# VISTA 401(k) News

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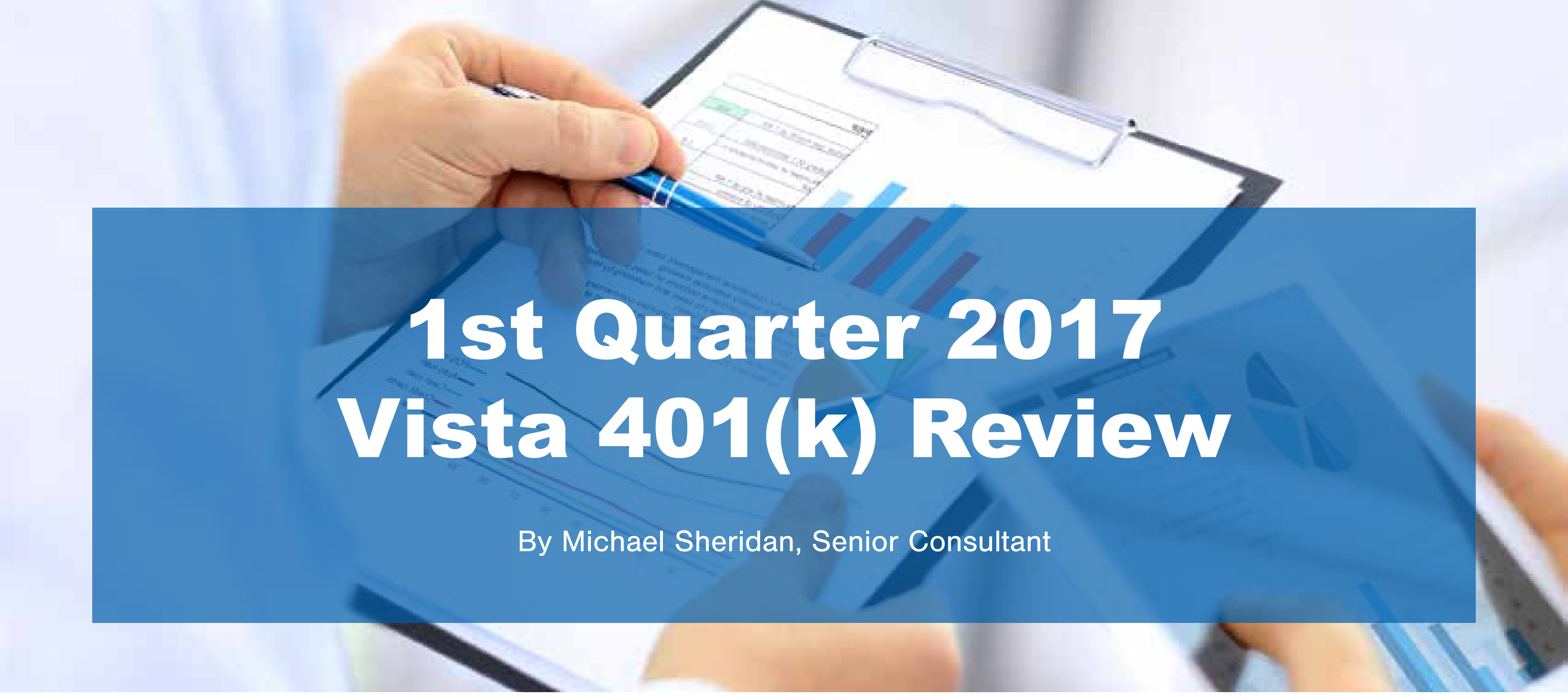

# 1st Quarter 2017 Vista 401(k) Review

By Michael Sheridan, Senior Consultant

Every one of the 25 funds in our plan showed gains in the first three months of this year. I was concerned about the new funds we added last summer because none of them are chasing higher returns at the risk of compromising their objectives. All of them did well and outperformed the funds they replaced.

Our strategy of offering at least one Index Fund and one Actively Managed fund in each category seemed to work and overall, the actively managed funds have performed well as compared to the Index funds. We have interviewed some fund managers regarding their 2016 Performance, as we do every year, and do not see any reason to make additional changes at this time.

There will be a meeting of your Advisory Council in Orlando on June 9, 2017, and your School Board employers will be well represented. If no issues arise between now and then, we will not have any fund change recommendations. However, we monitor these funds and other market developments on a daily basis.

As you know, the Federal Reserve raised interest rates earlier this year. We anticipate two more increases in 2017 and probably 2-3 in 2018. These increases will continue as long as the economy continues to thrive, inflation is about 2% on an annual rate and we return to a more normal interest rate environment based on market dynamics rather than government controls.

I do not recommend long maturation bonds or bond funds that specialize in longer-dated bonds (more than 10 years) because they decrease in basic value as interest rates rise. I do recommend shorter date maturations (2 years at the longest) because they will have the best opportunity to increase as interest rates rise. The Fidelity Total Bond Fund seems to be doing a decent job of balancing those maturities as the market changes.

