

# on track

SUMMER 2018

 **RPA**  
RETIREMENT PLANNERS  
& ADMINISTRATORS, INC.

7639 Leesburg Pike - 2nd Floor  
Falls Church, Virginia 22043  
Phone 703.893.7322

## Ready to Move Forward?

Have you ever figured out your own net worth? It's an important first step if you want to plan realistically for your financial future.

### How to Estimate Your Net Worth

Net worth is the amount that's left after you subtract everything you owe from the value of everything you own, which would include your home and autos; personal property such as jewelry, art, and furniture; and savings and investments. Liabilities would include all of your financial obligations — mortgages, credit card balances, auto and school loans, unpaid bills, etc.

### It Changes Over Time

In the early years of your working life, it's not unusual to have a negative net worth — to owe more than the value of your total assets. However, your goal should be to increase your net worth as you advance in your career.

### Why It's Helpful

Knowing your net worth allows you to determine where you stand financially and what you may need to build on. It can help you project how much more you will need to save for your retirement, a child's college education, or some other goal.

This publication is prepared by DST Systems, Inc. for the use of the sender. The sender and DST Systems, Inc. are unrelated companies. Articles are not written or produced by the sender.







# Debt Can Hold You Back

High monthly debt payments can dead-end your cash flow and prevent you from saving as much as you should toward your goals. And carrying too much debt can lower your credit score, which can affect your ability to get a job, buy affordable insurance, or qualify for low mortgage or car loan rates.

## THE DEBT BURDEN

5.83%

### CONSUMER DEBT

Consumer Debt Service Payments as a Percent of Disposable Personal Income. The figure is for the third quarter of 2017.

10.29%

### HOUSEHOLD DEBT SERVICE RATIO

The ratio of total required household debt payments (mortgage and consumer debt) to total disposable personal income. The figure is for the third quarter of 2017.

3.2%

### PERSONAL SAVING RATE

The percentage of personal saving to disposable personal income. The figure is for January 2018.

When you consider the large amounts owed on credit cards, auto loans, mortgages, and student loans, it's not surprising that many people are feeling overwhelmed and stressed out by their debts.

#### Own It

If you're feeling overwhelmed by consumer debt, there's no time like the present to start tackling it. These strategies can help.

**Develop a spending plan.** Small changes in spending habits can lead to significant savings over time.

**Downscale your life.** Bigger isn't always better. Consider downsizing and cutting back on expensive vacations and frequent dinners out, and think twice before buying expensive items.

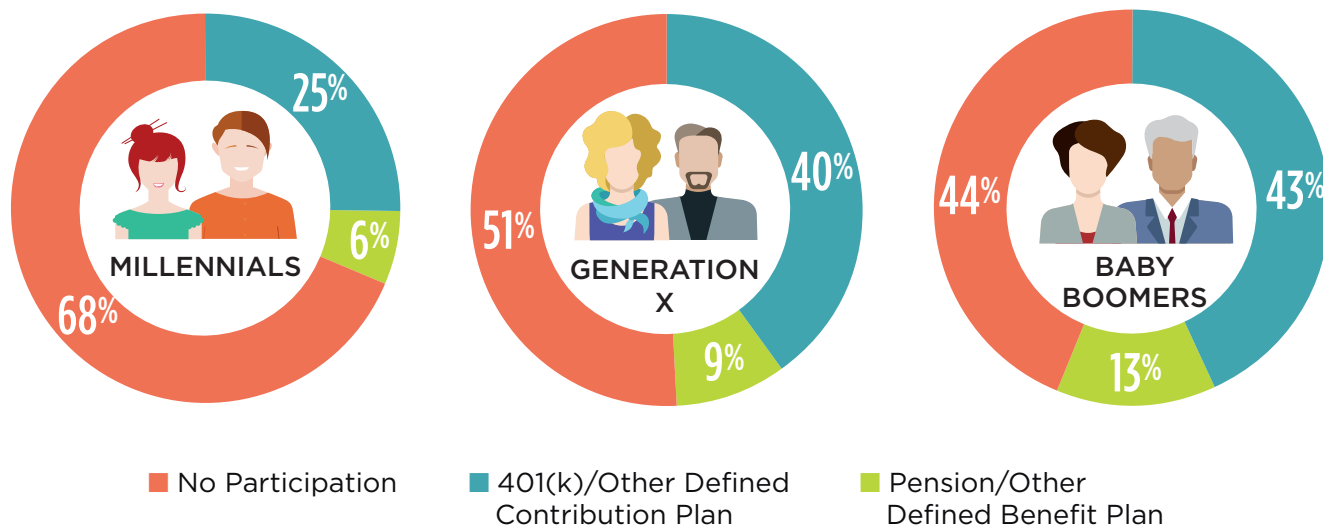
**Use cash.** Paying with cash straight out of your wallet may make you stop and reconsider unnecessary purchases.

