INVESTMENT GAPS AND OVERLAPS

THE CHALLENGE OF EFFECTIVELY MANAGING ASSETS ACROSS MULTIPLE ACCOUNTS

The number of different jobs that the average American will hold by age 50[1]

It wasn't that long ago when spending your entire working life with the same company was a fairly commonplace occurrence. You worked; you retired; and then relied primarily on a generous pension supplemented by Social Security for your retirement income.

Today, however, with workers far more mobile and skills more readily transferable from company to company and industry to industry, it's not at all unusual to switch employers every few years for financial or advancement opportunities. What often results, however, is a long trail of smaller legacy retirement plan accounts left essentially unattended at previous employers. Yet the cumulative value of these "other" accounts may, in fact, make them one of your largest assets.

By no means is holding multiple retirement accounts an inherently bad thing, but it does present a number of challenges that can significantly impede your progress on the path to retirement success. The paperwork alone can be overwhelming: between account statements, annual reports, fund prospectuses and other legally required plan communications. Multiply all those communications by three or four separate 401(k) or 403(b) accounts along with an annuity or two that you may have purchased at some point in time, and suddenly your mailbox or email inbox is overflowing with investment information that's simply impossible to keep up with.

Aside from the paperwork and administrative complexity, from a pure investment perspective corporate retirement plans tend to have a fairly limited menu of investment choices which can make it difficult to achieve an optimal asset allocation. In addition, individuals holding a multitude of different funds in multiple retirement plan accounts often have a much more difficult time appropriately gauging the overall risk associated with their investments. For example, you might own several different balanced funds in different plans; yet each of those funds may be holding a sizable position in the same handful of growth stocks. As a result, while individually each may be fine, in aggregate you may be taking on far more investment risk than you realize.

THE CASE FOR CONSOLIDATED MANAGEMENT

Don't allow these important "held-away" accounts to become castaways. In order to ensure that your family's financial plan is comprehensive and accurate, make sure that your advisor is fully aware of any additional assets being held elsewhere. In concert with your primary investment portfolio, planning for held-away assets can help strengthen the key connections between your money and your life through:

- **Improved Understanding** – You can more easily see and understand your total wealth picture and thus make more informed, confident decisions.

- **Coordinated Advice** – When your advisor can, likewise, take in the parts and the whole, he or she can help you better position each piece to serve your total household needs.

- **More Efficient Planning** – Drift from your target allocation or excessive risk due to holdings overlap becomes easier to identify and address. It also makes it far easier to improve tax efficiency among your various accounts.

- **Smoother Wealth Transfer** – Beneficiaries can experience less stress (during an already-stressful time) if assets are organized and readily identifiable for them.

When your assets are coordinated and managed under one roof, your advisor can help you make the most of your retirement benefits. Are you contributing as much as you can and should? Are you making the most of employer matches? If your company offers a Roth 401(k), have you considered how to make best use of it? Are the plan administration costs that you're paying too excessive? Ongoing oversight can help answer all these questions, as well as greatly simplify the process of changing any beneficiary designations that may not be up-to-date.

Finally, when it comes to deciding whether to leave retirement plan assets at a previous employer, roll them over to your current plan or Rollover IRA, or even to take a distribution, there are a multitude of considerations. And the tax laws governing retirement assets are strict and complex. Professional oversight can help you organize the hodge-podge of assets, accounts and paperwork – bringing greater clarity and purpose to your overall financial plan.

WHY SEEK PROFESSIONAL ADVICE ON YOUR RETIREMENT ASSETS?

1. Aside from your home, your retirement accounts might comprise the largest asset you own.

2. You insure other valuable assets (i.e. your life, home and automobiles). Shouldn't you also protect your retirement assets with professional oversight?

3. In our experience, most people don't evaluate their retirement plan holdings often enough. As active managers, we check every day and employ methodologies to help mitigate risk.

4. During times of market volatility and uncertainty, we believe it's especially important to diversify and periodically rebalance all your assets.

5. We believe that no amount of plan savings is too small to benefit from professional management, in our view. Participants relying on expert guidance consistently earn higher average returns than do-it-yourselfers.[2]

1 U.S. Department of Labor, Bureau of Labor Statistics, August 2017

2 https://advisors.vanguard.com/VGApp/iip/site/advisor/researchcommentary/article/IWE_ResAdvisorsAlpha