



AMERICAN
FUNDS®

From Capital Group

Retirement News
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**Knowledge
Is Power.**

The Fundamentals of Saving and Investing for Retirement

Did you know that only 17 states require high school students to take a class in personal finance?*

It's understandable that many investors start their careers without a clear strategy for their retirement plan, but it's never too late to learn these financial fundamentals.

Use Time Wisely

Enrolling in your company's plan was your first step in the right direction. The more years you save, the more you benefit from the power of compounding. As you earn returns on the money you invested, those earnings are re-invested with the potential to grow even more. This will have a bigger impact the longer you're invested.

The market will move up *and* down, and it's natural to feel some anxiety during declines. Try to resist the urge to drop out of the market, for that would only lock in any losses. Staying invested puts you in the position to benefit from any eventual upswing. Research shows that the longer you stay invested, the more likely you are to come out ahead.

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*The Council for Economic Education's study, "Survey of the States, Economic and Personal Finance Education in Our Nation's Schools 2016."

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

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The Fundamentals of Saving and Investing for Retirement

If your company allows you to withdraw money from your retirement plan, it may be tempting to dip into your savings. While that could be a valid strategy for someone with high-interest debt to repay, be wise about your reasons for withdrawing money before retirement. Not only would that involve payment of penalties and taxes, but you'd be missing out on the potential growth of your investment.

Save as Much as You Can

Consider saving as a monthly expense. Just as you wouldn't miss paying a bill, try not to skip contributing to your retirement plan.

If your company offers to match your contributions, that's motivation to put aside enough to qualify for the maximum match. A matching contribution is like getting a bonus for investing in the plan.

Decide how much you can save and consider changing your contributions in small increments each year. If you receive an annual raise, for example, a portion of it could be used to pump up your savings. Even a small increase could make a meaningful difference over decades.

Diversify Your Portfolio

Your plan includes a variety of funds from which to choose, each with its own objective and risk. Holding a range of investments can help soften the highs and lows of market fluctuations.

Funds that focus on growth may provide higher returns, but could also fluctuate more dramatically. If you have many years of investing ahead, you're in a better position to weather market declines. As you get older, you may want to dial back the risk by shifting to more balanced options. Near the end of your career, you might gravitate toward income-oriented and bond funds.

Some plans give you the option of investing in a target date fund – a collection of mutual funds grouped into a single offering. The portfolio mix is gradually adjusted toward more conservative investments as your retirement date approaches.

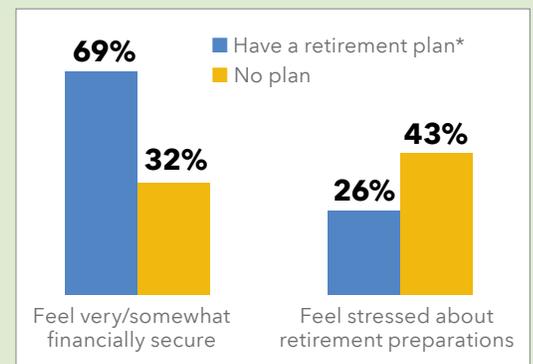
Making decisions about investing can feel overwhelming at times, but remember that you're ultimately in control. If you could use some tutoring, check in with your plan's financial professional, who can help you develop and maintain a strategy.



It Helps to Have a Plan at Work

The Employee Benefit Research Institute found that being enrolled in a retirement plan at work increases confidence levels.

Those who have a retirement plan are less likely to be mentally or emotionally stressed about preparing for retirement. In fact, just 26% feel stressed about it, compared to 43% of workers without a plan. Only one-third of people without a plan say they are at least somewhat financially secure, while nearly 70% of enrolled workers feel secure.



*"Have a retirement plan" is defined as respondent or spouse having at least one type of retirement plan.

Source: Employee Benefit Research Institute and Greenwald & Associates, 2017 Retirement Confidence Survey.

Do You Know Your Beneficiaries?



You work hard to build retirement assets, not only for yourself but for your heirs someday. You are in control

of who receives those benefits, so it's important to get it right.

Example:

An investor who was diagnosed with a terminal illness drafted a will to leave her entire estate to her siblings. However, because she had never updated her beneficiary designation when she separated from her husband, it was her estranged husband who received the \$600,000 in her 401(k) – though she hadn't spoken to him in years.

