401(k) & Retirement Education Packet

ERIN Technologies 401(k) Plan

Enrollment, Investment Advice, and Financial Planning Services Provided by

FINANCIAL FREEDOM HOUSE

For more information or assistance with paperwork call 800-754-9933 or email Service@YourFFH.com.
Our offices are open Monday-Friday from 9:00am-4:30pm Eastern Time. Voice messages will be returned by the next business day.

 11-2023
Plan Investment Management and Participant Investment Advisory services provided by Financial Freedom House, a federally registered and CEFEX-certified investment adviser.

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Why it's Important to Save for Retirement

When it comes to buying "big-ticket" items, most people save a bit each payday so they can eventually reach their goal of buying a house, a new car, or taking a nice vacation.

But what many don't realize is that the most expensive thing they will ever buy is a comfortable retirement.

That's why it's important to start planning and preparing for retirement while you're working and making money. After all, you won't work forever.

Yes, you will have social security and you may have a retirement benefit from a previous employer, but now the reality is that the responsibility for a comfortable lifestyle during retirement is largely on your shoulders.

There are two approaches you can take to retirement.

You can either start planning now and start buying the retirement you deserve by setting money aside today, or you can leave it up to chance and learn to live on less when you stop working.

The following pages will show you how the 401(k) works and how it can help you avoid unnecessary financial stress during retirement so you can live the lifestyle you've dreamed about.

Three Main Threats You Must Confront to Secure a Good Retirement

The secret to a good retirement is to set money aside while you are working and let the power of time and compounding interest work for you.

Once you start saving, you also need to have a sound investment strategy and start building a personal financial plan. This combination will help you deal with all the decisions you'll need to make between now and retirement.

It's the only way to offset the three main threats that could derail your retirement.

Retirement Risk #1: Longevity

The Issue: Your Money Needs to Last Longer

Until recently, retirement planning was simple. Most people worked until their 60's and usually didn't live too long after that. As a result, there wasn't much need to save extra money for a long retirement. That's no longer true.

With the advances that have been made in health care, you need to plan for your money to last well into your 80s.

Average Number of Years a Person can Expect to Live Based on their Current Age

Current Age	Males	Females
25 years old	81.3 years of age (56.3 more years)	85.7 years of age (60.7 more years)
35 years old	81.5 years of age (46.5 more years)	85.5 years of age (50.5 more years)
45 years old	81.7 years of age (36.7 more years)	85.4 years of age (40.4 more years)
55 years old	82.3 years of age (27.3 more years)	85.7 years of age (30.7 more years)

Social Security Retirement & Survivors Benefits: Life Expectancy Calculator | SSA.gov

Odds that a 62-Year-Old Will Live a Long Retirement

Length of Retirement	Males	Females
70 years of age (8 more years)	91%	94%
75 years of age (13 more years)	83%	88%
80 years of age (18more years)	71%	79%
85 years of age (23 more years)	54%	65%
90 years of age (28 more years)	33%	45%
95 years of age (33 more years)	15%	23%

Society of Actuaries and American Academy of Actuaries: Longevity Illustrator | LongevityIllustrator.org

Living longer is good, but it also means that your money needs to last longer.

Keeping your money in a "safe" instrument like a bank CD or savings account may sound like a good idea, but doing so leaves you exposed to Retirement Risk #2.

Retirement Risk #2: Inflation

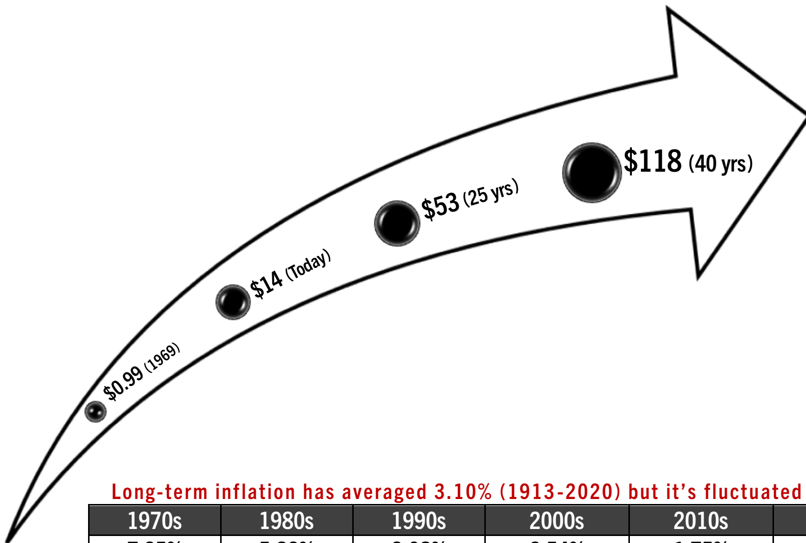
The Issue: Everything will Cost More in the Future

Inflation is defined as “a general increase in prices and a drop in the purchasing power of money”.

