

THE EDUCATED INVESTOR

A Guide to Retirement Planning

FEATURED ARTICLE



The Stock Market Drops. Now What?

In October 2018, the Dow Jones Industrial Average, a widely followed measure of stock-price performance of 30 of the largest U.S. companies, dropped 1,380 points in just two days. While that sounds scary, it was just a 5% move, taking the index back to mid-July 2018.

Still, one of the things you might have noticed when your funds have been doing well, you feel pretty euphoric, but when they're down, you feel a lot worse than the pleasure you felt when they were doing better. This is a psychological effect known as loss aversion, and it's believed to be hard-wired into our brains.

The best way to respond to these emotional swings is to try to take emotion out of the equation altogether. Over long market cycles historically, markets have moved up, although, as always, they fall eventually. It's that long historic sweep that you should focus on, not short-term movements.

You should also pay attention to the things you can control in investing and ignore what you cannot change.

Here are a few tips to keep in mind:

- **Diversify your investments.** If you're well diversified across stocks, bonds, and cash, the likelihood of suffering significant losses may be lower. If your investments are concentrated, it's like putting all your eggs in a single basket. If the

basket falls, there's a good chance that those eggs will be broken. But if you spread your eggs in multiple baskets, the risk that all will fall at the same time becomes significantly smaller (and the chance that one or more baskets will rise, also goes up).¹

- **Look at what's behind the slump.** There are lots of reasons why markets rise and fall, and they are not all tied to financial performance of the companies issuing stocks or bonds. It's possible that the broad economy could be sagging, with low growth and/or high unemployment. Or a down market could be partly related to geopolitical events, such as unanticipated election results or instability in developed or emerging countries, or natural disasters.
- **Don't ignore your ability to sleep well.** If after examining your asset allocation to make sure it is aligned with your long-term goals and determining what's behind market weakness still makes you feel anxious about big market swings, perhaps you may want to revisit your stock allocation.

On balance, investing for retirement should be a fairly boring exercise. After all, it's a process where results unfold over decades, not weeks or months. Many experts believe the most important thing you can do when markets fall is... nothing. But you should do so only if the decision doesn't keep you up at night.

Recovering from Market Crashes



Historically, falling stock markets eventually recovered. Unless you have a very short timeframe until you need access to your retirement funds, or are well into your retirement years, it may be better for you to remain

invested during a downturn. Even people who were unlucky to invest \$1,000 in the S&P 500 right before a stock market crash made their money back within a few years if they continued to add \$1,000 to the market every year, according to a study from CircleBlack, a financial technology company.²

Great Recession: 2 Years
Dotcom Bubble: 5 Years
1970s Recession: 3 Years
Great Depression: 7 Years



¹ Diversification does not assure positive return or protect against losses in a declining market. All investing involves risk, including principal loss.

² Source: <https://blog.circleblack.com/should-you-be-afraid-stock-market-crash>. An investor needs to consider carefully the ability to maintain a regular investment program during an extended market downturn. Past performance does not guarantee future results.

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Squeeze Play: *Gen Xers Especially Feel the Pinch*

Saving for retirement can challenge the best of us. For one group of employees, the challenge seems particularly daunting. Your mid-career colleagues, those between 36 and 56 years of age, may sometimes feel the odds are stacked against them. They are squeezed by their own debt, financial obligations to children who are not yet grown, and often, financial demands of aging parents. How, they may wonder, will they ever be able to retire?

Here are a few statistics about this generation, according to information from an ADP Retirement report¹:

- More than 60% of Gen X workers have dependent children
- 30% provide financial support to their parents or in-laws
- 31% have outstanding student debt.

About one-third of Gen Xers answering the survey reported concern about their ability to meet current monthly expenses. In fact, in 2017 38% said they used a credit card to afford necessities, up a startling 11% compared to one year earlier.

Meanwhile, Gen Xers appear to be more confident in their ability to retire on time than in previous years. 29% reported in 2017 anxiety about not being able to do so, compared to 37% who felt that way in 2016. And three-quarters of Gen Xers are, indeed, saving for retirement, although about one-third have used their retirement assets for something unrelated to retirement, and nearly half believe they will need to at some point.