I should also point out that all of the balanced funds have a Bond component in their composition and that these managers are sensitive in their trading to anticipate interest rate rises over the next few years. These funds range from an approximate 60% stock/40% bonds composition for Vanguard Wellington to approximate 40% stock/60% bonds for Vanguard Wellesley.

It is very early in this new administration to predict, with all of the theatrics noted in the media, as to what, if any, impact proposed legislation or executive orders will have on the economy later this year. As of now, in spite of global disruptions and uncertainty, the US stock market has shown little volatility on a daily basis and the S&P 500 Index was positive at +6.1 % for the year. That is very good but I think there will be a correction. As I read my two daily newspapers with a morning coffee, I note the average Price Earnings Ratio (PE ratio) for the S&P 500 is over 21. There has not been a period of any length of time that the average PE stayed over 21. In my judgment, the stock market is overpriced. I also think the bond market is underpriced.

With a predicted increase in reported corporate earnings of +9.1% from the same quarter last year, these high PE may become more sustainable. If the prices stay the same and the earnings increase, the ratio decreases. If we get some sort of a downward price correction, which I believe will happen, then these two dynamics could bring us some sensibility and stability. I hope it happens sooner than later.

I also noted in today's newspaper (April 4. 2017) that Tesla stock closed at an all-time high price. It is a great company and they make one of the best cars in the world. However, their market capitalization (the value of the total number of outstanding shares multiplied by the share price = total value) is now greater that Ford Motors. And Ford has around 20 times larger annual revenue than Tesla. Irrational Exuberance?

# How to Grow Your Retirement Accounts

By Daniel Miller, Retirement Plan Analyst

We all know planning for retirement is a critical part of our future financial security. But how does one accomplish that? There is no shortage of investment options available to us, with many that do more harm than good. Just like a garden requires the proper soil to take root and grow, so does your retirement account. The purpose of this article is to provide information and context on important decisions that will impact how much your retirement account grows over time.

Setting up a retirement account is step 1. It is impossible to grow your account if your account does not exist. When choosing between different retirement plan options, keep these considerations in mind: Simple, Convenient and Low Cost. Ideally, a good retirement plan will be relatively easy to understand, provide minimal additional restrictions on fund assets or contributions and have low-cost investment options to choose from. A Variable Annuity Contract spanning 150 pages may not meet any of those considerations for you. It is critical to know what you are signing up for before you commit to an account. Don't be afraid to ask questions, and be wary of any agent that is unwilling to provide you a clear answer.

Once your account is set up it is important to ensure the investment strategy matches your retirement goals. A millennial 40 years away from retirement is generally not served well by investing in cash. For someone far away from retirement, providing an opportunity for growth is necessary. On the other hand, someone a few years away from retirement may wisely choose to take a more modest return in exchange for lower risk. If you are unclear which path works for you seek out your plan's Risk Tolerance Assessment tool to help you gauge the level of risk you are willing to take. Some retirement plans also offer Target Date and Risk-Based investment strategies that allow you to do an "all in one" approach. Again, never be afraid to ask questions.

As your account grows over time it is prudent to adjust your contributions to match your income level and savings goals. Beginning your account at $50 per pay period when beginning your career may be all you are able to afford to contribute at that time. But as your salary and career path elevate don't forget to adjust your retirement plan to compensate. If you're not sure how much you need to contribute to have a reasonable chance of reaching your retirement savings goals, use a retirement income calculator to help gauge this. And even if you're not quite able to reach the desired contribution amount today, set markers and timeline to slowly work your way up to your goal. Even a $5-10 per paycheck increase can make a significant difference. It is also necessary to keep funds invested, giving those dollars an opportunity to compound and grow over time. Assets cannot grow if they are not invested, and we encourage our participants to only take loans or hardship withdraws as a last resort.

Ultimately we encourage you to keep a positive outlook. Dreaming of your retirement, and the adventures you'll partake upon and enjoy, are a great motivator to help you keep striving to reach your goals. Don't give up, ask questions where you are unsure and stay committed to saving for your future.

# Why do Fees Matter Regarding Your 401(k) Account?

By Robert Pumphrey, Retirement Service Representative

You may recall the Vista 401(k) Plan made several mutual funds modifications in the plan effective August 2016. A positive outcome of these modifications reduced the operating expenses, also referred to as fees, for many of the mutual fund categories provided to you in our investment portfolio. Lower fees do matter when calculating the overall performance of your investments, and this article will help to explain how.

All investors, whether it be in the Vista 401(k) or another retirement plan, should evaluate the expenses of their investment choices in additional to the performance figures. The most commonly used “gauge” of fund expenses is referred to as the expense ratio. This measures the operating expenses relative to the total value of the fund. Generally speaking, lower fund expense ratios provide a better opportunity to generate positive returns. In the Vista 401(k) Portfolio, none of our available mutual funds currently charge an operating expense ratio higher than 1.00%. We also have several funds with operating expenses below 0.10%. Regardless of whether the mutual fund is an actively or passively managed investment option, lower fees charged to participants means more opportunity for capital growth.

