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The Bulldog Bulletin

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How Much Should You Save in Your 401(k) Plan?

How much should you save in your 401(k) plan? As much as you can seems like a pretty good answer. Of course, life isn't that simple. Saving as much as possible is a laudable goal, but it doesn't exactly qualify as planning. To make sure you're on track for retirement, you should have an idea of how much you need to set aside to reach your retirement goal.

Know Your Limits

Before you start coming up with an annual savings target, it's important to understand how much you're allowed to contribute to a 401(k) plan. In 2016, workers younger than 50 can save $18,000 in a 401(k), 403(b), or similar plan, while those age 50 or older can save $24,000 annually, an extra $6,000 per year.

Those contribution limits apply to tax-deductible 401(k) contributions. Some plans may allow you to make after-tax contributions above and beyond that amount. The total limit on contributions (a combination of what you save and what your employer contributes on your behalf) is $53,000 annually for individuals under 50 and $59,000 annually for those age 50 or older.

Contribution limits often go up slightly every year (they increased from $17,500 in 2014 to $18,000 in 2015); so if you're an aggressive saver, you'll also want to adjust accordingly.

At a Minimum, Get Your Match

The first rule of 401(k) plans is to save enough to get your full

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To Sell or Not to Sell?

To buy or not to buy? To sell or not to sell? Those are perhaps two of the most difficult questions that an investor will ever face.

Knowing when to buy and sell securities is tough, and trying to choose the perfect moment to get in and out of the market is very difficult for individual investors. Fortunately, there are some rough guidelines you can use to make your buying and selling decisions.

We have outlined some tips below.

When to Sell

You made a mistake in buying the stock. No, we don't mean you suddenly regret the purchase. But if you did your research, chose your stock, and then realized there was some error in your analysis, it might be right to sell.

When a stock no longer fits in your portfolio. Your portfolio will evolve as your needs and investing goals change. As that happens, a certain stock may no longer be a good fit. Perhaps you hold shares of a more volatile stock or your portfolio has become overweighted in stocks in emerging markets or the technology sector. At that point, you might want to sell some of your holdings to get your portfolio back on track.

When the business has changed fundamentally. If you bought stock in a company that did one thing and now it suddenly does something completely different, that *might* be a good reason to sell. Ditto if something else has changed dramatically. (For example, the company's core product turns out to be dangerous, or the entire industry is facing big challenges) Basically, if the fundamental reasons you bought the stock no longer apply, it may be time to rethink your investment.

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How Much?

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employer match. You've probably heard it before, but not contributing enough to get your employer's matching contributions is like leaving free money on the table. Even if you're not impressed with your company's 401(k) plan and would prefer to save in some other way, it still makes sense to at least get that match.

How Much Do I Really Need?

So you know how much the government will let you save and that you should be contributing enough to get your employer match. But how much should you be setting aside to prepare yourself for a comfortable retirement? That's the ultimate question.

Unfortunately, there's no magic number, because every individual situation is different. People have different tolerances for risk, market performance varies over time, and everyone has their own idea of an ideal retirement.

That's why it's best to talk to a financial advisor who can help you determine how much you need. In the meantime, there are a few rules of thumb that may help you get a sense of where you stand.

Some experts use a simple formula based on your age and salary to give people a rough idea of how much they'll need to save. Here it is:

- By age 35, your savings should total at least your annual salary.
- By age 45, your savings should total at least three times your annual salary.
- By age 55, your savings should total at least five times your annual salary.
- By age 67, your savings should total at least eight times your annual salary.

In other words, if you earn $75,000 a year at age 35, you should have at least that much saved in your 401(k) and other retirement accounts. If your salary hits $125,000 annually by age 67, you'll need $1 million. But if you're earning less at age 67 — say $80,000 a year — $640,000 might be enough. Also keep in mind you'll need to make sure your spouse is saving enough for retirement if you're married.

Another guideline suggests saving a certain percentage of your salary every year for retirement. Between 10% and 15% is usually the recommended number. If you started saving when you were young, your target savings percentage is usually lower; but if you procrastinated, you're more likely to be looking at having to save 15% or even 20% of your pay to get you on track to a comfortable retirement. The good news is your employer match counts in that number, so if your goal is to save 10% and your employer match is 5%, you only need to save an additional 5% of your pay to reach that 10% total.

These retirement savings rules are only guidelines. To really find out how much you need to save in your 401(k) plan and other retirement accounts, please feel free to call and discuss this in more detail. ❍❍❍

Is Personal Savings Increasing or Decreasing?

Your personal savings rate is the net amount of money you save as a percentage of your disposable income. Each month, the Bureau of Economic Analysis (BEA) calculates this rate collectively for all Americans.

