

Financial Issues

SUMMER 2019

CEFCU® Investment Services and Wealth Management

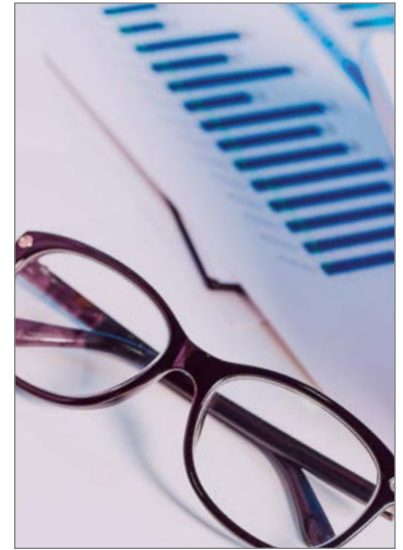
Investment Services • Retirement Planning • Trust and Investment Management

Long-Term Investing Truths

As you invest in pursuit of long-term financial goals, you gain insight on the market your investment preferences, and other factors that influence your portfolio. Some of these insights are reinforced when you begin saving for retirement, and others, you gain along the way. Some of the key insights that can impact investment strategies are the media, index performance, and your ability to handle market volatility.

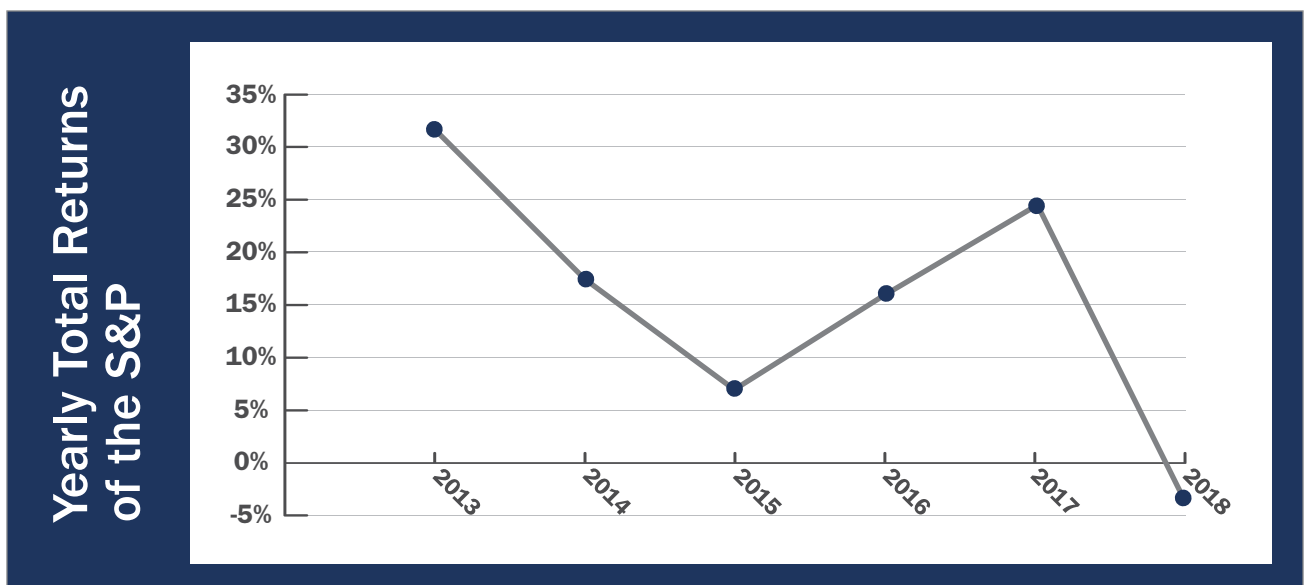
Learn to remove the “noise”

Every day, news outlets report on and commentate with regard to global markets and economic indicators that change weekly or monthly. The longer you invest, the more you learn that breaking news can create market volatility. While a day trader may sell (or buy) in reaction to immediate economic or market news, the “buy-and-hold investor” has a longer-term perspective and understands the market can have periods of volatility. It’s important to not lose sight of the long run... the bigger picture.



Learn how much volatility you can stomach

Market sentiment can quickly shift and so can index performance. So, it’s important to keep in mind the year-to-year volatility of the market as you invest. For example, here are the recent yearly total returns of the S&P from 2013–2018.^{1,2}



Do you see any kind of “norm” or pattern here? That is the kind of year-to-year volatility that leads people to find an asset allocation that is comfortable for them.^{2,3}

Continued on page 2

Why liquidity matters

The closer you get to retirement, the more you appreciate being able to quickly access your money. A family emergency might require you to tap into your investment accounts. An early retirement might prompt you to withdraw from retirement funds sooner than you anticipate. It's important to maintain some level of liquidity in your portfolio in the event you need to access funds for an unexpected event.