Inflation is particularly dangerous because you don’t really feel its impact on a day-to-day basis unless it’s severe. However, the long-term impact of low inflation on the purchasing power of your retirement savings is significant.

For example, in 1969 a 2lb can of coffee cost 99 cents. Today that same can of coffee costs $14. Assuming inflation continues at a similar rate, you could see the cost of a 2lb can of coffee jumping to $53 and $118.

A Real-Life Example of Inflation



Long-term inflation has averaged 3.10% (1913-2020) but it’s fluctuated over time.

1970s	1980s	1990s	2000s	2010s	2020s*
7.25%	5.82%	3.08%	2.54%	1.75%	7.09%

The historical and projected inflation adjusted numbers are intended to illustrate the concept of inflation and are for educa tional purposes only
SOURCE: Detroit News, July 1969. Inflation adjusted price for a can of coffee calculated by Financial Freedom House. * through Sept 2022

While a $58 can of coffee sounds absurd, it’s no more absurd than the $14 we’re paying today when viewed through the eyes of someone in 1969.

And, just as the person in 1969 is still drinking coffee today, you probably won’t stop either 20 years from now. The reality is that you’ll just be spending more for your morning cup of coffee.

> **The Impact of Inflation on Your Future Lifestyle**
>
> If inflation averages 3% a year, in 20 years it’s going to take $3,612 a month to pay for goods and services that cost $2,000 today.
>
> This means you have two options: Learn to live on less in the future or save more money today.

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Retirement Risk #3: The Volatility Resulting from the Randomness of the Markets

The Issue: No One can Predict the Future

The only certainty about investments is that their performance is random and unpredictable. While there is a mathematical relationship between the ups and downs of different investment categories, it is virtually impossible to predict which category will go up, when it'll go up, and how far up it'll go.

Yes, from time to time some investors get lucky and make the right moves at the right time.

However, no one can "predict" the market with any degree of consistent long-term success. Think about it for a moment, if someone could predict winners with a level of certainty (whether it's a stock, a pony, or the lotto) *why would they tell anyone?*

The Quilt Chart below illustrates the random and unpredictable nature of the markets.

Each colored box represents a different investment category. They are sorted for each year from 2004-2020 from the worst performing category on the bottom to the best on the top.

The secret all seasoned investors know is that the pattern is random and what happens one year does not help predict what's going to happen in the following year.

If you're wondering about the black square in the middle of the pack, it's a basic 60% stock - 40% bond portfolio.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
33.8	34.5	38.6	39.8	8.5	79.0	29.1	10.7	23.7	43.3	22.8	5.7	31.7	37.8	5.7	36.4	38.5
26.0	21.4	32.6	17.1	5.2	42.1	24.5	7.8	18.6	34.5	13.5	3.3	17.3	30.2	2.2	28.5	34.6
22.2	17.1	27.2	16.2	5.1	37.2	23.4	5.8	18.1	33.5	13.0	1.5	11.8	27.8	1.3	26.5	18.7
21.4	10.4	23.5	11.8	-2.5	34.5	19.2	4.3	17.5	32.5	9.1	1.1	11.6	22.2	0.9	24.5	13.0
16.5	8.0	22.2	7.8	-25.0	33.7	16.8	2.6	17.4	15.8	6.0	0.6	11.3	14.9	0.0	22.4	11.1
14.3	7.0	14.2	7.4	-28.9	27.0	16.7	1.7	15.3	15.3	5.6	0.5	9.3	13.7	-1.5	22.1	7.5
13.3	5.3	13.3	7.0	-35.6	20.6	15.5	0.4	14.6	2.8	5.4	-0.7	7.1	8.6	-4.8	19.7	6.4
9.1	4.7	9.1	7.0	-36.8	19.7	14.7	-0.2	13.0	0.3	4.6	-1.4	6.9	7.8	-8.3	18.9	5.2
6.3	4.2	4.8	6.6	-38.4	18.9	11.6	-2.9	6.8	-0.9	4.2	-3.8	5.0	5.4	-9.3	8.7	5.1
4.5	3.7	4.3	3.4	-38.5	12.9	6.5	-5.5	4.2	-2.0	3.1	-5.3	2.6	3.5	-11.2	7.7	4.6
4.3	3.5	4.1	-0.2	-45.0	5.9	5.9	-13.3	3.9	-2.3	-1.8	-7.5	2.1	2.1	-12.9	7.5	2.8
4.1	2.4	3.6	-9.8	-45.2	5.2	3.3	-13.3	3.8	-2.6	-3.4	-14.6	2.1	1.7	-13.8	6.8	-3.1
3.0	1.6	2.1	-11.1	-53.2	2.4	2.4	-18.2	-1.1	-9.5	-17.0	-24.7	0.2	1.6	-14.2	5.4	-8.1

Despite the ample evidence that it doesn't work, some people still try to "time the market". Unfortunately, those that play this guessing game end up paying a steep price.

