SPRING 2018

RETIREMENT DIRECTIONS

KEEP TABS ON YOUR FUNDS

How do you know how your retirement investments are performing? Looking at an investment's total return by itself tells only part of the story. You can get a clearer picture by comparing your investment's returns with a representative market index.

SELECTING A BENCHMARK

There's an appropriate benchmark index for just about every type of investment. Some of the most commonly used benchmarks include:

Dow Jones Industrial Average® measures the performance of 30 of the largest U.S. corporations. It represents all industries except transportation and utilities and is one of the most widely recognized measures of stock market activity.

S&P 500® measures the performance of 500 financial, industrial, transportation, and utility company large-cap stocks. The S&P 500® is a market-cap-weighted index, so it gives more weight to stocks having the greatest market value.

NASDAQ Composite Index® is a market-weighted index of over 2,500 domestic and international securities traded through the NASDAQ® electronic exchange. Over 40% of the capitalization of the index consists of technology companies.

Russell 2000® Index tracks the performance of approximately 2,000 small U.S. companies and is a capitalization-weighted index.

NYSE Composite Index® measures common stocks listed on the New York Stock Exchange. About a quarter of these stocks are located outside the U.S.

Wilshire 5000 Total Market Index℠ is the broadest index for the U.S. equity market. It measures the performance of all U.S. stocks that have readily available price data.

MSCI EAFE Index tracks companies in Europe, Australia, Asia, and the Far East and excludes the U.S. and Canada.

Bloomberg Barclays U.S. Aggregate Bond Index measures U.S. dollar-denominated investment-grade bonds. It includes government, corporate, mortgage-backed, and asset-backed securities.

FINDING THE BEST FIT

You'll need to find a suitable benchmark index that reflects your investments. For example, many investors consider the Wilshire 5000 Total Market Index an appropriate index for the overall stock market. The MSCI EAFE Index is an important benchmark for international stocks. Bond investors often use the Bloomberg Barclays U.S. Aggregate Bond Index to measure performance.

GETTING THE MOST FROM BENCHMARKS

If possible, compare your investment's returns against a benchmark over one-, five-, and 10-year periods. This will give you a better sense of how well your investments have performed. Knowing whether your investments are doing better, worse, or the same as similar investments can help you determine if changes to your portfolio may be necessary to reach your goals.

Past performance cannot predict future results. You cannot invest directly in an index.

Q&A

YOUR QUESTIONS ANSWERED: IS PREPAYING A MORTGAGE A GOOD STRATEGY?

Adding to the amount of your monthly mortgage payment would mean paying less interest over the loan's term and increasing your home equity more quickly. But depending on your circumstances, prepaying may not always be the right decision.

Prepaying may be worthwhile if you're paying private mortgage insurance (PMI). Putting more towards your mortgage principal can decrease your outstanding loan balance and potentially eliminate PMI payments. Generally, you can request that PMI be cancelled when your mortgage principal has fallen to 80% or less of the original value of your home. Some mortgage agreements have a prepayment penalty, so check your agreement for this.

You may also want to prepay if you're nearing retirement. Paying incrementally more each month could help you eliminate your mortgage payments by the time you retire.

Prepaying your mortgage may be less beneficial if you have significant credit card debt. You may save more by paying off large, high-interest balances first if your credit card rates are higher than your mortgage interest rate.

And if you don't have sufficient savings for your retirement, your children's college education, or your emergency fund, you may be better off putting aside an extra amount for those purposes rather than prepaying your mortgage.

INSIDE: SOCIAL SECURITY: EARLIER OR LATER? **and** SLOW AND STEADY WITH DOLLAR-COST AVERAGING

PNC BANK

SOCIAL SECURITY: EARLIER OR LATER?

Determining at what age you should begin taking Social Security benefits can be difficult. You can start as early as age 62 or as late as age 70. Or, you can begin taking benefits at your full retirement age (FRA),* which depends on the year you were born. It's important to understand your options for claiming benefits well in advance of your retirement date.

