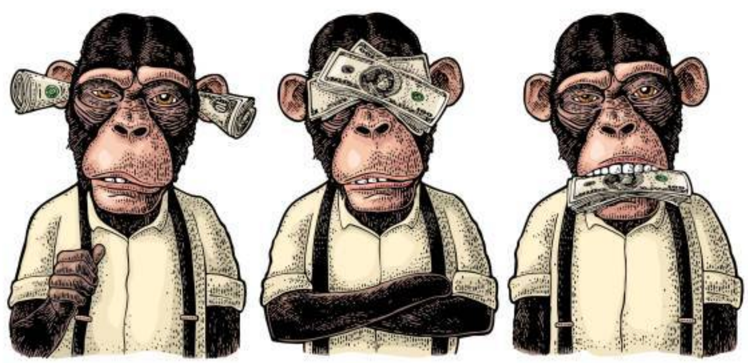
Prizant Group

RETIREMENT PLANS THAT "CLEARLY" WORK FOR YOU.

Prizant Group



THROW A MONKEY WRENCH INTO THE WORKS: To disrupt, foil, or cause problems to a plan, activity, or project.

Monkey Wrench in the Works

Sabotage an operation or plan. The monkey wrench, called an "adjustable spanner" in Britain, appears to have reminded someone of a monkey's jaws, which loosely resemble the sliding jaws of this very useful tool. This name was acquired about the middle of the nineteenth century. It was not until the early twentieth century that it became associated with sabotage. This suggestion first appeared in print in 1920 in Philander Johnson's story, Shooting Stars: "Don't throw a monkey-wrench into the machinery!" The locution not only caught on in America but was adopted in Britain as well, although in the form of throw a spanner in the works.

Planet of the Apes

Monkey Business

The unprovoked invasion of the sovereign country of Ukraine by Russia (a.k.a the proverbial "Monkey Wrench") was the last thing a world economy needed after the economic shock of the COVID-19 pandemic. Besides the loss of life, destruction of property and the refugee status of millions of Ukrainian citizens; the financial reverberations will reach every corner of the world. Russia and Ukraine are major suppliers of oil, natural gas, wheat/barley/rye, copper, nickel, chemical products, machinery, and neon. The transportation sector is effected via "No-fly Zones," and rerouting train/truck/ship traffic to avoid the conflict zone. Likewise, the flow of capital is being cut-off by the European Union countries and the United States. Everyday currency transactions involving the two countries have been severely limited and access to foreign reserves. Putin quietly has amassed $631 Billion in reserve currency to cushion the blow of the "expected" sanctions. All this financial maneuvering will further entangled the world economies. Russian Foreign Reserves What will happen to the Russian Oligarchs and their ill-gotten gains will be interesting to watch. As of 3.3.22, France and Germany had each seized an oligarch's mega yacht and I suspect more of that is coming down the pike. Of course, that will not put a dent into the money of the Russian Oligarchs as it is "stashed" across the globe in every form of tangible/intangible asset known to mankind. My conjecture is like the **"See No Evil, Speak No Evil, Hear No Evil"** monkey cartoon at the top of the missive; the "Sovereignty of a Country" or the "Slaughter of Innocent Women and Children" or "Reducing Kyiv to Rubble" will lose out to the overflowing coffers of Putin's buddies. One does not **"Bite The Hand That Feeds You"** and boy, have them been fed by Comrade Putin!

London NYC
Miami
Invasion

(Source: Tony Robbins)

As retirement plan advisors, we all teach the benefits of **"Asset Allocation."** We show plan participants charts of the continual "sector rotation" and that it is very difficult to time what sector of the equity market will do well in any given year. Alas, after 25 years of "trying" to educate employees on the concept, I admit "**Complete and Utter Failure"**
I "thought" my 5th grade teaching background would enhance my effectiveness in presenting the **"Asset Allocation Theory** " in a digestible and concise way. Once again, **"WRONG OH DOG BREATH!"** I should have expected as much as back in the day when I was masquerading as a 5th grade teacher , my recently graduated 5th graders, would tell their 6th grade math teachers that "**Mr. P NEVER taught us fractions.**") Not one to "throw in the towel" (a nod to the NCAA basketball tournament); I urge you to read the following blog on the **Importance of Asset Allocation.**