The table to the right illustrates the risk of trying to time the market. Missing only a few days of strong returns can have a drastic impact on performance.

Someone who invested $1,000 in the S&P 500 on Jan 1, 1990, and left it alone throughout all the ups and downs, would have $26,322 by Dec 31, 2021.

But if they had tried to time the market and missed just the best 5 days of performance because they were in cash on those days, they'd only have $16,625.

Growth of $1,000 Invested in the S&P500
from Jan. 1, 1990 through Dec. 31, 2021

Time in the Market vs Timing the Market	Account Value Dec. 2021
Investor who was remained in the S&P500 the entire time	$26,322
Missed the best 1 day out of 32 years	$23,590
Missed the best 5 days out of 32 years	$16,625
Missed the best 15 days out of 32 years	$9,113

The missed best day(s) examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best day(s), held cash for the missed best day(s), and reinvested the entire portfolio in the S&P 500 at the end of the missed best day(s).

That's $9,697 less than if they'd remained invested in the S&P 500 the whole time.

Four Reasons the 401(k) is Your Best Option for Retirement Savings

Saving through payroll deduction into your employer's 401(k) plan allows you to take advantage of low-cost institutional prices and special tax rules. Being part of a group also gives you access to portfolio management and advisory services not normally available to retail investors just starting out or who have small account balances.

#1: Institutional Pricing and Fee Structure

Benefit: Lower Fees Lead to Better Investment Performance

Every mutual fund has an expense ratio ("internal fee") to cover the costs of operating the fund. This internal fee is listed in the fund's prospectus and fact sheet. However, it is not directly charged to the person investing in that mutual fund. Instead, the expense ratio is deducted from the fund's performance before it is reported to investors.

Most mutual funds also have multiple versions ("share classes") of the same fund to support different marketing strategies. The only difference between these share classes in that each of them has a different expense ratio.

The table below demonstrates the direct impact a fund's expense ratio has by comparing the performance of two different share classes of the Vanguard Total Stock Market Index Fund.

Vanguard Total Stock Market Index Fund

	Institutional Share Class		Retail Share Class
Ticker	VTSAX	Difference in Internal Fee	VTSMX
Internal Fee	0.04%	0.10%	0.14%
	Difference in the Performance Reported to Investors		
1yr Return	20.37%	0.07%	20.24%
3yr Return	9.24%	0.11%	9.13%
5yr Return	9.05%	0.11%	8.94%

Annualized Performance and Fees as of September 30, 2023 (Morningstar)

Financial Freedom House monitors the investment options in the 401(k) plan to make sure they are the lowest cost share class that's available.

In addition, your personal account in the 401(k) is part of a Plan that's able to leverage its much larger size to get institutional/volume pricing. This generally results in you benefiting from a lower fee structure for account management and advisory services compared to investing through a bank or financial advisor as a retail client.

#2: Pre-tax Savings

Benefit: Reduces Income Taxes Today

A key feature of a 401(k) plan is that the money you save comes out of your paycheck *before* taxes. For most people this means that the reduction in take-home-pay is lower than the amount going into the 401(k).

A Real-World Example of Pre-Tax Savings

Putting \$100 into the 401(k)) means you get to keep ~\$22 you would have otherwise paid the IRS.
(Assumes you're in the 22% marginal federal tax bracket)

This means that saving \$100 into the 401(k) will only reduce your take home pay by ~\$88.

An additional benefit to you of pre-tax savings is that you get to earn interest and make money on those tax dollars you would have otherwise paid to Uncle Sam.

#3: Tax Deferred Growth

Benefit: Boosts the Future Value of Your Account

In addition to reducing income taxes today, the money that is in your 401(k) account grows tax-free. If you roll your 401(k) over to an IRA when you move to a new employer or retire, you preserve the tax-free growth. While you are still working you will earn interest on your interest, without having a bite taken out of your growth each year for taxes. This allows your account grow bigger and faster, just like a snowball rolling downhill.

The Benefit of Tax Deferral Over 25 Years – a Comparison of Pre-Tax vs After-Tax Savings

Assume you save $30 per week for 25 years and earn a 6.5% per year annualized return over the next 25 years. Also assume you're in the 22% marginal federal tax bracket.

If you saved money in the 401(k) and deferred taxes on your earnings, it'd be worth $97,758

If you saved outside the 401(k) and paid taxes on your earnings each year, it'd only be worth $78,454

The 6.5% rate is for illustrative purposes only and is not representative of any particular investment; actual results can vary significantly. This illustration does not take into account the effects of inflation, timing of cash flows, or fluctuation in principal or taxes

By saving into the 401(k), you'll have $19,304 more set aside for retirement because you deferred taxes on your savings and investments.

You will eventually pay taxes on it when you cash-out or withdraw your money, but you only pay taxes on the portion you withdraw not the full account balance.