**Pay more than the minimum.** Making only minimum payments on credit cards could significantly increase the amount you'll eventually pay. Have a plan to pay off your balances one by one. As soon as you've paid off the balance on one card, add that amount to your payment on the next card.

**Pay your bills on time.** Late payments may result in fees and a lower credit score.

Source: Federal Reserve Bank of St. Louis, 2018

## MILLENNIAL PARTICIPATION IN RETIREMENT PLANS



*Note: Percentages may not total 100% due to rounding.  
Source: The Pew Charitable Trusts, 2017*

## Crunch Time for Millennials

**Compared to members of earlier generations when they were the same age, millennials are lagging when it comes to preparing for retirement.\* If you are a millennial, you'll want to take matters into your own hands and do what's necessary to provide for your own financial future. Participating in your employer's retirement plan is a great first step.**

### Start Small

Although competing financial priorities — such as paying off student loans — may make it difficult to maximize your retirement savings right away, contribute as much as you can afford. Even small sums have the potential to grow over time, thanks to the power of compounding. The fact that the earnings on your plan contributions are tax deferred can also help your retirement account grow.

### Don't Stop Contributing

Keep contributing regularly and increase your contribution whenever you can — when you get a pay raise, for example. Since your contributions are automatically deducted from your pay, you won't be tempted to spend that money.

### An Additional Incentive

When you contribute to your employer's retirement plan, you may be able to take a tax credit on your federal income tax return. The credit is a percentage of up to \$2,000 of contributions (\$4,000 if married filing jointly), with the highest rate for taxpayers with the least income. If you qualify for it, the credit basically reduces the cost of making retirement plan contributions. You can find more information on the "Saver's Credit" at [irs.gov](https://www.irs.gov).

\* Alicia H. Munnell and Wenliang Hou, "Will Millennials Be Ready for Retirement?," Center for Retirement Research at Boston College, January 2018

# Don't Let Your Retirement Outlast Your Resources

People are living longer. While an average 65-year-old retiring in 1940 might have enjoyed a 12-year retirement, today you should plan on having a retirement income that will support you for 20 years — and possibly much longer. These three investment strategies may help.

## Invest to Beat Inflation

Over time, the rising cost of goods and services can erode the buying power of your retirement savings. You need to earn a return on your investments that will surpass the rate of inflation. Since stocks have historically outperformed the inflation rate as well as other asset classes over time, you may want to consider investing part of your retirement plan account in stock funds.

## Focus on Asset Allocation

Different asset classes do well in different market conditions. Owning a mix of stocks, bonds, and cash investments may help you balance risk and return and may also give your retirement savings a better chance to grow, whatever

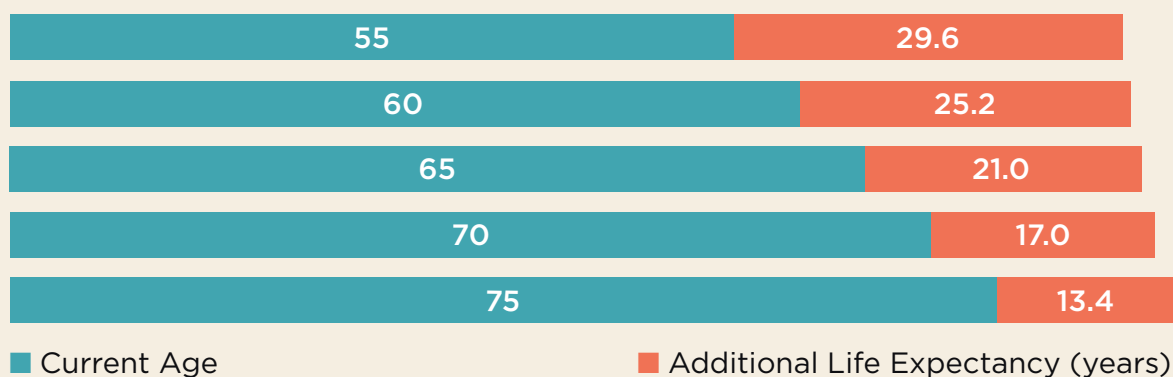
market conditions are like. However, asset allocation cannot ensure a profit or protect against a loss.

## Remember to Rebalance

You may have to rebalance your retirement account investments periodically so that your asset allocation continues to reflect your investment goals.



## HOW LONG CAN YOU EXPECT TO LIVE IN RETIREMENT?



This table is based on averages calculated by the IRS. Source: IRS Single Life Expectancy Table

This newsletter is designed to provide useful information about retirement plans and investing your plan account savings. While the information contained herein was obtained from reliable sources, it cannot be guaranteed as to completeness or accuracy. Before acting on any of the information provided, consult your professional advisor.