Hit the 401(k) Refresh Button

February 2023

2022 was a year filled with many distractions. First it was unexpected inflation, then a war, sharply rising interest rates and falling stock prices, all of which resulted in a pretty miserable year for investors. While your fourth-quarter 401(k) statement may reflect some improvement, it won't be enough to make up for the previous three quarters. Faced with unsettling losses, investors need to resist the urge to panic and focus on the end goal.

Down years for the U.S. stock market are not all that unusual. In fact, over the past 100 years, the market has averaged 2.5 down years per decade. During the drawdowns, the average loss was 14% in a calendar year, with the worst being the staggering decline of 47% in 1931. Interestingly, in the year following a selloff, the market bounced back on average 12%, with up years outnumbering a second consecutive down year 2 to 1.

What could drive the stock market higher in 2023?
Trillions of dollars of latent stimulus continues to support the U.S. economy despite stronger-than-expected inflation and multiple Federal Reserve rate hikes. So, while the odds of the U.S. falling into a recession later in 2023 are elevated, especially once the leftover stimulus is exhausted, we expect the economic news for the next couple of quarters to be reasonably supportive.

So, what should you do?
The most common mistake people make with their retirement planning is failing to save enough. At a minimum, you should save enough to capture any dollars your employer offers to match to accelerate the growth of your retirement nest egg. Ideally, you should strive for an annual retirement savings of at least 10% of your income. If you're not currently saving 10%, consider auto-escalation. This feature increases your annual savings rate by 1% of pay each year until you tell it to stop. It's a great way to gradually and painlessly increase your savings rate over time.

Next, because identity theft has become such a widespread problem, take steps to protect your savings from cyberthieves intent on impersonating you online to drain your account. Registering your online account with your plan's record-keeper is critical because if you never go online and set up your account, you leave the door open for someone who has purchased your personal information on the dark web to register your account with their own address and request a withdrawal check.

Also, your retirement account should be set up with multifactor authentication. This requires anyone who logs into your account to input a code, which is sent via text message to your cell phone, before they can gain access to your account.

It's also important to keep your e-mail current in the system because most record-keepers send alerts by e-mail after a change in your personal account information or a distribution. Some systems now also offer voice authentication or an additional passcode to authorize a distribution.

While you're setting up those safeguards, also check your beneficiary elections to verify they're up to date. If you get married, divorced, or create a trust to serve as part of your estate planning, make sure the beneficiary designation you have on file correctly expresses your wishes. Be advised, your retirement plan beneficiary designation supersedes your will, so be sure to keep your beneficiary designation up to date.

If 2022 was a year you'd like to forget, we get that. Fortunately, history suggests better days lay ahead. Perhaps 2023 will be that year, but until those positives materialize, take care of what you can by staying invested for the long term, increasing the amount you're saving and ensuring your retirement accounts are properly protected.

Get Advice
Reach out to the Francis Tam at 866-232-6457, book a web/phone meeting conveniently online at **francisway.com** or download the free app to message your Financial Planner! Visit the Apple App or Google Play Store and search: Francis LLC.

FRANCIS