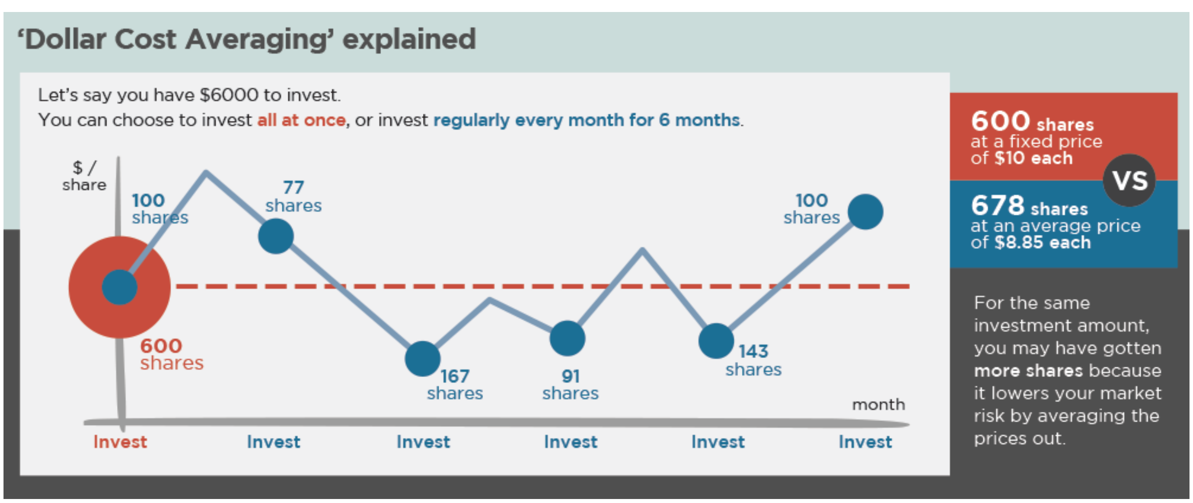
#4: Systematic Investment Each Paycheck

Benefit: Smooths Out Volatility and Improves Performance

Contributions to your 401(k) account are made every payday. This means you're taking advantage of an investment strategy known as "dollar-cost-averaging".

The benefit of dollar-cost-averaging is that as the market goes through its inevitable ups and downs, you automatically buy more shares of the investments when they are at a low share price ("on sale") and fewer shares when those investments are selling at a high share price.

Not only does dollar-cost-averaging minimize volatility, but it usually results in higher account values over time.



How Much Should You Save

The seemingly obvious answer is to save as much as you can. Many financial planners recommend you target saving 10% of your pay.

Deciding how much to save into your 401(k) for retirement is a balancing act. While the need to save for the future is undeniable, you still have bills to pay and a life to live.

It is counterproductive to save a lot into the 401(k) and make yourself "cash poor". We recommend that you begin by saving an amount you know you can tolerate. And then as time goes on increase the amount you're saving by small and manageable increments.

We recommend you start at 2%-5% and then increase it by 1% per year.

Salary deferral elections are done as a percent of pay (not a flat dollar amount). If you have a dollar amount in mind that you want to save out of each paycheck, use the following table as a guide.

Actual Dollars Saved Each Pay Day at Different Levels of Income and Percent Saved

Percent Elected to Withhold from Your Pay	$500 Paycheck Dollars Withheld and Deposited into the 401(k)	$1,000 Paycheck Dollars Withheld and Deposited into the 401(k)	$2,000 Paycheck Dollars Withheld and Deposited into the 401(k)
1%	$5	$10	$20
5%	$25	$50	$100
10%	$50	$100	$200
15%	$75	$150	$300
20%	$100	$200	$400

How Much Could You Have at Retirement

The key to accumulating a lot of money for retirement is to start saving as soon as you can and then remain invested throughout the inevitable ups and downs of the market. In other words, *"Ignore the Noise"* in the market.

Or as the saying goes, *"Time in the market is more important than timing the market".*

Potential Value at Different Levels of Weekly Savings

Amount Saved Each Week	5 Years	10 Years	20 Years
$20	$6,148	$14,655	$42,714
$40	$12,295	$29,309	$85,429
$60	$18,443	$43,964	$128,143
$80	$24,591	$58,618	$170,858
$100	$30,738	$73,273	$213,572

The 6.5% annual rate of return is for illustrative purposes only and is not representative of any particular investment; actual results can vary significantly. This illustration does not account for inflation, fluctuation in principal or taxes.

How is the Money You Save Invested

Mutual Funds are the Backbone of the 401(k)

A mutual fund is basically a purchasing group for stocks and bonds. The fund takes the money people have invested and the money manager invests in a specific category such as the stock of large US companies or international companies, or bonds issued by governments or corporations. *(see example below)*

Mutual funds provide greater diversification and protection than investing in an individual stock or bond. This is because your money is spread over all the stocks or bonds which that mutual fund owns.

An analogy is that a mutual fund is like an elevator with 500 cables holding it up while an individual stock is like an elevator with just one cable. *Which elevator would you feel safer riding in?*

Looking Inside a Mutual Fund

[A] This mutual fund has over $700 billion in it and invests mainly in the stock of large companies.