Importance of 403(b) Asset Allocation ⚖
MARCH 1, 2022
Guest post by Dr. Barbara O’Neill, CFP®, AFC®

403(b) plans — and 457(b) and 401(k) plans — involve four separate decisions:

Whether (or not) to open an account and voluntarily make pre-tax contributions
What amount, typically a percentage of pay, to save
What vendor to select from among employer-provided options
What type of investments to select from the chosen vendor
Smart 403(b) plan participants select investments using asset allocation, the process of diversifying among different categories of securities called asset classes. Plan contributions are divided proportionately according to asset class weights. For example, 50% stock, 30% bonds, 10% real estate investments, and 10% cash equivalent assets (e.g., money market funds and certificates of deposit).

This post describes a six-step asset allocation process, asset class components, factors to consider when developing an asset allocation strategy, portfolio rebalancing, "need to knows" and research findings about asset allocation, and six take-away action steps.

Why Asset Allocation?
Asset allocation helps reduce volatility (i.e., sharp investment price changes). Investors hope gains in one asset class will offset losses in another. Since nobody knows in advance how investments will perform, asset allocation "hedges bets." The trade-off: diversification generates a lower return compared to a "hot" asset class. Instead, it provides reasonable returns with less volatility and works best over time.

Stock, bonds, and cash equivalents are three "core" asset classes and each one serves a purpose beyond diversification. Stocks provide growth potential for wealth accumulation; bonds, an income stream; and cash equivalents, liquidity and stable value.

Key Factors
There is no "one size fits all" asset allocation. Instead, there are four key factors to consider:

Age — Typically, young investors have a higher stock percentage in their asset allocation than retirees. They have decades to grow their money for retirement and ride out periodic market downturns.
Risk Tolerance — Conservative investors elect less stock to reduce volatility and investment-related stress. This University of Missouri assessment tool is a good measure of investment risk tolerance.
Investment Experience — New investors may increase their stock percentage after investing for a while and better understanding how investments work.

Available Resources — Investors who have accumulated significant sums or have a pension for guaranteed retirement income may elect a higher stock percentage.

Asset Allocation Formula

There is one more factor to consider: a math formula. It is just a guideline, however, and not “one size fits all.” As noted above, age is not the only asset allocation variable.

Conservative Investors: Subtract 100 minus your age for the asset allocation percentage in stock. For example, at age 40, 100 – 40 = 60%.

More Aggressive Investors: Subtract 110 minus your age for the stock percentage. For example, at age 40, 110 – 40 = 70%.

Some experts suggest other formulas, such as 115 or 120 – age for those with a very high risk tolerance.

Six Steps

Are you still wondering how to create a personal asset allocation strategy? Follow this six-step process:

Determine your time horizon until retirement (e.g., 25 years)
Determine your investment risk tolerance
Calculate the asset class mix of your current portfolio
Determine your preferred asset class mix based on factors noted above
Reallocate current investments or invest new money to reach the proper weighting of asset classes
Review and rebalance your portfolio regularly

Portfolio Rebalancing

Once you develop a target asset allocation, remember to periodically review asset class percentages and rebalance your 403(b) plan portfolio, when necessary. Asset weight percentages shift over time due to market fluctuations. Your plan provider may provide asset class weights or you can use a spreadsheet.

Rebalancing means returning to your original asset class weightings by either selling securities in an over-weighted asset class (e.g., stock) or putting new deposits into an under-weighted asset class (e.g., bonds). When rebalancing is done within a tax-deferred 403(b) account, security sales are not a taxable event.

Some 403(b) vendors offer portfolio rebalancing as an optional client service so plan participants can conveniently maintain their asset allocation weights.

Typically, they rebalance on a regular basis (e.g., on a designated date, such as a birthday). Rebalancing services can also be suspended later, if desired.

Research Results

Research, including a classic study from 1986, has shown that asset allocation is a major factor affecting portfolio performance. It is not what specific stock or bond that people invest in that matters the most over time, but, rather, that they have money placed in different asset classes. Many other studies of determinants of investment performance have also been conducted, some with similar results.