Rebalance your portfolio

As you near retirement, the less tolerant of risk you may become. Even if you are strongly committed to growth investing, approaching retirement while taking on more risk than you feel comfortable with may not be the right approach. Rebalancing your portfolio may be a better solution. It can restore the original asset allocation, realigning it with your long-term risk tolerance and investment strategy. It may seem counterproductive to sell “winners” and buy “losers” as an effect of rebalancing, but remember you are also saying goodbye to some assets that may have peaked, while saying hello to others that might be poised to rise.^{4,5}

Avoid getting too attached to certain investments

Sometimes people invest heavily in sectors that include their own industry or career field. Someone who works for an oil company may heavily invest in the energy sector. But, when energy companies go through a rough patch, that investor's portfolio may also be in for a rough ride. Correspondingly, that investor may have less capacity to tolerate stock market risk than someone else whose career field or industry, like education, will be less impacted by the winds of economic change.⁶

Time teaches you the importance of investing based on your time horizon, risk tolerance, and goals. To discuss the potential for how these (and other) factors could impact your financial future, contact Kevin Barbier, Trust and Investment 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 interest. To schedule an appointment, please call 309.633.3836 or 1.800.356.7865, ext. 33836.



Kevin Barbier
Trust & Investment
Management Officer
CFP® Professional

With Kevin, you can discuss options, like:

- ◆ Investment Management
- ◆ Estate Planning
(including Estate Settlement)
- ◆ Retirement Planning
- ◆ Corporate and/or Successor Trustees
- ◆ Asset Protection Trusts

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Citations.

- 1 - etf.com/sections/features-and-news/swedroe-investing-uncomfortably?nopaging=1 [12/31/18]
- 2 - The performance data quoted herein represents past performance and does not guarantee future results. Individuals cannot invest directly in an index. Investing in securities involves risk of loss that clients should be prepared to bear. No investment process is free of risk; no strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Market volatility can dramatically impact short-term investment performance. Current performance may be lower or higher than figures shown. An investment's return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.
- 3 - indexologyblog.com/2019/02/04/sp-500-performance-in-2018-how-much-does-size-matter/ [2/4/19]
- 4 - Neither asset allocation nor diversification can eliminate the risk of fluctuating prices and uncertain returns. All investment strategies have the potential for profit or loss. Changes in investment strategies, contributions or withdrawals, and economic conditions may materially alter the performance of your portfolio. There are no assurances that a portfolio will match or exceed any particular benchmark.
- 5 - Tax loss harvesting is not suitable for all investors. Nothing herein should be interpreted as tax advice, and the author of this article does not represent in any manner that the tax consequences described herein will be obtained, or that any investment product will result in any particular tax consequence. Please consult your personal tax advisor as to whether tax loss harvesting is a suitable strategy for you, given your particular circumstances. The tax consequences of tax loss harvesting are complex and uncertain and may be challenged by the IRS. You and your tax advisor are responsible for how transactions conducted in your account are reported to the IRS on your personal tax return. The author assumes no responsibility for the tax consequences to any client of any transaction.
- 6 - Because of its narrow focus, a sector investing strategy tends to be more volatile than an investment strategy that is diversified across many sectors and companies. Sector investing also is subject to the additional risks that are associated with its particular industry. Sector investing can be adversely affected by political, regulatory, market, or economic developments.

Are You Ready For Retirement?

Only 19% of U.S. adults describe themselves as “very confident” when asked about their savings. Areas of concern include retiring without enough money saved (16%) and anxiety about having a “rainy day” fund (14%).¹ The National Foundation for Credit Counseling conducted a survey in 2018, which found these and some other interesting results.

Only 41% of Americans keep a budget

The Foundation’s survey also found that while 65% of Americans are saving part of their annual income toward retirement, 29% indicate they are “not at all confident” their savings will be enough to sustain them.¹ If you’re not already keeping a budget, it might be a good idea to start one and include retirement.

79% of Americans agree they could benefit from advice to every day financial questions

When asked: “Considering what you already know about personal finance, could you still benefit from some advice to every day financial questions from a professional?” Almost 80% of respondents agreed with that statement, yet only 13% indicated they would seek the assistance of a financial professional if they had financial issues related to debt. Many people carry debt, and a financial professional may be able to refer you to a reputable, no- or low-cost program to help you get back on track.

Why don’t more people seek financial assistance? Some may feel embarrassed talking to a stranger about personal financial issues, or may think they don’t make enough money to do so. Every situation is different, and the Representatives from CEFCU Investment Services work with members in all stages of life.

Defined goals can lead to defined strategies

If you set financial objectives, you vault ahead of most Americans, according to the survey findings. A written financial strategy does not guarantee wealth, but it does give you an understanding of the distance between your current financial situation and where you want to be by the time you retire.

It’s important to have a financial strategy. Even if you have one, but haven’t reviewed it in a while, now is a good time to get more clarity and confidence about your plan. Contact a CEFCU Investment Services Representative today! You can meet with a Representative by phone, online, or in person at most Member Centers. To schedule a no-obligation appointment, call 309.633.2571 or 1.800.356.7865, ext. 32571, or go to cefcu.com/invest.

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Citation.

1 - nfcc.org/wp-content/uploads/2018/04/NFCC_BECU_2018-FLS_datashet-with-key-findings_031318-002.pdf [3/13/18]

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