Some types of property, such as retirement accounts, pass to a specifically named beneficiary attached to the plan. Remember to periodically check who is designated as a beneficiary. It's especially important to update the information following a life-changing event, such as marriage, divorce or parenthood.



A Lesson Plan for Parents

Many retirees say they regret not getting an earlier start on saving and investing. While your children are many decades away from retirement, you can start them on the right path by teaching them some basic money lessons. Here are some suggestions:



Talk about money.

If you avoid the topic of money, kids will have no sense of how much things cost, nor an understanding of basic concepts such as budgeting and saving.

"Money talk is not taboo," says Rob Pivnick, an attorney and the author of the book "What All Kids (and adults too) Should Know About Saving & Investing." He suggests involving children in both large and small buying decisions.



Teach restraint.

Encourage kids to make their own financial decisions and help them understand that there might be trade-offs involved.

Adults face financial choices every day: If you want something, you must forego something else. It doesn't matter what is given up, as long as the child gets used to the idea that there's a cost, and they will need to decide if it's worth it.

If they have their eye on a big-ticket item, you might encourage them to save long term by offering to match the dollars that they put aside for the future.



Divvy up their dollars.

Children can learn to prioritize and budget if they have a simple formula to follow. For instance, when they receive any money – whether a gift, allowance or income from a summer job – they can get in the habit of always saving at least 10% of the amount.



They should also learn to track their finances. Even preteens can keep records of every dollar that comes in and out of their account. This makes it clear that each purchase means having less money to buy something else.



Speak their language.

Introducing concepts like investing might be more complicated. Make sure the message corresponds to your child's age and interests, advises Beth Koblner in her book "Make Your Kid a Money Genius (Even if You're Not)." She suggests reading young children the story of "The Little Red Hen," because the hero of the story ultimately benefits after "investing" much time and effort into making bread.

When you take a child to a Disney movie, or step into a Starbucks, that might be an occasion to talk about the fact that investors can own a piece of a company.



Show, don't tell.

The power of compounding is a fundamental lesson. An easy way to demonstrate this concept is to sit down with them and run some numbers using a compound interest calculator. The results may be surprising.



The Password to Cybersecurity

October is Cybersecurity Awareness Month, and it's a good time to boost your digital defenses. Know that we at American Funds are taking every precaution to protect our investors, and there are ways you can help.

Many people have reservations about accessing their financial information online. However, relying on paper documents and mail actually slows down your response to any wrongdoing. Going online is the best way to constantly monitor your accounts, and your first – and most important – line of defense is a strong password.

"Passwords should be complex and difficult to guess," says Ron Schekman, Capital Group Information Security Manager. "That means no names, birthdates or easily identifiable strings of letters or numbers. Make passwords long – ideally at least 12 characters – and never use the same password on more than one site."

Here are some tips to set up stronger passwords:

- 1 Use a Variety of Characters**
String together random numbers, symbols and letters, both uppercase and lowercase, avoiding keyboard patterns that are easy to duplicate (like 1q2w3e4r).
- 2 Don't Use Common Words**
Hackers can scan whole dictionaries to find a match.
- 3 Organize Your Passwords**
Long, difficult passwords are stronger but also harder to remember. There are apps that help you securely manage your various passwords in one place.



Did You Know...

30%

of millennials have held at least three different jobs over the past five years.

45%

of millennials roll their retirement assets into their new employer's 401(k) plan.

78%

of millennials say a 401(k) retirement plan is a "must-have" benefit from a new employer.

Source: The "Wisdom of Experience" online survey was conducted for American Funds by APCO Insight, a global opinion research firm, in March 2017. They surveyed 1,200 American adults – 400 millennials (ages 21-37), 400 Generation Xers (ages 38-52) and 400 baby boomers (ages 53-71) – of varying income levels with investment assets who have some responsibility for making investment decisions for their families.



A Business Owner Pays It Forward



Dave Swartz started investing very young and worked hard to pursue his dream of owning his own business. Now he works with his financial advisor to help ensure his employees are saving for the future.

Watch Dave and other American Funds investors tell their stories at:

 [youtube.com/americanfunds](https://www.youtube.com/americanfunds).

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Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

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