The Basics Of

Employee Benefits & Saving For Retirement

How you can stop working a lot sooner than you think if you stick to a few simple rules about dollar-averaging, long-term investing, and maxing out your employee benefits.

Oh yeah... You're getting free money.

Rapunzl Investments LLC
http://www.rapunzlinvestments.com

Stick With The 50-20-30 Rule

A popular rule to help with budgeting is the 50-20-30 rule. It divides your budget into 3 categories: Needs, Wants, and Savings & Investing.

Don't even get us started saying that's 4 things… We don't write the rules.

50%

NEEDS

This category includes things you absolutely need to survive. This includes rent/mortgage payments, car payments, groceries, Health care, insurance, minimum debt payments and utilities. This is the most important category to aim to satisfy.

20%

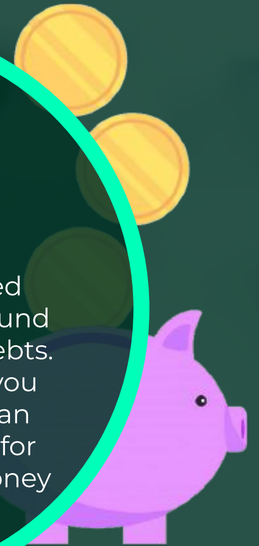
WANTS

This includes your subscriptions, ordering in, going out, buying new things that aren't needed, or any other spending on entertainment or hobbies.

30%

SAVE & INVEST

This should be allocated towards an emergency fund and paying down any debts. Invest any excess cash you have after satisfying loan repayments to prepare for the future & put your money to work.



Rapunzl Investments LLC
http://www.rapunzlinvestments.com

How Your Portfolio Should Change Over Time

Diversifying your portfolio is a huge part of planning your investments. Typically it will be split into assets such as bonds, stocks, and treasuries, depending on the amount of risk you are trying to take.

When you are young typically your portfolio should be a bit riskier with a high portion being stocks. This is due to them being riskier but also more rewarding. Since you are young you are able to ride out market downturns also and mitigate your risk.

As you get older you'll want to shift more of your portfolio into safer assets like bonds & cash. This is because you have less time to ride out market downturns and are looking for a more reliable way to preserve wealth versus continue to grow your money. Bonds, treasuries, and cash offer safety & security, although you may miss opportunities.

25 Years Old

84%	6%	10%
STOCKS	BONDS	CASH

50 Years Old

61%	16%	23%
STOCKS	BONDS	CASH

Reducing Risk With Mutual Funds

Mutual funds are a pool of money collected for multiple investors to invest in various securities.

They are run by professional money managers who decide where to allocate the money to try and produce capital gains for the investors.

These mutual funds allow regular investors to get access to professional money managers, at a small fee for the total assets under management for the mutual fund.

When buying into a mutual fund an individual investor will purchase a share or unit of the fund, which in many ways, can be thought of as an ETF.

This unit of the fund will correspond to a percentage of the pool of investments and will increase or decrease in price based on the pools returns. Typically these mutual funds hold hundreds of different assets in their portfolios, providing investors with exposure to a broad array of investments.

The mutual fund business is big money, and typically, funds are part of much larger companies. For instance, the largest providers of mutual funds are Fidelity & Vanguard.

WHAT'S GOOD TO LOOK FOR

- Strong diversification across a broad-base of asset classes and industries to avoid high volatility.
- High quality professional management with a proven track record of high performance.
- Easy access to invested funds and no lockup periods that restrict access to capital in the event of downturns.
- Transparency with investment decisions, fees & governance.

WHAT TO AVOID & CONSIDER

- Fluctuating returns that vary year-over-year and do not show consistent track record.
- High management costs that are not tied to the funds performance.
- Mutual funds that are not structured in a tax-efficient manner.
- Most mutual funds are very complicated and lack liquidity, which means your capital may be stuck in a mutual fund for months at a time.

When Employers Give You Free Money...

There are two main categories of retirement plans that companies offer. They are Defined Benefit Plans or Defined Contribution Plans.

Defined-Benefit Plan

This type of plan is also known as a pension plan. This is where the company will put a certain amount into an account for you based on you meeting certain criteria. This type of plan is will provide eligible employees income for the rest of their life when they retire. This amount is decided upon based on their years of service, position, and pay. Typically, the employee has no say in the management of this fund and it is controlled completely by the company. These are being phased out as they typically end up being very costly for the company and are unsustainable for the future.

Defined-Contribution Plan

This type of plan operates as a fund where employees put a certain amount of their pay into it and then the company will match their deposit. The most common contribution plan is a 401(k). Typically, an employee will defer a portion of their gross pay to their plan. This gives them a tax deduction as they cannot access this money right away so it is not taxed the same. The company usually matches up to a certain percent of the employee's paycheck and have no obligation towards maintaining the fund after they have deposited the money. This employee-match is also tax deferred until the funds are withdrawn in retirement.

The Best Plans Available

Choosing which plan is best for you will take some research and looking into exactly what the plan offers. As an employee, you want to choose an employer matching plan and find the best rates they'll offer. Also take into consideration when you think you will need the money, or when you want to be taxed on it. There is no right answer, so you must understand each plan to determine what's right for you.

Remember: Employers must provide materials to help you understand employee benefits and most HR groups will be useful to determine which plan is right for you.

Solo 401(k)

An individual 401(k) designed for business owners without employees.

IRA (Individual Retirement Account)

An Individual Retirement Account allows individuals to make pre-taxed contributions to a retirement account which can be deducted from your tax return and also allows earnings to grow tax deferred until funds can be withdrawn without a penalty after the age of 59.5.

Traditional 401(k)

An employer offered defined contribution retirement account that has tax advantages.

Essentially, employees make pre-tax contributions to a retirement plan in which employers match some or all of those contributions. Investment earnings are not taxed until the employee withdraws funds typically after retirement.

If the employee withdraws funds prematurely, they face a penalty and must pay taxes, similar to most of the retirement plans outlined on this slide.

SEP IRA

Is a simplified employee pension plan in which an employer is provided a tax deduction for contributions and often have higher annual contributions limits than standard IRAs. Each SEP is subject to its own rules.

Roth IRA

An Individual Retirement Account that provides tax-free growth and withdrawals after the age of 59.5. Individuals can contribute up to $6,000 annually if adjusted gross income is below $140,000 (single filers) or $208,000 if married and filing jointly. This allows you to earn in the stock market, tax-free, instead of paying income taxes.