Since the 1960s and first half of the 1970s (when the personal savings rate averaged nearly 12% per year), personal savings rates in the U.S. have generally declined, bottoming out at an average of just 2.9% between 2005 and 2007. Since 2008, personal savings rates have nearly doubled to an average of 5.7%, peaking in 2012 at 7.2% before dropping down to 4.8% for both 2013 and 2014. In general, the savings rates since 2005 reflect a shift in thought: from one of higher spending most likely generated by soaring stocks, real estate prices, and home refinancing, to a more conservative approach in light of the housing crash and 2007–2009 recession.

While lower savings rates can prove bad for the economy in the long run — spelling trouble down the road for retirees or people who might experience unexpected financial trouble — some economists believe they can be good in the short term, particularly if the economy needs a boost in spending to get moving in the right direction again. On the other hand, growing savings rates will not negatively impact the economy if they accompany income growth, allowing Americans to simultaneously save, pay down debt, and make purchases.

You can calculate your own personal savings rate by dividing the amount you save each month, year, or quarter by your after-tax monthly, yearly, or quarterly income. Please call to discuss whether your current investment plan supports your long-term personal goals. ❍❍❍

To Sell or Not?

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When a stock is overvalued. This one is tricky, and you may need the help of a trained investment professional to help figure it out. But when a stock price continues to increase, it's not always a good thing. It might be because investors have overvalued the stock. If that's the case, a dramatic fall could be coming.

When Not to Sell

Because everyone else is. Investors tend to move in packs. When everyone else is dumping the stock of a certain company, you may take that as a signal that you should get out, too. But the actions of the many don't necessarily mean that you should behave the same way. Always make your investment decisions based on a careful analysis of both larger economic issues and your own personal situation, not what everyone else is doing.

Because the price has changed. Shifts in the price of a stock might be a reason to consider selling shares, but that shouldn't be your sole motivating factor. Stock prices move up and down on a regular basis — that's the nature of the stock market. If you panic and want to sell every time the price dips, or get greedy and want to sell when the price skyrockets, you could end up with both extra transaction costs and lost potential gains.

When owning the stock is not part of your overall financial plan. You'll probably have the most success with investing if your decisions are guided by a solid financial plan. That plan will tell you when it's a good time to buy or sell an investment. If you're tempted to make a big move but it doesn't fit with your overall plan, you should probably hold off or at least discuss your feelings with a financial advisor before making that move.

Do you have questions about whether or not now is a good time to buy or sell a stock? Please call if you would like to discuss this. ❍❍❍

4 Reasons for Goal-Focused Investing

If you have no idea what you're trying to achieve by investing your money, you'll have a hard time judging your investment performance and knowing if you're on the right track.

The fact is, investing isn't just about making your money work for you. It's about making your money work for you for a particular purpose. In other words, you need a goal. Here are four specific reasons why a goal-focused approach to investing is important.

It Puts You In Control — When you first start investing, it's easy to get overwhelmed. You may feel like you have little control over what happens to your money. No matter how careful you are, you could lose what you invest. When you think of it that way, it's easy to question whether investing makes sense at all. But if you take a goal-focused approach to investing, you're not just watching the value of your portfolio rise and fall based on the whims of the market. You (along with your advisor) are making specific decisions designed to help you reach specific goals. If something's not working, you can change the plan.

It Will Be Easier to Save — Saving money just to save money is no fun for most people. After all, why invest a portion of your paycheck for the future when you could have something you really want today? Having concrete goals can turn saving from an abstract concept to a specific step needed to achieve a certain objective — like being able to retire one day, take a trip around the world, or send your grandchildren to college. And studies have shown that the better you are at setting goals, the more you're likely to save. You might even do better by focusing on the intermediate steps on the way to your larger goal, like having a certain amount of money in your retirement accounts by age 45.

You'll Be Less Focused on How Others Are Doing — A little competition is healthy, but when it comes to investing, it can get risky. If your father-in-law is bragging about the great return he got on his investments, it can be tempting to drop your plan and copy his moves. It's especially tempting if your only goal with investing is to make more money. But if you're investing toward a goal with a clear plan, you'll be able to congratulate him on his success while staying focused on your needs. After all, if you were flying from New York to London, you probably wouldn't suddenly take a side trip to visit Buenos Aires. But that's exactly what you're doing if you get distracted by other people's investing moves.

