



**WEBINAR SERIES**

# **Demystifying Investment Options in Common 401(k) Plans**

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# Meet Our Team

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 **SLAVIC 401K**



# What Is a 401(k) and How Does It Work?



## Understanding a 401(k)

- A retirement savings account offered by employers
- Pre-tax contributions
- Employers often offer matching contributions



## Set Up Your Account

- Create login credentials
- Selecting beneficiary designations
- Configure preferences



## Choose Your Investments

- Evaluate fund options
- Consider risk tolerance
- Align choices with long-term



# What Are the Different Types of Retirement Plans?

## Traditional 401(k) accounts

Allow employees to contribute pre-tax dollars, reducing their taxable income while savings grow tax-deferred until withdrawal during retirement.

## Roth 401(k) plans

Accept after-tax contributions, leading to tax-free withdrawals in retirement.

## SIMPLE IRAs

Designed for small businesses, offer lower contribution limits but simpler administrative requirements.

## SEP IRAs and Solo 401(k)s

Ideal for sole proprietors. Potentially for high contribution limits.



# Understanding 401(k) Investment Options



## Investment Options

**Self-Directed:** Manage your own investments

**Managed Portfolio:** Professional management

## Fund Types

Mutual Funds

Index Funds

Bond Funds

Foreign Funds

## Cap Sizes in Investments

**Large:** \$10B–\$200B (Apple Inc.)

**Mid:** \$2B–\$10B (Roku)

**Small:** \$250M–\$2B (JetBlue Airways)

# Self-Directed Portfolio

## Your Money Your Rules

### Choose Your Own Mix:

This gives you the autonomy to make your own investment decisions within the employer-provided options.

### Balance Portfolio:

Instead of relying on professional money managers, individuals choose their own investments, which may include individual stocks, bonds, mutual funds, exchange-traded funds (ETFs), and other securities.



# Pros and Cons

## Reasons for Choosing Self-Directed Portfolio in a 401(k) Plan

Control and flexibility

Cost savings

Customization

Educational opportunities

## Pitfalls

Neglecting to rebalance your portfolio

Failure to stay updated on financial goals

Emotional decisions

Requires time and ongoing management



# Managed Portfolio

**Leverage Expertise of Professional Money Managers Built Around Your 401(k) Plan**

## **Professional Attention:**

Offers a form of active management based on market analysis. It is consistently updated and reallocated to ensure an appropriate balance in market returns. Ideal for those needing tailored financial management.

## **Comprehensive Strategy:**

Choose a portfolio that considers workplace savings, comfort with the ups and downs of the markets, financial goals, investment horizon, and other retirement sources (IRAs, pensions, stock plans).







# Pros and Cons

## Reasons for Choosing Managed Portfolio in a 401(k) Plan

Experienced portfolio managers

Convenience

Diversification

Risk management

## Pitfalls

Fees and cost

Delegation

Performance uncertainty

# Comparing Investments

## The Right Fit for Your Goals

### Expense Ratios

- Each fund has its underlying expense
- Ensure you get what you're paying for

### Assessing Historical Returns

- Evaluate returns over 3, 5, and 10 years

### Your Time Horizon

- No guarantees with the stock market
- Assess how far you are from your goals
- Determine allocation strategy:
  - Conservative
  - Moderate
  - Aggressive



# Fund Types Offered in 401(k)s

Mutual funds, the most common investment in 401(k) plans, range from conservative to aggressive.

## Conservative Fund

Avoids risk, sticking with high-quality bonds and other safe investments.

## Value Fund

In the middle of the risk range and invests primarily in solid, stable companies that are undervalued.

## Specialized Fund

Concentration on a specific industry or market.

