FALL 2018

RETIREMENT DIRECTIONS

SURVIVING MARKET TURBULENCE

Large swings in the stock market can be unsettling. Worries about investment losses might make you consider moving your money out of stocks. But this could mean missing out on potential gains. When saving for retirement is a long-term goal, consider hanging on to stock investments when the market zigs and zags.

THE BIG PICTURE

The economy and the stock market tend to be cyclical. Certain stocks are particularly sensitive to the state of the economy, and overall, stocks can be quite volatile. But large movements in stock prices are probably not a permanent state of affairs. While it's impossible to predict what will happen with stock prices, history has shown that, over time, the stock market has bounced back even after severe price declines.*

WHAT CAN YOU DO?

When the going gets rough, making any sudden changes to your portfolio could prove costly. Instead, keep the following guidelines in mind.

- Keep things in perspective. A 400- or 500-point drop in the Dow Jones Industrial Average (DJIA®) in one day may seem like a large decline. However, in percentage terms, a 500-point drop when the DJIA is at 25,000 is "only" a 2% decline. Although significant, in terms of one-day declines, that type of drop is a relatively small one in the overall history of "top" stock market sell-offs.
- Take the long view. Don't forget that if you are a long-term investor, you have time for your investments to recover from the stock market's downturns. And you may have many additional years ahead to potentially benefit from compounding.
- Don't confuse a paper loss with a real loss. When the share price of a fund drops, it's only a loss on paper. It does not become a real loss until you actually sell or switch out of the losing investment. A market rebound can erase a paper loss if the investment's value rises.
- Look on the bright side. When stock prices are down, your retirement plan contributions will likely buy more shares, and you'll be in a better position to benefit from a recovery.

THE BOTTOM LINE

It's tough to be an investor when the markets are stormy. But do your best to keep your eye on your long-term goals and contribute as much as you can to your retirement plan. You'll be glad you did when the storm passes.

** Past performance does not guarantee future results. Stock investing involves a high degree of risk. Stock prices fluctuate and investors may lose money.*

Q&A

YOUR QUESTIONS ANSWERED: HOW DO I SET UP A PERSONAL BUDGET?

Budgeting involves identifying the money you have coming in each month and where that money goes. By following a budget, you'll have greater control over your money.

Recognizing which expenses are crucial and which are negotiable gives you a place to start. First, list the expenses you absolutely must pay. For example, you need a place to live, so you have to pay your mortgage or rent each month. Other generally nonnegotiable expenses include utilities such as heat and electricity, food, insurance, and any student or personal loan payments you're required to make.

Nonessential expenses are items you want but don't necessarily need. Premium cable service, restaurant meals, and costly vacations are good examples.

Take a hard look at where your money goes each month. By curbing your spending on extras, you'll have more money to help pay for essentials and to set aside for future goals, such as a new car, a home, and your retirement.

INSIDE: KEEP SAVING FOR RETIREMENT **and** INVESTING MISSTEPS TO AVOID

PNC BANK

KEEP SAVING FOR RETIREMENT

Juggling your personal finances can be a challenging task. At times, paying bills and meeting other financial demands may seem more important than saving for retirement. You may be tempted to cut down or even stop contributing to your retirement plan. But your retirement plan is one of the easiest — and potentially most profitable — ways to reach your retirement goal.

Here are five reasons to keep contributing to your retirement plan.

#1: TAX ADVANTAGES

When you contribute to your retirement plan on a pretax basis, you reduce your currently taxable income.[1] In addition, you defer federal income taxes on any earnings your investments generate. The amounts you've contributed and the investment earnings won't be taxable until the money is distributed to you.

#2: RETIREMENT INCOME NEEDS

Healthier lifestyles and medical advances are extending life expectancies — and retirement income requirements. Experts have long suggested that individuals generally need 70% to 80% of their preretirement income in retirement. But expenses won't necessarily decline in retirement — they may just shift. For example, you may no longer have a mortgage or be paying college tuition, but spending on health care and leisure may increase.

#3: POTENTIAL EMPLOYER MATCH

If your employer offers to match your contributions, you don't want to miss out on the opportunity to reap extra "free" money. Not all employers provide matching contributions, and such contributions may be subject to vesting periods and other rules. But if your employer does offer a match, you'll want to contribute enough to take full advantage of this added bonus.

#4: FUTURE OF SOCIAL SECURITY

The continuing uncertainty about the future of Social Security may leave you wondering what role it will play in your retirement. Currently, there are roughly three workers contributing to the Social Security system for every beneficiary. By 2036, that ratio will drop to roughly 2 to 1.[2] And the number of retired workers will continue to rise dramatically, placing a burden on the system.

#5: INFLATION'S EFFECTS

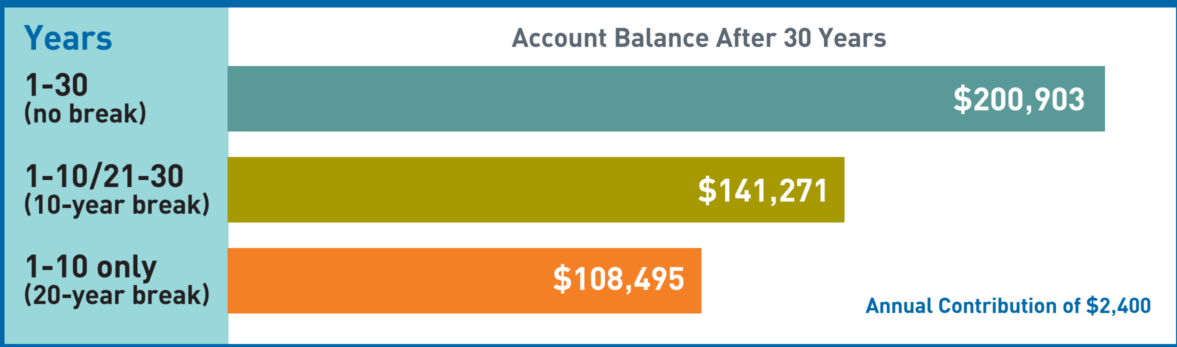
Inflation is essentially the increase in the price of goods and services. It may be easy to overlook inflation when preparing for your financial future. After all, an inflation rate of just 2% to 3% may not seem worth noting until you consider the impact it can have on your purchasing power over the long term. If retirement lasts 30 years and the annual inflation rate is just 3%, a retiree who initially needs $75,000 of income a year would need about $117,000 by year 15 and $182,000 by year 30 to maintain the same purchasing power.