[B] The $736 billion in the mutual fund is invested in the stocks of over 3,546 companies.

[C] These companies represent all the sectors of the US economy.

[D] The top holdings of the fund include a lot of names you know.

When you invest in a mutual fund, your money is spread over all the stocks and bond in the fund.

Vanguard Total Stock Market Index Fund Admiral Shares VTSAX

NAV / 1-Day Return	Total Assets [A]	Adj. Expense Ratio	Expense Ratio
60.05 / -1.65%	736.7 Bil	0.040%	0.040%
Category	**Investment Style**	**Minimum Initial Investment**	**Status**
US Fund Large Blend	Large Blend	3,000	Open

Current Portfolio Date	[B] Equity Holdings
Feb 29, 2020	3,546

[C]

	Sectors	Fund %
Cyclical	Basic Materials	2.30
	Consumer Cyclical	10.14
	Financial Services	14.95
	Real Estate	4.46
Sensitive	Communication Services	9.83
	Energy	3.31
	Industrials	9.88
	Technology	20.63
Defensive	Consumer Defensive	6.90
	Healthcare	14.24
	Utilities	3.36

[D]

Holdings	% Portfolio Weight
Microsoft Corp	4.22
Apple Inc	3.73
Amazon.com Inc	2.71
Facebook Inc A	1.58
Alphabet Inc A	1.37
Alphabet Inc Class C	1.33
Berkshire Hathaway Inc B	1.33
Johnson & Johnson	1.20
JPMorgan Chase & Co	1.14
Visa Inc Class A	1.06
Procter & Gamble Co	0.96
Mastercard Inc A	0.89
AT&T Inc	0.88

Mutual Funds Included in the Plan

The table below is a list of all the mutual funds available to you in the 401(k) plan.

They are selected to cover all the main investment categories and focus on a specific asset class. The target retirement date funds are "one-stop" funds that uses multiple asset classes to build a portfolio focused on an expected year of retirement.

To assure quality, they are screened each quarter using a formal due diligence process made up of 12 clearly defined criteria and thresholds. This means that the mutual funds in your Plan are among the best performing and lowest cost investments available in the marketplace. And if they drop in quality, they will be replaced.

Name of Fund	Ticker Symbol	# Holdings in Fund	Net Expense Ratio	Peer Group Asset Class
Cash				
Vanguard Cash Reserves Federal Money Market	VMRXX	-	0.10%	Cash Equivalent
Fixed Income (Bonds)				
TIAA-CREF Core Bond Instl	TIBDX	1939	0.29%	Core Bonds – Broad Market
Vanguard Short Term Federal Adm	VSGDX	159	0.10%	Short Term Gov't Bonds
DFA Intermediate Govt Fixed-Income I	DFIGX	88	0.11%	Inter Term Gov't Bond
Vanguard GNMA Adm	VFIJX	13,052	0.11%	Mortgage Backed Bond
Vanguard High-Yield Corporate Adm	VWEAX	787	0.13%	High Yield Bond
Vanguard Total International Bond Index Adm	VTABX	7,047	0.11%	International Bond
Domestic Equity (US Stocks)				
Vanguard Total Stock Mkt Index Adm	VTSAX	3,833	0.04%	Core Equity – Broad Market
Vanguard 500 Index Adm	VFIAX	507	0.04%	Large Cap Blend Equity
TIAA_CREF Large Cap Value Index	TILVX	845	0.05%	Large Cap Value Equity
TIAA-CREF Large-Cap Gr Index	TILIX	442	0.05%	Large Cap Growth Equity
Vanguard Mid Cap Index Adm	VIMAX	340	0.05%	Mid-Cap Blend Equity
Vanguard US Small Cap Value Index Adm	VSIAX	853	0.07%	Small Cap Value Equity
Baron Discovery Institutional	BDFIX	59	1.06%	Small Cap Growth Equity
International Equity (Non-US Stocks)				
Vanguard Total Intl Stock Market Index Adm	VTIAX	7,911	0.11%	Core International Equity
Virtus KAR Int'l Small Cap Equity	VRISX	42	1.08%	Int'l Small – Mid Cap Equity
DFA Emerging Markets Core	DFCEX	6,739	0.40%	Emerging Market Equity
Alternative Equity (Stocks)				
DFA Global Real Estate Securities	DFGEX	137	0.22%	Real Estate
DFA Commodity Strategy	DCMSX	181	0.30%	Commodities

Holdings and expense ratio as of September 30, 2023

Professionally Managed Portfolios

The key to designing an investment portfolio is to first determine your risk tolerance and goals. Then you need to assemble an optimal blend of various types of stocks and bonds in a way that minimizes volatility for the long-term rate of return you are targeting. Stocks generally offer greater opportunity for growth over the long term but do have higher volatility than bonds, which offer greater opportunity for income and stability.