Retiree Healthcare Costs Cause Concern

A significant point of concern for Gen Xers is the cost of health care in retirement, with 30% citing it as a top concern. (Running out of money in retirement (46%) and health issues (32%) were the worries topping the list). They are right to be concerned. One national provider of healthcare cost-projection software expects a healthy 65-year-old couple retiring in 2018 to need nearly \$364,000 in their retirement years to pay healthcare premiums and expenses.² Even so, only half of Gen X workers who have access to a Health Savings Account use it as a way to build a nest egg toward these expenses in retirement.

Push Back with Financial Wellness Education

To push back against the squeeze, many employers provide some form of financial wellness program. A solid financial wellness program should include education about managing debt, setting up and using a budget effectively, and finding ways to save for the future. Such a program can help solidify the relationship between employer and employees — for all ages and pay grades. It can help reduce financial stress on employees, which in turn may improve productivity — since, according to the survey, 34% of Gen Xers report being distracted at work over money. Among them, almost half say they spend at least 3 hours a week preoccupied with personal finance issues during the workday.

¹ Generation X: The Most Financially Stretched and Financially Stressed Generation, ADP Retirement Services 2018

² Healthview Services 2018 Retirement Healthcare Costs Data Report®, <https://tinyurl.com/HVS-2018-retiree>

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10 Leadership Resolutions for a Successful 2019

You can't predict everything that will happen in 2019, but it's a safe bet that change and uncertainty will continue to be major themes. It's also safe to assume that your leadership will be critical for success. With that in mind, here are 10 leadership resolutions for the coming year.

Leading Yourself

Stay healthy. We know you hear this a lot around the New Year, and you probably think about it more, too. Your personal performance — and therefore your effectiveness as a leader — are heavily influenced by your health.

Healthier people have more energy, can think more clearly, focus for longer periods, and are less likely to get sick.

There are 4 key practices:

- Eat a healthy, nutrient-rich diet.
- Get adequate, high-quality sleep.
- Engage in physical activity regularly.
- Manage pressure so it doesn't turn into negative stress.

Related article: <https://www.ccl.org/blog/4-components-good-health-enhance-leadership/>

Succeed at digital learning. Being a leader doesn't mean you have all the answers. Leaders must continue to acquire new skills, new areas of knowledge, and new leadership tools.

With limited time and resources, some of that learning will take place via digital learning. So how can you make the most of your time?

First, make sure you commit. Set real deadlines and block out time on your calendar.

Second, just practice the new skill or find a way to apply your new knowledge. Real learning doesn't happen until you actually use it.

And third, celebrate your success. This reinforces the value of ongoing learning.

Related article: <https://www.ccl.org/blog/succeed-digital-learner/>

Leading Others

Stop wasting time in meetings. We've all complained about time spent in a meeting that just wasn't worth it. So how can you make sure that the meetings you set are productive?

Here are 3 tips to start:

1. Only hold a meeting if it's necessary. Can this be handled via email?
2. Make sure all attendees are really present. Invite only those required and enforce behavior standards to keep everyone engaged.
3. Decide in advance what the purpose of the meeting will be and how you'll achieve its goals.

Related article: <https://www.ccl.org/blog/stop-wasting-time-use-3-characteristics-mindful-meetings/>

Make better group decisions. We've all heard — and many of us have said — that several minds are better than one. But actually making good decisions as a group is challenging.

Here's how groups can make better decisions about things such as work processes:

1. Define the task.
2. Choose the best fit for decision making.
3. Set decision-making criteria.
4. Brainstorm at least 3 alternatives.
5. Select the best alternative using the agreed-upon method.
6. Develop action plans.
7. Take action.
8. Evaluate decision effectiveness.
9. Repeat until complete.

Related article: <https://www.ccl.org/blog/better-group-decisions-avoid-mistakes/>

Support your employees in their development efforts.

Professional development is important for everyone on your team. Our research has found that the primary predictor of the success of leadership development programs is the degree to which participants' bosses support them.

So how can you support your people?

- Set the stage for an effective program by discussing with your direct reports their goals — areas they should focus on and how they can get the most out of each opportunity.
- Give them permission to focus fully on the training by allowing them to fully disengage from normal responsibilities.
- Find out what support they'll need when they return.
- Follow up after the training by meeting with your team members to discuss what they learned, how they'll apply it and what you can do to continue supporting them.

