FUTURE FOCUS

RETIREMENT REPORT

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HOW TO SAVE $3,000 THIS YEAR

Making thrifty decisions can become a regular habit that adds up!

We all know how difficult it is to put aside money for the future when there are so many competing claims on your income. Small wonder that half of American households currently have no savings for when they stop working.[1] But trimming a few dollars here and there in the daily way you shop, drive, cook, or use utilities can add up to serious savings and be a good way to pad your nest egg.

Try these 10 savvy tips, adapted from AARP[2], and you could add upwards of $3,109 to your wallet this year.

SHOPPING

Store brands. A recent survey of the cost of 16 common grocery items showed that name-brand items cost $56.24 while store brands totaled $41.51.[3] Annual savings: $766.

The soap slope. A branded liquid soap pump costs about $1.50, but a gallon sets you back only $14, good for 17 refills (or $0.68 a pop). Annual savings: $20.[4]

Robotic rebates. Use your computer to automatically search for savings at joinhoney.com. A toaster priced recently at $45 was effectively $9.99 after a mail-in rebate — with free shipping! Savings: $35.

DRIVING

Tire-lessly. If the best price for four tires at your local tire shop is $448, try an online store. With free delivery and $80 for installation, you might save a bundle.[5] Savings: $68.

Blow 'em up. Underinflating tires by just five percent can cost you $2.50 in monthly gas, plus wear and tear.[6] Keep them properly inflated. Annual savings: $30.

Air it out. Changing your car's air filter — a big contributor to improving the air quality inside your vehicle — takes just five minutes and will save you $19 in labor.[7] Savings: $19.

COOKING

Dress for success. A simple vinaigrette of Dijon mustard, red wine vinegar, olive oil, and salt and pepper can save you $1.50 a week over store-bought dressings. Annual savings: $78.

Veg out. Foregoing meat one day a week can save you an estimated $10 per week and may possibly deliver ecological and health benefits.[8] Annual savings: $520.

HEATING AND COOLING

Turn off the AC. On average, air conditioning in your home costs 36 cents an hour, but ceiling fans only about 1 cent an hour.[9] Assuming you only need cooling for half the year, that could mean $1,533 in annual savings.

Pipe up. Insulating your hot water lines with preformed foam insulation jackets could lower your power bill by $40 a year.

[1] "The Real Reason People Don't Save for Retirement," Forbes.com, February 24, 2016. https://www.forbes.com/sites/lawrencelight/2016/02/24/the-real-reason-people-dont- save-for-retirement/#2750189837c5.
[2] AARP, Great Money Saving Tips. http://www.aarp.org/money/budgeting-saving/info-2017/great-money-saving-tips.html.
[3] http://www.threethriftyguys.com/2016/06/brand-name-vs-no-name-brand-a-price-comparison. Assumes consumers purchase identical items each week.
[4] http://www.aarp.org/money/budgeting-saving/info-2017/how-to-save-20-dollars.html.
[5] tirebuyer.com.
[6] AARP, op cit.
[7] Ibid.
[8] https://www.aol.com/article/finance/2016/04/29/meatless-monday-can-save-you-money-savings-experiment/21346907/.
[9] AARP, op cit.