While you are free to design your own portfolio, Financial Freedom House has built five Managed Portfolios that are included as individual investment options in the 401(k) Plan. This takes the stress of making investment decisions and the burden of having to monitor your account off your shoulders.

The overall mix and specific investments that make up each of the Managed Portfolios available are described in detail in the table below. They are designed to fit a wide range of risk-reward profiles for investors with different goals.

There is no extra charge if you choose one of these Professionally Managed Portfolios.

Managed Portfolios

Lower Potential Return
Lower Volatility ⟺ Higher Potential Return
Higher Volatility

This Table Shows the Asset Allocation of Each Model	Conservative	Moderate Conservative	Moderate	Moderate Aggressive	Aggressive
Fixed Income (Bonds)	65%	50%	35%	20%	10%
Domestic Equity (Stocks)	25%	30%	40%	50%	50%
International Equity (Stocks)	5%	10%	15%	20%	30%
Alternative Equity (Stocks)	5%	10%	10%	10%	10%
	35% Stocks | 65% Bonds	50% Stocks | 50% Bonds	65% Stocks | 35% Bonds	80% Stocks | 20% Bonds	90% Stocks | 10% Bonds

	This Table Details How Each Portfolio is Invested	Conservative	Moderate Conservative	Moderate	Moderate Aggressive	Aggressive
Fixed Income	TIAA-CREF Bond Instl	25%	30%	15%	10%	10%
Fixed Income	Vanguard Short Term Federal Adm	8%	4%	4%	2%	-
Fixed Income	DFA Intermediate Govt Fixed Inc	8%	4%	4%	2%	-
Fixed Income	Vanguard GNMA Adm	8%	4%	4%	2%	-
Fixed Income	Vanguard High-Yield Corporate Adm	8%	4%	4%	2%	-
Fixed Income	Vanguard Total International Bond Index Adm	8%	4%	4%	2%	-
Domestic Equity	Vanguard Total Stock Mkt Idx Adm	13%	12%	16%	20%	20%
Domestic Equity	Vanguard 500 Index Adm	2%	3%	4%	5%	5%
Domestic Equity	TIAA_CREF Large Cap Value Idx Instl	2%	3%	4%	5%	5%
Domestic Equity	TIAA-CREF Large-Cap Gr Idx Instl	2%	3%	4%	5%	5%
Domestic Equity	Vanguard Mid Cap Index Adm	2%	3%	4%	5%	5%
Domestic Equity	Vanguard US Small Cap Value Index Adm	2%	3%	4%	5%	5%
Domestic Equity	Baron Discovery Institutional	2%	3%	4%	5%	5%
Intl	Vanguard Total Intl Stock Market Index	5%	5%	5%	7%	10%
Intl	Virtus KAR Int'l Small Cap Equity	-	5%	5%	7%	10%
Intl	DFA Emerging Markets Core I	-	-	5%	6%	10%
Alt	DFA Global Real Estate Securities	2.5%	5%	5%	5%	5%
Alt	DFA Commodity Strategy I	2.5%	5%	5%	5%	5%

Potential Annual Return of Each Portfolio Over 5-Years Returns were generated using Monte Carlo Simulation, a multiple probability mathematical analysis that features 2,000 random iterations	Conservative	Moderate Conservative	Moderate	Moderate Aggressive	Aggressive
75th Percentile of Potential Returns	9.8%	10.3%	11.9%	13.0%	13.2%
50th Percentile of Potential Returns	7.6%	7.6%	8.4%	8.9%	8.8%
25th Percentile of Potential Returns	5.4%	4.9%	5.0%	4.9%	4.2%
Range of Returns between 25th & 75th Percentiles	4.4%	5.4%	6.9%	8.1%	9.0%

Simulated future return statistics were generated 10/26/2023 using Morningstar Direct and are reported on a before-fee basis

How to Protect Your Money So You Can Achieve Your Goals

Strategy #1: Start Saving as Soon as Possible

Albert Einstein once said that the most powerful force in the universe is the power of compounding interest. That's the ability to earn interest on your interest, and then earn interest on that interest, year in and year out.

The secret to accumulating a large balance in your retirement account is to start saving as early as you can and then allow compounding interest and the impact of tax deferral to work for you over a long period of time.

Starting Early is More Important than Saving a Lot

The math behind compounding interest demonstrates that starting to save a small amount today is more important than waiting to save larger amounts later in life. It's also a matter of establishing a "savings habit" early on. If you wait, you may not be able to save those larger amounts you told yourself that you would.

Check out the example below.

A Real-World Example of Compounding Interest and the Benefit of Time

Comparing Liz's and Mark's Approach to Saving for Retirement

- Liz and Mark are both 24 years old.
- Liz joins the 401(k) right away and starts saving **$30 per week for 15 years**.
  She stops saving at age 39.
- Mark waits 10 years until he is age 34 to start saving.
  He then starts saving **$30 per week for 31 years** until he retires at age 65.
- Let's assume that both Liz and Mark are moderate investors and earn an annualized rate of return equal to 6.5% per year on the investments in their 401(k).