We all want retirement to be a time of enjoyment, not financial hardship. To better ensure your own financial future, keep your retirement plan working for you.

[1] Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax savings. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.

[2] Source: Social Security Administration, Fast Facts & Figures About Social Security, 2017.

Don't Take a Break



This is a hypothetical example used for illustrative purposes only. It is not representative of any particular investment vehicle. It assumes a 6% average annual total return compounded monthly and that assets remain invested at 6% compounded monthly during periods of non-contribution. Your investment results will be different. Tax-deferred amounts accumulated in the plan are taxable on withdrawal unless they represent qualified Roth distributions.

Source: DST Systems, Inc.

INVESTING MISSTEPS TO AVOID

When you are investing for retirement, there are some things you can't control, such as market volatility. But you can avoid missteps, such as the ones discussed below, that may make it harder to accumulate the assets you're likely to need for your future.

NOT SETTING A GOAL

If you haven't already done it, estimate how much you need to accumulate for retirement. Without a goal, you can't measure your progress and you could end up short of assets to fund your retirement years.

NOT CONTRIBUTING ENOUGH

The amount you contribute each pay period can make a big difference in the total amount you'll have in your account at retirement. Contributing a little is better than not contributing at all. If you started small, plan to increase the amount you're contributing gradually until you're saving enough to reach your goal.

NOT KNOWING YOUR RISK TOLERANCE

Knowing how you feel about risk is critical to choosing investments that are right for you. If your primary objective is to preserve the money you've invested, you're probably a conservative investor. If you're willing to accept an above-average risk of losses in hopes of earning high returns, you're probably an aggressive investor. Many people are somewhere in between.

In general, stocks are riskier than bonds, and bonds are riskier than cash investments. But stocks also have the potential to earn higher returns than the other asset types. Bond returns generally fall in the middle.

FAILING TO DIVERSIFY

Diversifying a portfolio with a mix of securities from different asset classes — stocks, bonds, and cash investments — can help you manage risk.* If one sector of the economy or one asset class is not performing well, other investments may help compensate. Some funds, such as large-cap stock funds or government bond funds, focus on a specific asset class. To adequately diversify your investments, you may need to invest in several funds. Other funds, such as target-date funds or balanced funds, typically hold investments in different asset classes. Check the information your plan provides to learn more about your plan's investment menu.

FOCUSING ON CURRENT PERFORMANCE ONLY

You may be tempted to buy an investment that is performing well during a strong market. But just because an investment is thriving in a bull market doesn't mean it has long-term potential. You can gain historical perspective by comparing several years of returns with the returns of similar investments and a benchmark index. An investment that has held steady in a down market or performed relatively consistently under a variety of market conditions may be one you want to consider for your portfolio.

NOT KNOWING WHEN TO SELL

As a long-term investor, you may prefer to avoid frequent trading and simply stick with the investments you've selected for your retirement account. Reconsider holding on to an investment, however, that underperforms for a long period of time. Even if you feel a sense of attachment to a particular investment, hanging on to it for too long may have an impact on your ability to reach your financial goals. Sometimes, the smart move is to move your money out of an investment.

** Diversification does not ensure a profit or protect against loss in a declining market.*

WHEN TO REVIEW BENEFICIARY DESIGNATIONS

When you joined your retirement plan, you had to choose a beneficiary who would receive your plan assets if you die. You probably picked the person or persons who made the most sense *at that time*. But circumstances in your life may have changed since then, and now you may want to choose a different beneficiary. Here are some key points to consider.

YOUR SPOUSE

If you recently married, you may want to name your spouse as beneficiary so that your spouse would have access to your retirement assets if you die. In fact, many retirement plans require that you name your spouse as the primary beneficiary. If you decide you don't want your spouse to be your primary beneficiary, your spouse will have to sign a written consent form waiving his or her rights to your plan assets.

YOUR CHILDREN

If your children are already adults, naming them as beneficiaries is fairly simple. If they're still minors, however, it may be more difficult. Most retirement plans won't transfer plan assets directly to a minor. Instead, a court will appoint a trustee or guardian to receive the money on your children's behalf. This legal process could take some time.

You can avoid these complications by naming a trust as the primary beneficiary of your plan assets and your minor children as the primary beneficiaries of the trust. Then you can select the trustee who will carry out your instructions. To qualify as your designated plan beneficiary, your trust must meet strict IRS guidelines.

OTHER BENEFICIARIES

If you're unmarried and don't have any children, you probably have a number of other people you could choose as your beneficiary. You may want to consider your parents, siblings, nieces, nephews, or even close friends.

REMEMBER TO REVIEW

Keep in mind that writing or changing a will generally won't affect who receives your retirement plan assets. Instead, the funds generally will pass automatically to the person you've designated as your plan beneficiary. So, remember to review your plan beneficiary designation periodically and change it if necessary so that the person you want receives your plan assets if something happens to you.

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