Investment Services • Retirement Planning • Trust and Investment Management

Financial Issues

FALL 2018 CEFCU® Investment Services and Wealth Management

Understanding Your Risk Tolerance

What's your ability to withstand market changes?

This is a common question about risk tolerance. Some people are able to ride through market fluctuations without breaking a sweat, while others are less comfortable with the ups and downs.

Life factors

Two life factors affecting risk tolerance are age and time horizon. As you age, you have fewer years to recoup market losses. Gradually reducing the amount of risk in your portfolio over time has merit.

Your timeline to retirement is another important risk tolerance factor. If you may be tapping into your retirement savings soon, your appetite for risk may be small compared to someone whose retirement may not start for 20 years. Broadly speaking, your time horizon for any financial goal affects your risk tolerance in investing toward it.

Market factors

Three market factors shape your risk tolerance — one is market risk. A common measure of market risk is market volatility — how a stock has historically performed over time. The more unpredictable a stock price is, the greater the risk. The riskier the stock, the greater potential for payout as well as loss. Diversifying your portfolio — having more eggs in more baskets — creates insulation against market shocks.

Another factor that can shape your risk tolerance is liquidity risk. It's the difference between an asset's value and the price at which it can likely be sold. If an asset (like a stock) needs to be sold quickly for cash and there is a lack of interest in the market, it may force the owner to sell it for less than its actual value. Some people have a lower tolerance for investments in which they can't at least break even or come out ahead.

Finally, there is inflation risk. This is the risk of your purchasing power lessening over time. If you invest

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Understanding Your Risk Tolerance, continued

in a way that can't keep up with inflation, you could lose ground economically. Suppose yearly inflation increases 3%. That means a year from now, you will need $103 to buy what you bought for $100 a year earlier. Inflation's effect is just like compound interest.

To discuss what kind of risks you feel comfortable assuming based on your age and time horizon, contact Kevin Barbier, Trust and Investment Officer and CERTIFIED FINANCIAL PLANNER™ professional. Kevin is part of the CEFCU Wealth Management team and can provide sound, unbiased investment planning and management that follows the same standards that guide your Credit Union — looking out for your best interests. To schedule an appointment, please call 309.633.3836 or 1.800.633.7077, ext. 33836 or email kbarbier@cefcu.com.

Kevin Barbier
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When It Comes to Retirement Savings, How Much Is Enough?

While the amount you need to retire is highly personal, people still like benchmarks of where they are in comparison to others. A recent article from CNBC states in your twenties, aim to save 25% of your overall gross pay toward retirement, and:[1]

By Age:	Have*
35	Twice your annual salary saved
40	Three times your annual salary saved
45	Four times your annual salary saved
50	Five times your annual salary saved
55	Six times your annual salary saved
60	Seven times your annual salary saved
65	Eight times your annual salary saved

*Amount includes retirement account contributions, matching funds from your company, cash savings or money you've invested elsewhere (e.g., the stock market).

Inflation and debt affect retirement savings

Historically, consumer prices have risen about 2–3% per year. A retirement fund should be growing at least that much annually to keep pace with inflation. Otherwise, if income and savings remain at current levels and the cost of goods and services continue to increase, it could compromise your retirement lifestyle. The key? Try to counteract inflation's effect by saving what you can today.

> "Remember, there is no such thing as a retirement loan, and **a prime retirement concern** is running out of money."

There's no such thing as a retirement loan

Recent Federal Reserve data shows households headed by those age 55–64 have an average total debt of about $131,900.[2]
An emerging trend is both pre-retirees and retirees are picking up a greater share of college education costs for their kids. A new analysis of higher education debt

patterns by SavingforCollege.com found the average college loan debt shouldered by parents rose approximately 6% this year, topping $35,000.[3] Remember, there is no such thing as a retirement loan, and a prime retirement concern is running out of money. Balancing generosity and retirement savings is an important factor to weigh.

Crunch some numbers!

No matter where you're at — just starting to save for retirement… nearing retirement, or even in retirement — consider having a conversation with a Representative from CEFCU Investment Services about your savings goals. You can meet with a Representative by phone, Webex (from the convenience of your home or workplace), or in-person at most Member Centers. To schedule a no-obligation appointment, call 309.633.2571 or 1.800.356.7865, ext. 32571, or go to cefcu.com/invest.

Citations.
1 – cnbc.com/1-in-6-millennials-have-100000-heres-how-much-you-should-have-saved [02/05/18]
2 – smartasset.com/credit-cards/the-average-debt-by-age [3/17/17]
3 – cbsnews.com/news/the-surprising-reason-student-debt-is-leveling-off [7/11/18]

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FR-2206448.1-0818-0920

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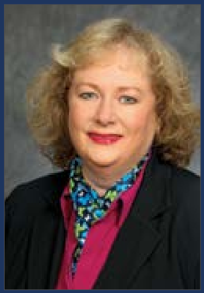

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- And, much more!

Brad Schupp, CEFCU's Private Member Group manager, has over 25 years of experience serving members with diverse financial needs. Contact Brad at 309.633.7489 or 1.800.356.7865, ext. 37489 or at bschupp@cefcu.com.

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