Here's what happened…	Liz	Mark
How much they saved	$23,400 [$30/wk x 52 x 15 years]	$48,360 [$30/wk x 52 x 31 years]
Account value at age 65	$203,548	$155,791

Just by starting early, **Liz will have $47,757 more in her account at age 65 than will Mark even though she saved $24,960 less than Mark did**.

If Liz had continued saving until age 65, **she'd have $320,257 more money than Mark.**

But regardless of your age, it's never too late to start. Remember, your retirement is your responsibility.

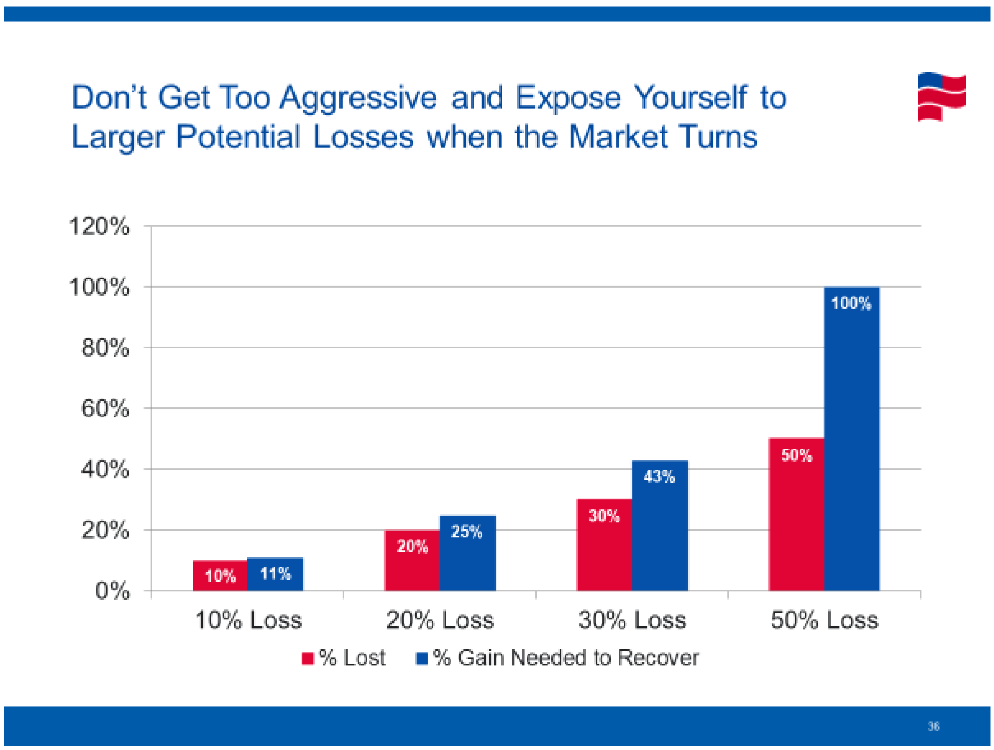
Strategy #2: Don't Be Greedy and Get Too Aggressive

Because of the way investing is portrayed in the movies and talked about on cable TV, many people aren't always aware that trying to hit "home runs" carries the risk of big losses that could permanently harm your retirement nest egg.

This graphic illustrates that if you get too aggressive during the good times and sustain a 50% loss in your portfolio when the market is doing poorly you have to earn a 100% return just to break even!

However, if you lose only 10% in the bad times you only need to earn 11% to get back even.

Just like the tortoise and the hare, slow and steady not only wins the race but it's a lot less stressful.

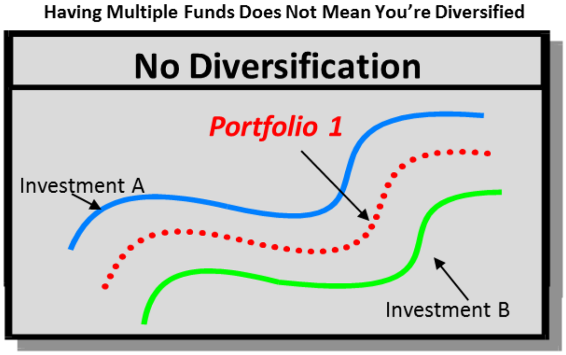


Strategy #3: Diversify Your Account

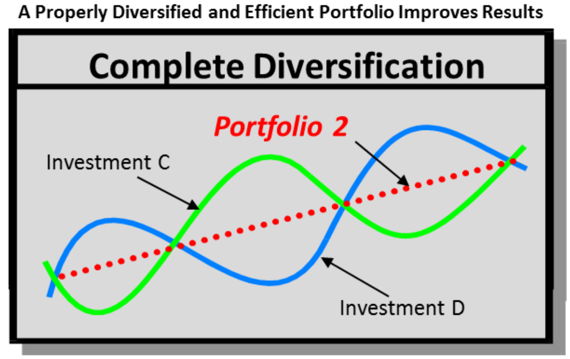
Diversification works by selecting investments that move in opposite cycles. It blends them together so that the ups and downs of the various investments in your account balance each other out.