## Aggressive Growth Fund

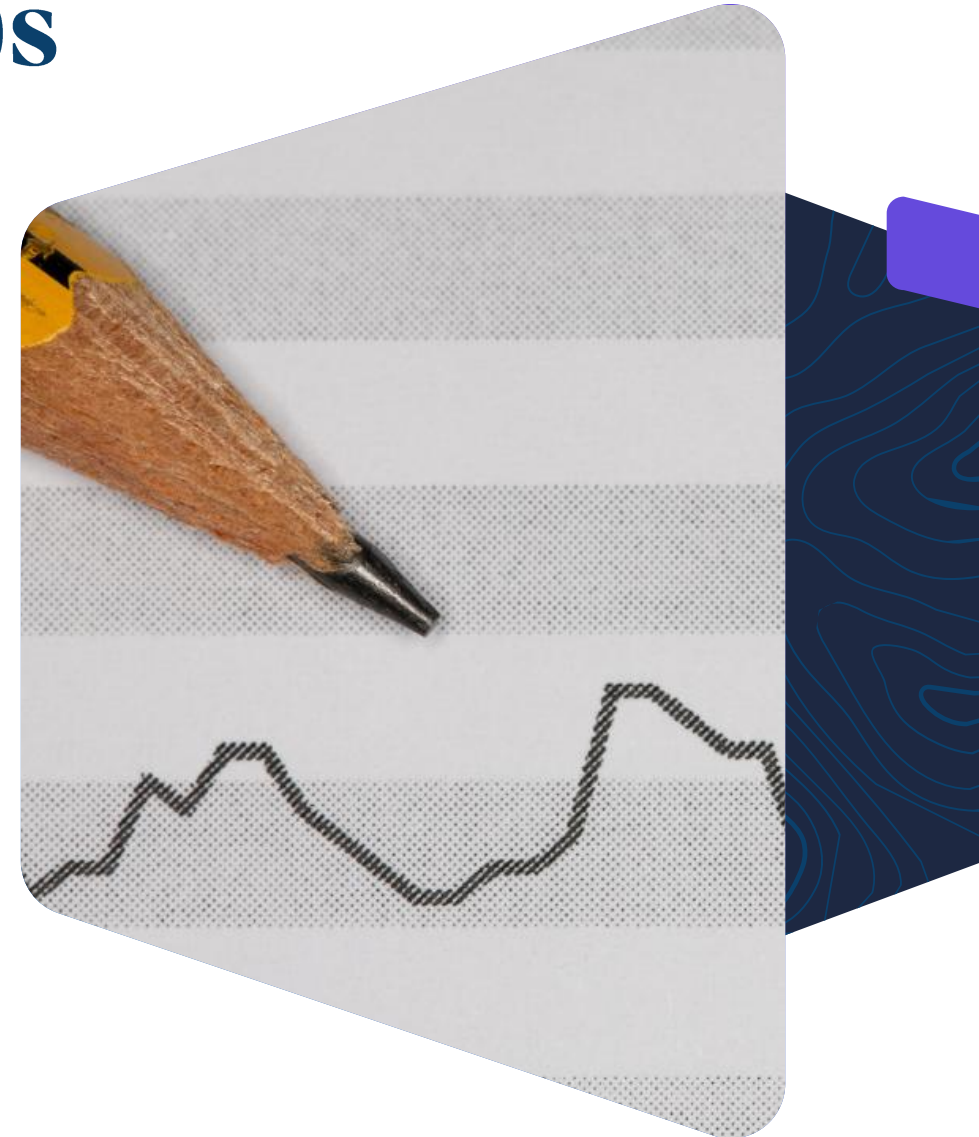
Always looking for the next Apple (AAPL) but may find the next Enron instead.

## Balanced Fund

May add a few more risky equities to a mix of mostly value stocks and safe bonds, or vice versa.

## Target Date Fund

Based on your expected retirement date.



# How Target Date Funds Work

## Benefits:

Easy Diversification

Low Hassle / Low Cost

Middle Road Quality

Pick a fund that matches your retirement date



Fund automatically reduces risk as you age



Stay on track for retirement



# Strategies for Confident Investing

## Consider Your Financial Goals

For higher returns, consider investing more in stock funds.

## Diversify

May help increase long-term returns.

## Assess Your Risk Tolerance

Aim for a portfolio that grows and allows you to sleep at night.

## Time Horizon

Consider how much time you have to recover.

## Time in the Market vs. Timing the Market

Staying invested over time generally yields better returns than trying to time the market.



# Investment Tools



## [Investment Risk Tolerance Quiz](#)

Risk profiles are used to determine the percentage of your portfolio exposed to equities. This quiz helps determine your risk profile.

## [Retirement Nest Egg Calculator](#)

Do you know how much it takes to create a secure retirement? Use this calculator to help determine what size your retirement nest egg should be.

## [401\(k\) Contribution Effects on Your Paycheck Calculator](#)

An employer-sponsored 401(k) can be a powerful tool. Use this calculator to see how increasing your contributions impacts your paycheck and retirement savings.

# Questions That Come Up

## How do I start a 401(k)?

If you work for a company that offers a 401(k) plan, contact the human resources or payroll specialist responsible for employee benefits.

## How much should I invest into my 401(k)?

Try to contribute enough to your 401(k) to at least maximize your employer's match.

## Potential risks in 401(k) investments?

Being too conservative, paying too much in fees, investment losses.

## Can you lose money in a 401(k)?

It's possible If the stock market crashes, the stock component of your portfolio will also go down in value.



# Investment Checklist

1. 401(k) plans range from conservative to aggressive
2. Consider risk, age, and amount you'll need to retire
3. Be aware of funds with high fees
4. Be sure to diversify your investments to mitigate risk
5. At a minimum, maximize employer's match
6. Monitor and rebalance
7. Start saving early
8. Learn the basics





# Questions?

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