ADVANTAGES OF DELAYING

Although you can begin taking benefits as early as age 62, the longer you delay, the larger your benefit will be. You're entitled to receive full benefits at your FRA, but for every year up to age 70 that you delay taking benefits, your benefit amount will increase by 8%. That's in addition to any cost-of-living increases you might receive.

But if receiving a higher benefit amount was the only consideration, everyone might wait until age 70 to collect. A number of other issues can make the decision more complicated and more personal.

HOW'S YOUR HEALTH?

Your health and your family's longevity are important factors to consider. If your health is poor, you may want to take benefits early. Bear in mind, though, that your monthly benefit will be permanently reduced if you begin collecting Social Security benefits at age 62 or at any time before you reach your FRA.

FACTORING IN FINANCES

If you don't have sufficient income from other sources, delaying the start of your benefits may not be a possibility. Even if you don't need the money for living expenses, collecting the benefit and using it for other purposes is an alternative to consider. Keep in mind, however, that your benefits will be reduced if your earnings exceed certain limits before you reach your FRA.

BREAKING EVEN

If you're still working or have other assets providing income, waiting to collect may seem appropriate. But if you wait to claim benefits, you'll need a certain number of years to "catch up" to the total amount you would have received if you had begun to receive Social Security at your FRA.

This is your "break even age"— the age you'll be when the two total accumulations are equal and the advantages of having waited to collect begin to take effect. You'll have to live beyond the break even age to come out ahead in the total amount of money you receive over your lifetime. The longer you live, the more you will benefit from the delay in taking benefits.

BEYOND THE BASICS

Social Security benefits may be available to spouses, divorced spouses, widows, and widowers. You can learn more about the applicable rules on the Social Security website at *www.ssa.gov*.

Choosing the best age for claiming benefits can be a complex process. You may want to consult a financial professional for help in making the choice that will be right for your personal circumstances.

** Full retirement age is 66 for individuals born from 1943 through 1954, gradually rising to age 67 for individuals born in 1960 and later.*

SLOW AND STEADY WITH DOLLAR-COST AVERAGING

Wouldn't it be wonderful if you could always buy an investment when the market is low and sell when the market is high? Unfortunately, predicting stock market highs and lows with any certainty is difficult to do. All too often, investors let emotions guide their decisions, selling during downturns and buying when prices are high.

A simpler investment strategy — called dollar-cost averaging* — can help take the uncertainty out of when to invest. In fact, when you participate in your employer's retirement savings plan, you're already using dollar-cost averaging. Here's how it works.

A FIXED AMOUNT

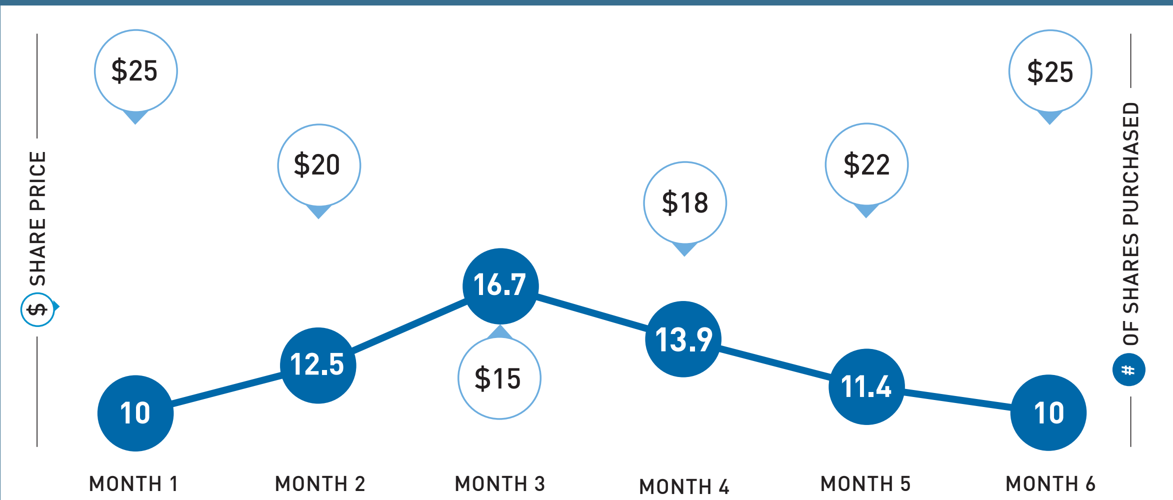
With dollar-cost averaging, you invest the same amount of money in the same investments on a regular basis. When you make contributions to your employer's retirement plan, that money is used to buy shares of the investments you've selected. This occurs regardless of the investment's current price or market conditions. And since it happens automatically, you don't have to remember to invest. Your plan does it for you.