It Will Help You Weather Market Fluctuations — The market goes up and the market goes down. Sometimes, it goes way, way up or way, way down. Just like a roller coaster, these peaks and dips can make your stomach do flip flops, especially when your life savings is on the line. But having a goal-focused approach can help you cope with those ups and downs. If you know that you won't need your money for another 30 years, you can handle some volatility today. But if you are going to need your money in the next couple of years, you can select less-volatile investments, so that the day-to-day movements of the market won't cause more stress. Knowing your specific goals will help you choose the right investments.

If you need help setting your own investing goals, please call. ❍❍❍

Financial Data

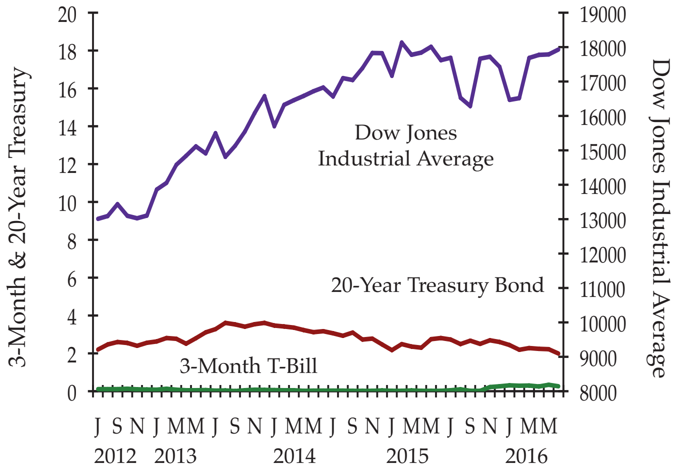
Indicator	Apr-16	May-16	Jun-16	Dec-15	Jun-15
	Month-end				
Prime rate	3.50	3.50	3.50	3.50	3.25
Money market rate	0.25	0.25	0.27	0.27	0.34
3-month T-bill yield	0.25	0.34	0.26	0.26	0.02
20-year T-bond yield	2.24	2.22	1.99	2.60	2.81
Dow Jones Corp.	2.80	2.89	2.78	3.43	3.25
30-year fixed mortgage	3.16	3.17	2.97	3.58	3.69
GDP (adj. annual rate)#	+2.00	+1.40	+0.80	+1.40	+0.60

Indicator	Apr-16	May-16	Jun-16	YTD	12 Mon.
	Month-end			% Change	
Dow Jones Industrials	17773.64	17787.20	17929.99	2.9%	1.8%
Standard & Poor's 500	2065.30	2096.96	2098.86	2.7%	1.7%
Nasdaq Composite	4775.36	4948.05	4842.67	-3.3%	-2.9%
Gold	1285.65	1212.10	1320.75	24.3%	12.8%
Consumer price index@	238.10	239.30	240.20	1.2%	1.0%
Unemployment rate@	5.00	5.00	4.70	-6.0%	-14.5%
Index of leading ind.@	123.10	123.90	123.70	-0.7%	0.7%

— 3rd, 4th, 1st quarter @ — Feb, Mar, Apr Sources: *Barron's, Wall Street Journal*

4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

July 2012 to June 2016



Past performance is not a guarantee of future results.

News and Announcements

Should You Defer Income Taxes?

Should you pay income taxes now so you can withdraw funds after retirement tax free? Or are you better off delaying income taxes until after retirement? This is the basic decision when choosing between a traditional deductible individual retirement account (IRA) and a Roth IRA, or between a 401(k) plan and a Roth 401(k) plan. With the Roth options, you are paying taxes now so you can take qualified distributions income-tax free. With the traditional IRA and 401(k) plan, you are delaying taxes until distributions are taken.

The standard advice is to consider whether your tax bracket will be higher or lower in retirement. If you are likely to be in a higher tax bracket, you'll usually benefit from the Roth options. If you're likely to be in a lower tax bracket, you may benefit more from the traditional IRA and 401(k) plan.

Most people naturally assume that their tax rate will be lower in retirement, since their income will typically be lower. That assumes that income-tax rates will stay constant over that time period, even though tax rates are at historically low levels. No one knows how those rates will be adjusted by Congress over the years.

Thus, it may be prudent to use tax diversification for your portfolio. Tax diversification attempts to protect your portfolio against tax-rate fluctuations. With tax diversification, you invest in a number of investment vehicles with different tax ramifications. For instance, you might invest in a Roth IRA, from which qualified distributions can be taken with no tax consequences; a 401(k) plan, wherein you save taxes now and pay ordinary income taxes on qualified distributions; and taxable accounts, in which a maximum capital gains tax of 20% must be paid on sales of appreciated investments. Thus, during retirement, you can monitor your tax situation and withdraw money from the assets that make the most sense in any particular year. ❍❍❍

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