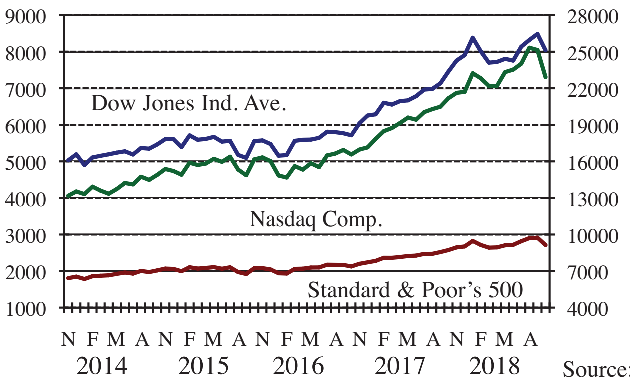
Market Data

	Month End			% Change	
Stocks:	**Oct 18**	**Sep 18**	**Aug 18**	**YTD**	**12 Mon.**
Dow Jones Ind.	25115.76	26458.31	25964.82	1.6%	7.4%
S&P 500	2711.74	2913.98	2901.52	1.4	5.3
Nasdaq Comp.	7305.90	8046.35	8109.54	5.8	8.6
Wilshire 5000	27923.93	30189.60	30184.10	0.9	4.6
Precious Metals:					
Gold	1214.95	1187.25	1202.45	-6.3	-4.3
Silver	14.34	14.69	14.54	-15.7	-14.0
Interest Rates:	**Oct 18**	**Sep 18**	**Aug 18**	**Dec 17**	**Oct 17**
Prime rate	5.25	5.25	5.00	4.50	4.25
Money market rate	0.43	0.47	0.45	0.33	0.32
3-month T-bill rate	2.31	2.18	2.08	1.45	1.02
20-year T-bond rate	3.27	3.13	2.91	2.66	2.61
Dow Jones Corp.	4.36	4.14	3.84	3.13	3.08
Bond Buyer Muni	4.24	4.14	4.02	3.88	4.03

Sources: *Barron's, Wall Street Journal. An investor may not invest directly in an index.*

Stock Indices

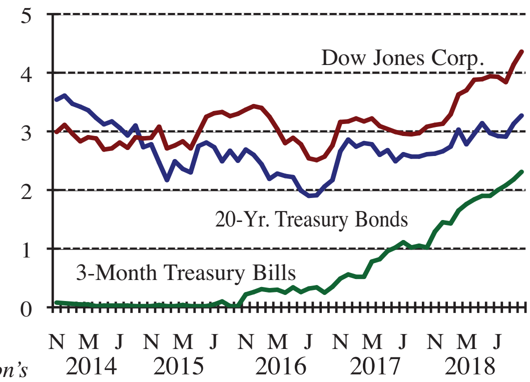
November 2013 to October 2018



Source: *Barron's*

Interest Rates

November 2013 to October 2018



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