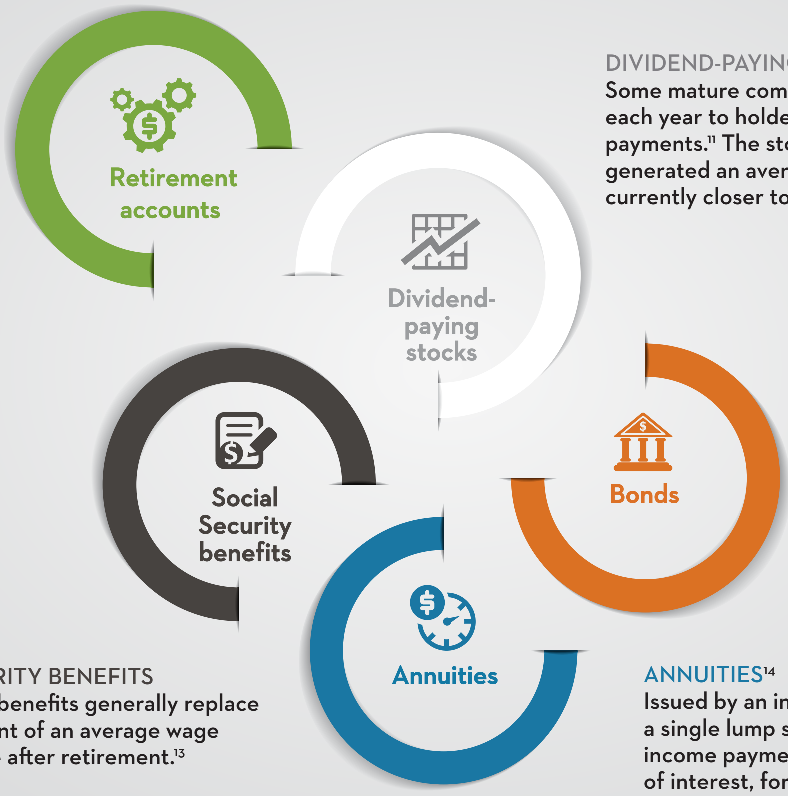
MIXING IT UP: INCOME PLANNING

Here's a primer on how to tap various sources of income in retirement.

To enjoy a long and comfortable retirement, you may need to balance multiple types of income streams in your retirement portfolio. This could help you achieve the most advantageous mix of investment growth, income, and tax control that's appropriate to your risk tolerance, income horizon, and goals. These streams can come from the following types of investments:

RETIREMENT ACCOUNTS
Your 401(k) or IRA can be used as a source of income once you reach age 591/2 and begin to take withdrawals.[10]

DIVIDEND-PAYING STOCKS
Some mature companies return a portion of their profits each year to holders of their stock in the form of dividend payments.[11] The stocks in the S&P 500 historically have generated an average yield of 4.3 percent, although it's currently closer to 2.0 percent today.[12]



BONDS
These are "IOUs" issued by a government agency or a corporation, and generally pay you back your principal and a fixed rate of interest over a specific time period.

SOCIAL SECURITY BENEFITS
Social Security benefits generally replace about 40 percent of an average wage earner's income after retirement.[13]

ANNUITIES[14]
Issued by an insurance company, an annuity converts a single lump sum of money into a regular stream of income payments, either with a fixed or variable rate of interest, for a predetermined amount of time.

As with any investment strategy, it's important to plan,and learn about your options. Working with a financial planner can also be a useful way to plan for income once you stop receiving a regular paycheck.

[10] Withdrawals from a qualified plan are subject to ordinary income taxes and a 10 percent federal tax penalty if taken prior to age 59IJ.

[11] Dividends are not guaranteed.

[12] Sources: Standard & Poorís, as of August 1, 2017, and Robert J. Shiller, Irrational Exuberance (New York: Broadway Business Books, 2009).

[13] Understanding the Benefits 2017, www.ssa.gov. https://www.ssa.gov/pubs/EN-05-10024.pdf.

[14] Annuities are long-term, tax-deferred vehicles designed for retirement. There are costs and limitations associated with this product and guarantees are based on the claims paying ability of the underlying insurance company.

CHOOSING INVESTMENTS IN YOUR RETIREMENT PLAN

Four guidelines to use when selecting funds for your plan.

When you participate in an employer sponsored retirement plan you are responsible for choosing investments in your plan from a range of stocks, bonds, and mutual funds selected by your employer. Here are four helpful tips to do that:

PAY ATTENTION TO INVESTMENT RETURNS

Look at fund performance, paying special attention to longer term returns. Compare each fund's performance to its stated investment benchmark over these time periods. A fund that consistently lags its index — usually the S&P 500® Index for U.S. stock funds, or the Bloomberg Barclays U.S. Aggregate Bond Index for U.S. fixed income funds — may not have enough "giddyup" to help get you to your long-term retirement goals..