It is important to remember an expense ratio is only one of the equations needed to ensure a healthy retirement. For example, an investment in Fund A, which has an expense ratio of only 1.00% with an annual performance of 4.00% provides a net rate of return to you of 3.00%. However, Fund B with an expense ratio of 1.50% with an annual performance of 6.00% provides a net rate of return to you of 4.50%. Therefore, even though Fund A has a lower expense ratio compared to Fund B, the performance of Fund B “outperformed” Fund A. When considering long term investments, Fund B must always outperform Fund A to make up the difference in their expense ratios. This is why participants are best rewarded by investing in low cost, high-quality funds options over time. The Vista 401(k) Plan has mutual funds available with this long-term strategy in mind.

In simple terms, fees do matter in the long run and you should consider the fees charged under your investment choices, whether in the Vista 401(k) Plan or another retirement account you have. The difference may seem small, but over time this adds up to a significant chunk of your potential returns.

# Don’t take that loan! There may be other options.

By Toni Milton, Retirement Solutions Analyst

Unfortunately, retirement accounts have become America’s new piggy bank. Borrowing from your 401(k) account is equivalent to borrowing against your retirement future. The money you contribute to your retirement account is in there for one reason: to provide the necessary funds for your retirement. And while it may be difficult to balance the needs of today with income needs 15 years into retirement, borrowing against your 401(k) takes money out of the account that would otherwise be committed to savings growth.

The need to borrow from your savings is a red flag warning that you may be living beyond your means. When you can’t find any other way to fund your lifestyle other than borrowing money from your retirement savings it may be time to seriously re-evaluate your current lifestyle. If you are thinking about taking a loan from your 401(k) account take a moment and think about the reasons why you shouldn’t. By taking loans you may be jeopardizing the long-term growth of your account. You also incur double taxation on all loan interest paid back into the account. Over time, the interest and gains on the money in your account can accumulate significantly through compounding returns. When you pull money from your 401(k) that means you’re selling your investment opportunity. If those investments continue to rise in value you won’t get the profits or returns, as your money is tied up in a loan rather than contributing to account growth. Although you are slowly repaying the loan with a bit of added interest, this slow repayment plan can affect the rate over time at which your money can grow.

As a school board employee, you may have other options rather than tapping into your retirement savings. Local school board credit unions offer a variety of saving options to their members. The South Florida Educational Federal Credit Union offers two different saving plans unique to school employees. There’s a Summer Saving Plan, which was designed for 10-month employees. You can start deposits into the account anytime during the year. By the summer your savings plus dividends will help you tackle those summer expenses. SFEFCU also has a Vacation Saving Plan allowing you can save in advance a little at a time to get ready for that dream vacation. There are no limits to the amount you can deposit and your account will earn dividends. Both are great options and will allow your savings in your 401(k) to remain intact.

The whole point of having a 401(k) account is to use it as a way to save for the future. You are defeating the purpose of having an account if you are using the money in it before your retire.


# The DROPBox

Are you enrolled in DROP? Do you have questions about your distribution? Would you prefer to receive information specific to your needs?

Call us at 866-325-1278 or e-mail us at 401k@vista401k.com for one-on-one service from our experienced Retirement Services Team.

Upon termination, you must select a payout method for your DROP benefits from the following three DROP payout choices:

- Lump Sum Distribution – less income tax withholding (under age 55, an additional 10% tax penalty withheld)
- Direct Rollover – no tax withholding
- Partial Distribution and Direct Rollover – some income tax withholding

Here are some good reasons to rollover the DROP payout into a Vista 401(k) account:

- If you take the DROP funds as a payment directly to yourself, these funds will be taxable income for the current tax year.
- If you qualify for normal retirement from the School Board and reach the age of 55, you qualify to withdraw your funds without incurring the age 59½ withdrawal penalty from your 401(k) Plan. This means that if you choose to rollover your DROP funds to your 401(k) Plan, instead of a traditional IRA, you can withdraw funds before age 59 ½, without a penalty.

**If you entered DROP in 2012, you will receive your payout distribution this year.** Call Vista 401(k) at 866-325-1278 for the necessary forms to complete.

# Important Links

## Fund Performance

**Fund Performance for March 2017 is ready to view by clicking here.**

## Risk Tolerance Assessment

Have you recently taken an investment risk assessment for your 401(k) Account. **Click here** to begin this questionnaire.

## Visit us on Facebook and Twitter

Stay up to date on market activity and other important play information

## Contribute to your retirement through the Vista 401(k) Plan today. Click here to Enroll!

## Increase your contributions

Want to increase contributions to your 401(k) Account? Complete this **form** today!

## Confirmed you beneficiary?

Have you confirmed the beneficiary on your vista 401(k) Account? Complete this form to update your beneficiary information.