This is the same evidence-based approach to investing that's used by pension funds and institutional investors to manage investment volatility and avoid the peaks and valleys of the market. The Professionally Managed Model Portfolios in this plan follow this approach.

Having Multiple Funds Does Not Mean You're Diversified



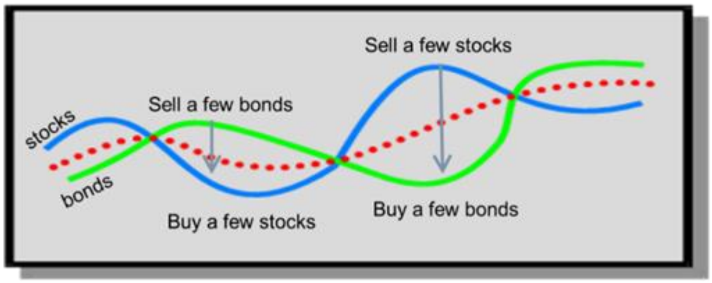
A Properly Diversified and Efficient Portfolio Improves Results



Strategy #4: Periodically Rebalance Your Account

Rebalancing your account back to the original mix ("allocation") takes the gains from those investments that have increased in value and uses the profits to buy more shares of those that have gone down.

This process uses market volatility to your advantage while keeping your risk-reward profile on target.



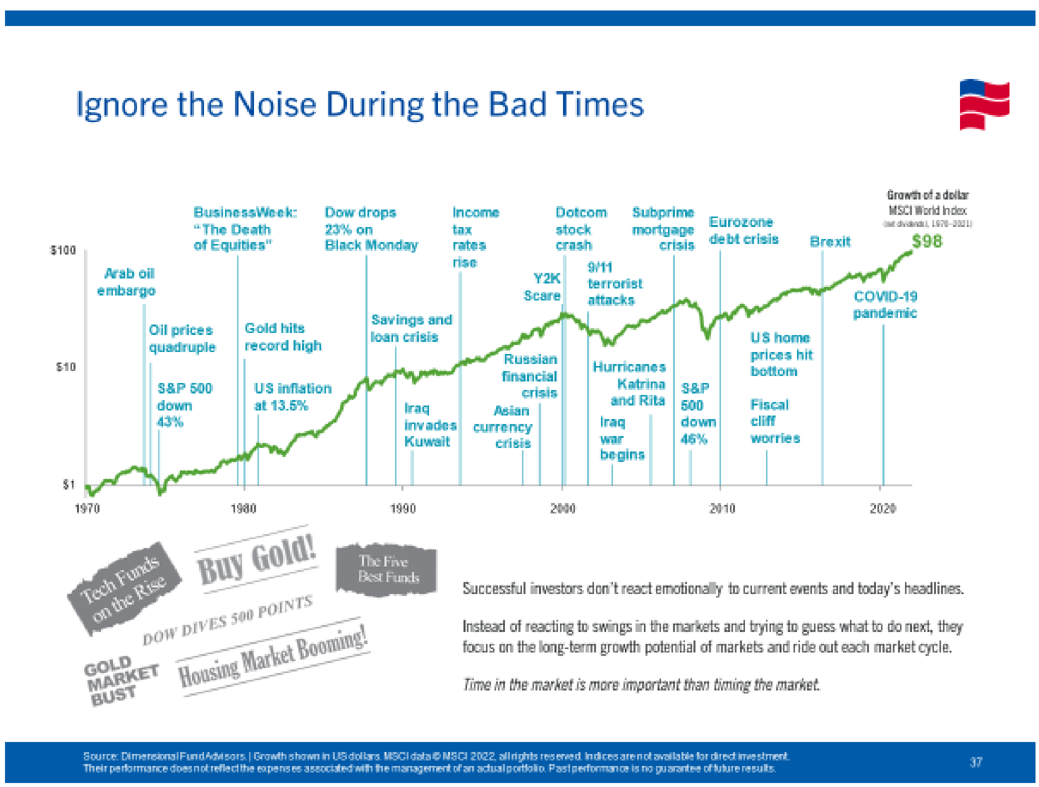
If you use one of the Professionally Managed Model Portfolios (Pathway 1 on your Enrollment Form), Financial Freedom House will diversify, monitor, and rebalance your account.

Strategy #5: Ignore the Headlines and Do Not Panic

From time-to-time, bad things happen that cause the market to drop and your investments to decline in value.

The reality is that bad things have always happened, and they will continue to happen again and again over time. Although the events are always different, the story line is basically the same.

The secret to dealing with these sharp downturns in the market is to first make sure that you have a properly designed portfolio and then maintain discipline with your asset allocation and let the market bring you back up.



A well-diversified account with a long-term focus will enable you to weather the crisis of the moment.

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