DIVERSIFY

Consider spreading your investment funds across various types of assets (such as stocks, bonds, and cash), geographic regions (such as American, European, and Asian developed and emerging markets)[15], and risk levels (spanning riskier small cap stocks to more conservative Treasury bonds). Diversification may help reduce the risk of having all your eggs in one basket. When one type of investment in your portfolio is doing poorly, odds are that another investment is doing better, potentially offsetting those losses.[16]

CONSIDER A TARGET DATE OR LIFE CYCLE FUND BASED ON YOUR ESTIMATED RETIREMENT DATE[17]

These "set-it-and-mostly-forget-it" options take much of the decision making out of which asset classes to own, and automatically adjusts those allocations to reduce your market risk as you approach retirement. That said, you should look at performance at least once a year to make sure it's meeting your expectations.

CONSIDER FUND COSTS

A portfolio with an initial value of $100,000 that delivers a four percent annual return over 20 years and that has an ongoing fee of one percent will be valued nearly $30,000 less than a portfolio with a 0.25 percent annual fee.18 Low-cost index funds, which are designed to simply track — but not beat — the performance of a basket of stocks or bonds, may be an appropriate option to look at depending on your goals and circumstances.

[15] Global market investing, including developed and emerging markets, carries additional risks and/or costs including but not limited to: political, economic, financial market, currency, liquidity and trading capability risks.

[16] Diversification does not assure a profit or protect against losses in a declining market. All investing involves risk, including loss of principal.

[17] Please note the principal value invested in these funds is not guaranteed at any time, including at the specified target date.

[18] "How Fees and Expenses Affect Your Investment Portfolio," www.sec.gov. https://www.sec.gov/investor/alerts/ib_fees_expenses.pdf. The hypothetical return presented is not intended to predict the returns of any investment option but rather to illustrate the effect of differing fee levels on growth.

RETIREMENT IN MOTION

HOW DO 70-YEAR-OLDS COMPARE, FINANCIALLY?

Despite all the dire predictions about Americans' poor savings habits, there is one bit of positive news for older retirees. According to AARP, about one in five 70- to 80-year-olds has more than $500,000 saved for retirement, while those in the top 10 percent have over $1 million. Half of Americans in their early 70s have paid off their mortgages and have $168,000 saved, on average.[19]

[19] Sari Harrar, "Wealth: What to Expect in Your 70s and Beyond," AARP The Magazine, June/July 2017."

TOOLS AND TECHNIQUES

How much should you spend, save, and insure each year to achieve a stable standard of living? That depends on a host of factors, including job changes, having children, retiring early, and much more. Strategy Builder by MasteryPOINT is available to you via the Alerus participant website and can help with your planning.

CORNER ON THE MARKET

BASIC FINANCIAL TERMS TO KNOW.

Passive Investing

Passive investing, also called "buy-and-hold" investing, is an investment strategy that seeks to generate long-term returns by keeping buying and selling to a minimum. Passive investors typically use index funds to sidestep higher fees that can be associated with researching securities and making frequent portfolio trades.

Q AND A:

Q: ***What's the difference between a traditional 401(k) and a Roth 401(k) plan?***

A: Both a traditional and Roth 401(k) allow you to contribute regularly for retirement. With a traditional 401(k), you don't pay taxes in the year you contribute. But you'll have to pay income tax on contributions and earnings when you take the money out. With the Roth option, you pay taxes before the funds go into your account, but you generally won't be taxed on your contributions or gains if you withdraw after five years.

Quarterly Reminder

With most of the year still ahead, you have the chance to review your financial goals and refine your investment allocation. Don't just tuck your statements in a drawer. If your returns have not kept pace with your expectations, it may be time to change funds. Have you been taking too much risk in your plan, or too little? If you are within 10 years of retiring, you may want to cut back on your allocation to stocks or stock funds. Stocks, although known to deliver better long-term returns than other asset classes, historically have been the most volatile investments to over shorter time periods. A target-date fund[20], which combines a mix of stocks, bonds, and cash, is managed to be more conservative as you approach retirement and may be a sensible way to manage risk.

[20] Please note the principal value invested in these funds is not guaranteed at any time, including at the specified target date.

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