

# Asset Allocation

## Finding the Right Mix

Hi everyone—Nikki here! Even though I'm grown up now, I still ask my grandparents for advice, especially about *retirement*. It seems far away, but they say it's never too early to start saving! With my promotion, I'm able to put more money into my 401(k) retirement plan at work. I'm excited to invest for my future!



A **401(k) plan** is a special retirement account that lets you invest money you earn now, but you do not pay taxes on your earnings until you take the money out in the future.

I decided to ask my grandparents for advice. I went to their house with my paycheck information and the brochures from the company.

Grandma said that the key to a comfortable retirement is planning and saving early. She asked me two key retirement planning questions: (1) How long do you have to save for your goal (retirement)? and (2) How long do you need your money to last? She always asks tough questions! Well, I'm about 40 years away from retirement—which is a really long time horizon—and we figured that I'll need money to last me at least another 30+ years after I retire to cover me into my old age. So glad I'm starting early!



### TWO KEY RETIREMENT PLANNING QUESTIONS

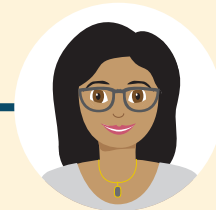
1. How long do you have to save for your retirement goal?
2. How long do you need your money to last?



## LESSON 2

### Asset Allocation

Long-term goals may seem far away, but starting to save early is important and you'll need a mix of investments to achieve them.




Early  
Twenties



Mid-  
Twenties

We went through the brochures and my pay records. The funds for my 401(k) account would come out of my paycheck, and my company also puts money in. I make \$100,000 a year, so if I put 10% of my salary into a 401(k), I'd contribute \$10,000 and my company would contribute \$3,000.



Nikki's Annual Salary	\$100,000
401(k) Contribution per year	\$10,000
Nikki Contributes 10%	\$3,000
Company Contribution	<u>\$3,000</u>
TOTAL	\$13,000

Then we started to look at the mutual fund investment options offered by the investment company managing the plan. Some of the funds included stocks, some bonds, and some a mix of the two. As I get older, like mom, I'll rebalance my investments to include a greater percentage of bonds because they are less risky, and I won't have as much time to recover any losses. Great advice, Grandma and Grandpa!



### WHAT'S THE Big Idea?

Even though some of your financial goals seem a long way off, if you start investing early *and* consider your time horizon when choosing investments, you'll have a better chance of having enough money when you need it.