TIMING ISN'T EVERYTHING

When you make regular fixed contributions to an investment, the number of shares you are able to buy will vary based on the investment's share price. When the price is high, fewer shares are purchased. When the price is low, more shares are purchased. Dollar-cost averaging can help you avoid the stress of trying to determine the best time to purchase shares and may lower your average per-share cost.

** Investing regular amounts steadily over time (dollar-cost averaging) may lower your average per-share cost, but this investment method will not guarantee a profit or protect you from loss in declining markets. Effectiveness requires continuous investment, regardless of fluctuating prices. You should consider your ability to continue buying through periods of low prices.*

NO GUESSWORK REQUIRED



TOTAL INVESTED
$1,500

	AMOUNT INVESTED MONTH 1	MONTH 2-6	TOTAL SHARES PURCHASED
Dollar-cost averaging	$250	$250	74.5
Lump sum	$1,500	$0	60.0

This is a hypothetical example used for illustrative purposes only. It is not representative of any particular investment vehicle. Your investment results will be different. The number of shares purchased is rounded to the nearest one tenth of a share. Source: DST Systems, Inc.

HEALTH SAVINGS ACCOUNTS EXPLAINED

Health savings accounts (HSAs) — special savings accounts available for those with qualifying high-deductible health plans (HDHPs) — have been available since 2004, but they've become more popular recently. HSAs provide income tax advantages that can make them an attractive way to save for out-of-pocket medical expenses.

HIGH-DEDUCTIBLE PLAN NECESSARY

HSAs allow you to make tax-deductible (or pretax) contributions to a tax-deferred account to pay medical expenses for you and your spouse and dependents — but only if your health insurance is a qualifying HDHP. If your employer doesn't offer an HSA, you can open one yourself, provided you have an HDHP and don't have other prohibited health coverage. Dental, vision, long-term care, and certain other types of coverage are permitted.

HDHP LIMITS

To qualify as an HDHP in 2018, a plan must have an annual deductible of at least $1,350 for self-only coverage or $2,700 for family coverage.* Out-of-pocket payments under the plan (other than premiums) can't exceed $6,650 for self-only coverage or $13,300 for family coverage.

With self-only coverage under an HDHP, you can contribute up to $3,450 to an HSA for 2018. The HSA contribution limit for 2018 is $6,900 with family coverage. Once you're age 55 or older, you can make additional catch-up contributions of up to $1,000 a year. However, you cannot contribute to an HSA once you are enrolled in Medicare.

USING YOUR HSA

As long as you use the money to pay qualified medical expenses, no tax is due when you withdraw money from your HSA. However, funds used for nonqualified expenses are taxable and are generally subject to an additional 20% penalty before age 65. While most health insurance premiums are not qualified medical expenses, you can use HSA funds to pay qualified long-term care insurance premiums and, as long as you're age 65 or older, Medicare premiums (except premiums for a Medicare supplemental policy, such as Medigap).

You're not required to spend down your HSA; you can allow funds to accumulate and roll over to subsequent years. You'll typically have a variety of investment options to choose from, and earnings on HSA investments accumulate tax deferred. And, if you leave your current employer, you can take your account with you.

** The preventive care deductible can be zero or an amount lower than the $1,350/$2,700 minimum.*

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