Three (More) Things

Consider asset location as well as allocation. This is the use of different types of investment accounts: tax-deferred (e.g., 403(b)s), tax-free (e.g., municipal bonds), and/or taxable (non-retirement accounts). The goal is to achieve tax diversification/efficiency since these accounts are taxed in different ways.

Each year, Callan Associates updates a colorful chart, akin to a patchwork quilt, that shows asset class performance during the past 20 years. The best performing asset class typically changes from year to year. One year's winning asset class can be next year's loser. That is why diversification reduces risk.

For older adults who have saved/invested for decades and accumulated large sums, rebalancing can be tricky. It requires reallocating (e.g., stock fund to bond fund) or depositing larger amounts of new money to maintain asset target weights. Transfers within a 403 (b) account avoid immediate taxation.

Six Smart Strategies

No. 1: Diversify Within Asset Classes — Investments within major asset classes include large, medium, and small company growth and value stocks; foreign stocks from developed and developing (a.k.a., emerging markets) countries; domestic and international bonds; real estate-related investments; and various types of cash equivalent assets.

No. 2: Watch Your Stock Exposure — When the stock market does well over time, stock weightings in a portfolio can rise beyond an investor's target asset allocation and comfort level (e.g. from 50% to 65%). The Wall Street Journal recently noted than many older adults have too much stock exposure and need to "skim profits from their winners."

No. 3: Don't Panic and Market Time — While investors often tweak their target asset allocation weights every decade or so, as they get older, they should, otherwise, stick to a strategy. Trying to "time the market" (i.e., buying and selling securities according to market highs and lows) is generally futile and will undermine an asset allocation plan.

No. 4: Consider a Target Date Fund (TDF) — DFs are mutual funds with a future date in their title (e.g., “Retirement 2050 Fund”). They are sold in five or ten year increments to match investors’ planned retirement date. TDFs select an asset allocation for the target date and automatically adjust it to a more conservative mix as shareholders get older.

No. 5: Focus on What You Can Control — Nobody can control market performance or the return of different asset classes. What they can control is fees paid to open and maintain an investment account. Look for a 403(b) plan vendor with low expenses; e.g., mutual funds with a low expense ratio (i.e., percentage of assets charged for operating expenses).

No. 6: Seek Out Resources — An online search of the words “asset allocation calculator” will provide a number of online tools that ask questions about age, current assets, annual savings, marginal tax rate, expected returns, and risk tolerance level. Try at least three calculators to determine appropriate asset allocation weights.

In Summary
Asset allocation results in a weighted average of portfolio asset classes. As a simple example, if 60% of the portfolio is in stock, 30% in bonds, and 10% in cash equivalents, and the three asset classes earn 8%, 5%, and 2%, respectively, the weighted average return would be 6.5% (.06 x 8% = 4.8 + .03 x 5 = 1.5 + .01 x 2 = .2).

Take the time to determine a good asset allocation mix for your 403(b) and other investments.

This post provides general personal finance information and does not address all the variables that apply to an individual’s unique situation. It should not be construed as legal or financial advice. If professional assistance is required, the services of a competent professional should be sought.

