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Financial Issues

WINTER 2017 CEFCU® Investment Services and Wealth Management

Will You Be Prepared When the Market Cools Off?

Strategically position your portfolio for market fluctuations.

We've seen a tremendous rally on Wall Street for the last nine months with the S&P 500, Nasdaq Composite, and Dow Jones Industrial Average reaching all-time highs. But markets have cycles, and at some point, the major indices will fluctuate. Here are some strategies to prepare yourself before the markets cool off:

The major indices do not always rise.

On June 15, 2017, the:

- **Nasdaq Composite was up 27.16% year-over-year and up 12.67% in the past six months.**
- **S&P 500 increased 17.23% over that same time last year and 7.31% in the past six months.**

Performance like that can create overconfidence in equities.[1,2] For example, the S&P last corrected at the beginning of 2016, making a market drop seem like a remote possibility now. But, the reality is, corrections usually arrive without much warning. You may want to ask yourself: "Am I prepared for market fluctuations?"[3]

Are you prepared for fluctuations?

In recent years, market corrections have been rare. There have only been four corrections in this eight-year "bull" market. So, it's easy to forget how frequently they have occurred across Wall Street's history — normally happening about once a year.[3,4]

A correction is a reality check. It presents some good buying opportunities, and helps tame overconfidence. You could argue corrections make the market healthier because, historically, the typical correction is brief. On average, the markets take three to four months to recover from a fall of at least 10%.[4]

Are you financially prepared?

The key is having a diverse portfolio, so you're less likely to take a hard hit when the big indices correct.

You can increase your investment confidence by monitoring your portfolio and reducing your risk exposure by asking questions, such as:

- **Do you have an adequate emergency fund?** A correction is not quite an emergency, but it's important to have a strong cash position when the market takes a downward turn.
- **Are your retirement and estate plans current?** A prolonged slump on Wall Street could impact both your retirement and estate. For example, many baby boomers had to rethink their retirement strategies in the wake of the 2007–2009 "bear" market in which stock prices fell about 20% from the peak, and skepticism caused the stock market to spiral downward.

A market dip should not stop you from consistently funding your retirement accounts. In a downturn, your account contributions buy greater quantities of shares, which if you have the time horizon, can generally withstand the loss and regain their value.

Continued on page 2

Bottom line, a correction will happen — maybe not tomorrow, maybe not even for the rest of 2017. But, at some point, a retreat will take place.

How diverse is your portfolio?

If you'd like to review your stock market portfolio to help ensure you're financially prepared for market fluctuations, contact Kevin Barbier, Trust and Investment Management Officer and CERTIFIED FINANCIAL PLANNER™ professional.

Kevin is part of the CEFCU Wealth Management team and can provide sound, unbiased investment planning and management that follows the same standards that guide your Credit Union — looking out for your best interests. To schedule an appointment, please call 309.633.3836 or 1.800.356.7865, ext. 33836.

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When Will *You* Be Able to Retire?

How long do you think you will need to work before you retire — at age 65, or beyond? Some people base their retirement planning on the traditional retirement age of 65. But, changes to the tax code, Medicare, and fluctuations in the stock market are factors that affect retirement plans. Here are some important items to keep in mind as you plan:

The big picture.

In a 2017 Retirement Confidence Survey, 75% of Americans believe they'll be on the job at or after age 65.[1] *But,* in that same survey, only 23% of the retired workers polled said they stayed on the job until they were 65 or older.[1] The 2017 Retirement Confidence Survey also stated:[2]

- Retirement confidence is strongly related to whether someone participates in a defined contribution plan, a defined benefit plan, or an individual retirement account.
- Workers reported feeling more confident in their ability to afford basic expenses over their ability to afford medical expenses during retirement.

The impact of Medicare.

Health care is another factor that affects retirement plans. What if you retire before you're eligible to enroll in Medicare at age 65? Some health care options before you're Medicare eligible include: COBRA — an insurance option that may be available from your employer, a Health Savings Account, or a spouse's employer-sponsored health coverage (if your spouse still works and has access to coverage). Otherwise, if you decide to retire before age 65 you may need to seek private health insurance (which can be expensive) or go uninsured (which can be risky).[3]

The impact of claiming Social Security before age 67.

Your full Social Security payment will not be administered until you reach age 67, but, the average lifespan for most people today is well into one's eighties. So, what is the financial impact of claiming Social Security before age 67?

If you retire at age 63, you will get a smaller monthly Social Security payment than if you were to wait until age 67. But, your total Social Security benefits received *over your lifetime* would be about the same. So, claiming Social Security earlier is another consideration in your overall retirement strategy, as claiming it before age 67 could initially impact your monthly cash flow, but might not make much difference in the long run.[4]

Continued on back

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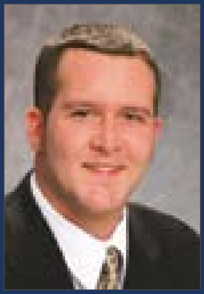

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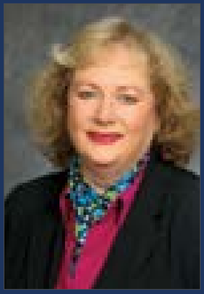

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When Will You Be Able to Retire, continued

To help you think about your retirement goals, consider talking with a CEFCU® Investment Services Representative. You can schedule appointments and request information with our trusted advisors in person, by phone at 1.800.356.7865, ext. 32571, or by email at cefcu.com/invest.

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