Related article: <https://www.ccl.org/blog/practical-ways-boss-support-development/>

Lead your team through change. Change is the one thing we can be certain of. For leaders, it's also a virtual certainty you'll need to lead your team through change.

Even when leaders and organizations know what the change is, they may still hesitate, fail to act, or act slowly.

Here's how to overcome the inertia:

- Know what you want to achieve.
- Observe the current state of your team or organization.
- Accept that this is where things are and that change won't happen unless you take action.
- Communicate your intent and why — again, again, and again.
- Demonstrate your personal commitment to the change.
- Offer a better vision based upon your intent.
- Reward those who move forward.

Related article: <https://www.ccl.org/blog/take-control-lead-team-change/>

Leading The Organization

Help frontline managers master their roles. In most organizations, frontline managers are critical.

A recent McKinsey study found that more than 70% of senior managers were unhappy with frontline manager performance, and more than 80% of frontline managers are dissatisfied with their own performance.

The first step in fixing this problem is to understand what skills frontline managers need. There are 6 they should master to be effective:

- Self-awareness
- Political savvy
- Learning agility
- Influencing outcomes
- Communication skills
- Motivating others

These 6 skills should form the core of development programs for frontline managers.

Related article: <https://www.ccl.org/blog/what-frontline-leaders-need/>

Create an environment where women can excel.

Research shows that gender diversity benefits the bottom line. So how can your organization attract and retain more women? The first step is to understand what ambitious, talented women want from employers.

Women want to find their calling. That is, they want their jobs to connect with their values and purpose.

Women want flexibility in where, when, and how they

work. Women rated paid-time off and flexible schedules as 2 of the most valuable benefits.

Women want real leadership opportunities. But women are more wary of some leadership opportunities, perhaps because research suggests that they're more likely to be offered roles with fewer resources or high-stakes, high-risk opportunities.

Related article: <https://www.ccl.org/blog/what-women-want-work/>

Understand and manage millennials. For all the commentary about millennials, younger workers are not a mysterious tribe that can't be understood or managed by older leaders. Here's what you need to know:

- Millennials place a high value on their team, boss, mentors, and friends at work. They want to feel like their managers genuinely appreciate them. They also want their managers to coach and mentor them.
- Millennials want work to be interesting and meaningful — but they don't want to be plugged in 24/7. Work-life balance is also important.
- Millennials want to grow. They're interested in opportunities for development, promotion, and feedback. They want to advance, and they want help doing so.

Related article: <https://www.ccl.org/blog/understand-manage-millennials-work/>

Nurture innovation instead of squashing it. Innovation is important, but few companies are really good at it. Why? In part because leading innovation is different from leading ongoing business operations.

Managers and individual contributors responsible for innovation need more emotional support to take the risks and give innovation efforts all their knowledge, skill, and energy.

Leaders must practice 3 critical behaviors to support innovators:

- Demonstrate trust in innovators to empower them.
- Keep the purpose of the innovation front-and-center to motivate, inspire, and focus innovators.
- Partner with innovators as equals to contribute and share the risk.

Related article: <https://www.ccl.org/articles/leading-effectively-articles/leaders-successfully-drive-innovation/>

Source: <https://www.ccl.org/articles/leading-effectively-articles/10-leadership-resolutions-successful-year/>

Pear Tree Punch



Such a welcome switch from the ciders and pumpkins of the season, and with pretty floating pear slices that look gourmet. Adjust the recipe to make it zippy or sweet—how sweet is that?

Servings:

12 Drinks

Total Time:

5 minutes

Ingredients:

2 cups pear juice

Juice of 1 lemon

1/2 cup sugar

2 liters ginger ale SAVE \$

Sliced fresh pear

Directions:

1. Pour pear juice into large punch bowl.
2. Add lemon juice.
3. Stir in sugar.
4. Mix in ginger ale and top with fresh sliced pear.
5. Enjoy!

Source:

<https://www.tablespoon.com/recipes/sparkling-pear-punch/76982ce0-8e5c-41aa-b092-d5ff6638a4fe>