Up FRONT
135 million+
Number of Americans in 2015 who said they hadn’t had a vacation in the previous 12 months, up from 126 million in 2014
Source: Los Angeles Times, August 13, 2015

Quick VIEW
TAX REFUNDS
The average refund for individual income tax returns during the 2015 filing season was $2,785. Here are some ways in which taxpayers planned to use their refunds.

- 31% Save
- 28% Reduce debt
- 18% Buy a necessity
- 12% Buy a treat
- 6% Invest
- 1% Contribute to charity

Sources: Internal Revenue Service, 2015 (filing season 1/30/2015 to 11/20/2015); Georgetown University, 2015

FAST FACTS
Equal Pay Day is April 12, 2016. This day represents how far into the year the average woman must work in order to equal the earnings of the average man in the previous year. In the third quarter of 2015, the median weekly full-time earnings for women was $721, which is 81.1% of the $889 median for men.

*Securities and Investment Advisory Services offered through MML Investors Services LLC., Supervisory office: 48 South Service Road, Suite 400, Melville, NY 11747. (516) 391-0300.
MANAGING YOUR 401(k)

More than 73 million Americans actively participate in employer-sponsored defined-contribution plans such as 401(k), 403(b), and 457 plans.\(^1\) If you are among this group, you've taken a big step on the road to retirement, but as with all investing, it's important to understand your plan and what it can do for you. Here are a few ways to make the most of this workplace benefit.

**Take the free money.** Many companies match a percentage of employee contributions, so you may want to save enough to receive a full company match and any available profit sharing. Some workplace plans have a vesting policy requiring that workers be employed by the company for a certain period of time before they can keep the matching funds. If this applies to you, consider the effect of this policy when deciding whether to leave your current employer.

**Bump up your contributions.** Saving at least 10% to 15% of your salary for retirement (including any matching funds) is a typical guideline, but your personal target could be more or less depending on your income and expenses. A traditional 401(k) plan enables you to defer income taxes on the money you save for retirement, which could enable you to save more. In 2016, the maximum employee contribution to a 401(k) plan is $18,000 ($24,000 for those 50 and older).

**Rebalance periodically.** Your asset allocation — the percentage of your portfolio dedicated to certain types of investments — should generally be based on your risk tolerance and planned retirement timeline. But the allocation of your investments can drift over time due to market performance. Rebalancing returns a portfolio to its original risk profile. Consider reviewing your portfolio at least annually. Some workplace plans may offer automatic rebalancing. Asset allocation does not guarantee a profit or protect against investment loss; it is a method used to help manage investment risk.

**Know your investments.** Examine your investment options and choose according to your personal situation; some employer-sponsored plans may automatically enroll new employees in default investments. Many plans have a limited number of options that may not suit all of your needs and objectives, so you might want to invest additional funds outside of your workplace plan. If you do, look at the risk and balance of your whole portfolio, including investments inside and outside your plan.

**Keep your portfolio working.** Some 401(k) plans allow you to borrow from your account. It is generally wise not to use this option. But if you must do so, try to pay back your loan as soon as possible to give your investments the potential to grow.

All investments are subject to market fluctuation, risk, and loss of principal. When sold, investments may be worth more or less than their original cost. Distributions from employer-sponsored retirement plans are generally taxed as ordinary income. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty.

1) American Benefits Council, 2014

**Consistency Is Key**

An industry study found that year-end 401(k) balances tended to follow the ups and downs of the stock market during the period from 2007 through 2013. At the end of 2013, however, the average balance for consistent plan participants was more than double the average balance for all participants, despite the negative effect of the recession.

![Graph showing 401(k) balances from 2007 to 2013](image)

*Consistent 401(k) participants were those with a balance at the end of each year.

Source: Investment Company Institute, 2015
Funds That Might Offer a SMOOTHER RIDE

On August 24, 2015, the Dow Jones Industrial Average dropped more than 1,000 points in the first 10 minutes of trading, only to regain most of the losses over the next few hours and then drop again, ending the day down 588 points. This was an extreme example, but 2015 was a highly volatile year for the U.S. stock market, with plenty of ups and downs to make investors nervous.

If you have a long-term investment horizon, you may be better off tuning out market volatility and taking a more aggressive investment approach. However, if you are nearing retirement or just have a more conservative risk tolerance, holding low-volatility stocks or funds might enable you to allocate a larger percentage of your portfolio to equities while maintaining an acceptable risk level.

RISK AND VOLATILITY

All stocks are volatile to some degree, but the potential for price swings is a risk that investors accept when pursuing higher returns. Even so, some stocks tend to be less volatile than others. A stock's volatility is typically measured by its beta, with the market as a whole considered to have a beta of 1.0. A beta higher than 1.0 means the investment has been more volatile than the market, whereas a beta below 1.0 indicates it has been less volatile.

For example, a beta of 0.8 means that the investment has been about 80% as volatile as the market. In theory, such an investment might experience only 80% of market gains during an upswing and only 80% of losses during a downswing — and thus would have less ground to gain when the market turns upward again. Academic research suggests that low- and mid-volatility stocks have the potential to outperform higher-volatility stocks across a broad range of market conditions.

MORE STABLE FUNDS

Over the last few years, investment companies have offered a growing number of mutual funds and exchange-traded funds (ETFs) that focus on low-beta stocks and other strategies that may help maintain price stability. These funds typically have the terms “minimum volatility” or “low volatility” in their names. Such funds vary widely in their objectives and strategies, and there is no guarantee that minimum- or low-volatility funds will maintain a more conservative level of risk, especially during extreme market conditions.

Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. The principal value of all stocks, mutual funds, and ETFs will fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Supply and demand for ETF shares may cause them to trade at a premium or a discount relative to the value of the underlying shares.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) CNNMoney, August 24, 2015
Expressing Your Wishes in Advance

It's not pleasant to think about the possibility of being unable to make your own medical or financial decisions. That may explain why many people don't take the time to draw up appropriate documents expressing their wishes.

Regardless of your age or health, it's better to prepare now — and hope you never need advance directives — than to force your loved ones to make difficult choices without knowing your wishes. Here are some documents to consider. Be sure to consult with an attorney who is familiar with the laws of your state.

**Durable power of attorney for health care (also called a health-care proxy).** This health directive enables you to appoint a representative who would make medical decisions for you in the event you are unable to make them yourself. You can appoint anyone of legal age (usually 18 or older) and specify how much power your agent will have. A health directive should be HIPAA compliant so your representative can access your private medical information.

**Living will.** You can use this document to outline which medical procedures you would want to be used to prolong your life. Some states do not recognize living wills, but you may still want one as a way to document your wishes.

**Durable power of attorney for finances.** A DPOA enables you to authorize someone to act on your behalf in financial and legal matters. The person you designate as your agent could pay everyday expenses, watch over your investments, and file taxes, among other tasks. A DPOA may become effective immediately or when a triggering event occurs, such as a doctor certifying that you are physically or mentally incapacitated.

You can select the same person to serve as the agent for your health-care and financial powers of attorney, but you aren't compelled to do so. Be sure to discuss your wishes with the person you select and let him or her know where you keep the documents. Consider giving copies to your representative, your doctor, and key family members, and review these documents regularly to make sure they continue to express your wishes.

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Would you like to discuss how your portfolio might perform under a range of market conditions? Call to make an appointment for a comprehensive review.

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Anthony T. Borelli