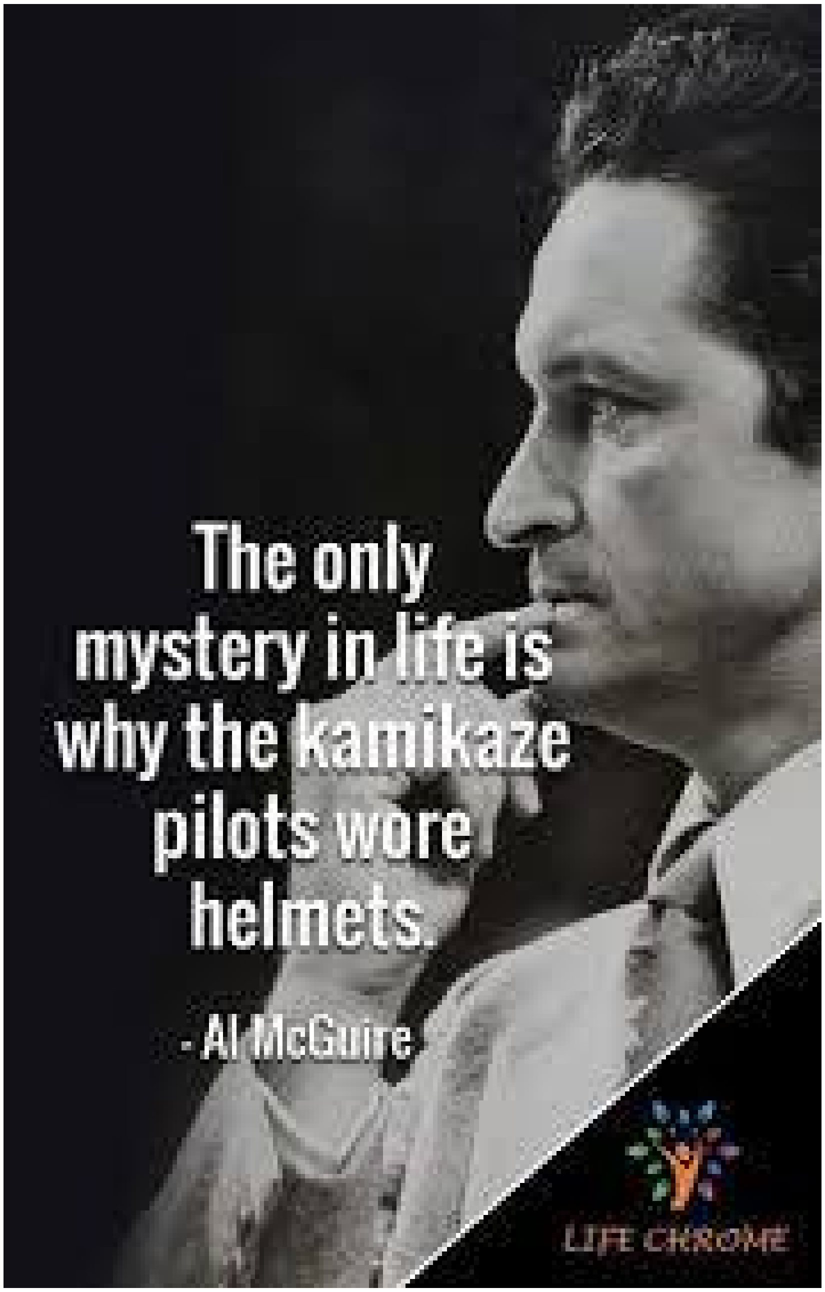
...

Dr. O'Neill is the owner/CEO of Money Talk: Financial Planning Seminars and Publications where she writes, speaks, and reviews content about personal finance. She is a Distinguished Professor Emeritus at Rutgers University and a long-time 403(b) plan participant.

Asset Allocation

Retire at 65?

We, at **The Prizant Group** having lived through the Cuban Missile Crisis, Civil Rights marches and accompanying police violence, Assassination of JFK/RFK/MLK, Urban riots after MLK's death, the Vietnam War, 1968 Democratic Convention and The Chicago Seven, Kent State shootings, Random police vi Oil Crisis/Stagflation of the 1970's, 1987 Stock Market Collapse, the Collapse of the Soviet Union, Booming 90's, Kuwait, 2000 Dot Com Bubble, 9/11, Afghanistan Invasion, Iraq War, 2008 Great Recession, and COVID-19 Pandemic are well versed in the effects of events that can create havoc with your investment psyche. Putin's endgame of recreating the "Tsarist Russia" will assuredly fail and eventually, Ukraine will be free again. In the meantime, the European continent will be volatile on all levels and there will be millions of displaced persons, starving children, severe financial hardship and countless deaths of thousands of Ukrainian citizens/soldiers. We take your retirement plan assets as **"Serious as a Heart Attack,"** and provide the educational tools to assist in your decision making. Before I sign off on this month's missive, it is "March Madness" time and I fondly remember the immortal words of Coach Al McGuire (NCAA Basketball National Champions-Marquette Warriors-1977)



Sanford Prizant (President) The Prizant Group, Ltd.
sanford@prizantgroup.com/847-208-7618
www.prizantgroup.com/@prizantgroup

Call, Email, Twitter, LinkedIn, Carrier Pigeon, Smoke Signals, Naval Flags

Investing involves the risk of loss, including loss of principal. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will be profitable for a client's investment portfolio.