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# 2nd Quarter Review

By Michael Sheridan, Senior Consultant

Half a year has gone by and we are still meandering in the stock market – and still about where we started the year. The big surprise to me is that the bond market is still down for the year and not reflecting higher yields.

We had a productive meeting of your Vista Advisory Council in Orlando in early June. All of the school district employers who participate in your 401(k) Plan were represented and we discussed as many aspects of the plan as possible during this half day meeting. We concluded that no changes were necessary for our investment policy. Our policy is fairly restrictive regarding permissible investments that are consistent with retirement plan objectives, and not speculation. We also decided that no changes in the present investment options were necessary, but closer monitoring of all of the funds was important in this rapidly changing world.

Your Vista 401(k) Plan funds' performances reasonably followed the various stock and bond market indexes during the second quarter, as well as Year to Date (YTD). Not much to get excited about. For me, it is difficult to really use the various metrics in a manner that gives a clear picture of the status of business development because of what I call "index distortion." By that I mean that the so-called FAANG stocks (*Facebook, Apple, Amazon, Netflix and Google*) coupled with several other American tech companies, are so dominant in their ownership by institutional and individual investors, as to distort the larger scope of total investment activities. FAANG stocks comprise most of the performance returns in the S&P 500 this year and have changed (*I hope only currently changed*) the entire investment market to a degree that, in my opinion, has distorted bond and other capital markets as well.

This may not make a lot of sense to you, but the overwhelming dominance by these "few in numbers, but large in market capitalization" stocks, distort the real value of the vast remainder of publicly-traded stocks. Note the YTD performance of the T. Rowe Price; Blue Chip Growth of +11.6%. Nothing else in the plan is even close to the performance of this big market cap growth fund, which holds a lot of FAANG stocks. Compare it to its bench mark of the S&P 500 of 2.7% YTD. Do I really think that the Blue Chip fund's holdings should have outperformed its benchmark by about 430% (11.6% compared to 2.7%)? No! My congratulations to T. Rowe Price for their excellent management and to our participants who

were fortunate to own this fund. However, what distortions existed for the remaining funds in the plan that hold solid companies shares – which are not as appealing or exciting as the tech companies that are, currently, so appealing?

Don't get me wrong. I am not complaining about stellar performance. I am complaining about an inability to adequately read the market because of current distortions and an inability to give sound, but general advice. After discounting the current positive gains by the FAANG stocks and certain other high-tech companies, I am not sure that we are really getting much positive performance from the rest of the S&P 500 companies. This is the situation in spite of generally good earnings and a healthy US economy.

Adding to all of these distortions is the real impact of the proposed tariffs that our country is imposing on other countries imports and those country's imposition of tariffs on our exports, in retaliation. I think that the decent gains in our Small Cap and Mid Cap funds reflects their more domestic market focus, lesser scope of exports, and exposure to tariffs, than the larger companies who conduct business all over the world and are more exposed to tariffs. The Balanced funds' poor showing reflects their conservative large cap holdings, flat performance, and their bond holdings' negative yields for the year.

Bond funds continue to lose value as interest rates rise and are largely offset by the higher interest payments from rising rates. I think most high-quality/ lower-yield bond funds are still netting out negative returns for the year, but provide a hedge from the great degree of uncertainty in the world's economy. The gap in yields between short and long duration is not much – and that, historically, has indicated potential disruption if short-term bonds pay higher rates (known as an "inversion") happens.

Our best strategy is to diversify (*seems like this is always my suggested solution?*) and settle on lower, but safer returns in the short term. Small and Mid-cap funds would be a good addition to your portfolio. The Government Bond fund should always be safe. With the uncertainty of world events, I would avoid the International fund for now. If you would prefer to allow professionals to manage your diversification, the Target Date funds should be good selections, but be prepared to hold on to them for a long period.

We always welcome your comments and ideas.



# 401(k) Plan Checkup

By Robert Pumphrey, Retirement Services Representative

## Great Time for a Checkup of Your Vista 401(k) Plan

It's summer break! It's that glorious time of year when teachers have a little time to unwind, de-stress, regroup, relax, and reconnect. Yes, many of you might miss the hustle and bustle of the school day, the challenge of teaching, and the camaraderie with your teacher friends. However, you now have plenty of time to keep busy with other things, such as whatever might be on your "bucket list" this summer. One of those items to consider doing this summer time is a checkup of your Vista 401(k) Plan. The items to consideration are as follows:

### REBALANCE OR REALLOCATE YOUR FUNDS

The past seven months have presented us a very volatile market and it might be a great time to consider completing the Risk Tolerance Assessment, which is located on our website. This process will allow you to get helpful information about the best way to consider investing. The five-question questionnaire will provide you a score as a guide to select the best category that best describes your investment Risk Tolerance. Most financial advisors recommend that you evaluate how your money is being invested at least once a year, and this is very simple tool to assist you: [www.vista401k.com/learning-center/401k-tools/investment-risk-profile/](http://www.vista401k.com/learning-center/401k-tools/investment-risk-profile/)

### UPDATE YOUR ADDRESS

If you have not been receiving your quarterly newsletter, do we have your correct email address? Have you taken the time to update the address with your school system? It is very important that you inform us of any address changes. For example, if you are still an active employee of Miami-Dade County Public Schools, we receive a new file every Thursday. So unless you provided M-DCPS an updated address in the SAP system, then it will convert back to the old address on file. Therefore, please be proactive and update your address with your employer so that you can get your statements and all other important communications from us.

### CHECK YOUR BENEFICIARY DESIGNATIONS

Life is ever changing. People get married, divorced, or have children – ultimately making accurate beneficiary information the best protection for you and your loved ones in case of your untimely death. Take a few minutes this summer to either go online and update your beneficiary information or call us at 866-325-1278. We can mail you the Designation of Beneficiary Form for you to complete. This simple process could be one of the most worthwhile things you can do this summer.

### CONSOLIDATE YOUR ACCOUNTS

If you are nearing retirement, account consolidations might simplify investment management and provide a clear picture of your total retirement assets. You can rollover money from other qualified plans, such as 403(b), 457, IRAs – even your DROP money can be rolled into your Vista 401(k) Plan. Unlike some of the other plans, the Vista 401(k) Plan has no sales charges and no exchange fees.

Your retirement may be right around the corner or years away. Regardless, saving more now will always make you better prepared for your retirement.

### INCREASE YOUR CONTRIBUTION FOR NEXT YEAR

With the new school year starting soon, why not consider increasing your existing contribution to your Vista 401(k) Plan? For those of you who are not getting a paycheck this summer, you can make a commitment now to increase your contribution and no deductions will take place until your September 14, 2018 paycheck. You can simply go online to our website at [www.Vista401k.com](http://www.Vista401k.com) and make the change accordingly, or call us and we can forward the appropriate form to process your request.

All of us at FBMC Retirement Services hope that you are enjoying your summer. We encourage you to take just a few minutes this summer and address the above areas of need.

## What is a Bond Fund?

Bonds are issued by governments and corporations as a way to raise money that can be used to pay for ongoing projects or expanding businesses. When you buy a bond, you are loaning the issuer money. They agree to pay you back your initial investment with interest that is paid periodically, usually twice a year. The maturity date of a bond is the date your initial investment will be returned to you.

Bond funds, like the ones included in the Vista 401(k) portfolio, are a more efficient way to invest in bonds. Instead of a single investor purchasing individual bonds, a professional fund manager purchases groups of bonds, typically in the same class, to include in a bond fund. An experienced portfolio manager will research and analyze the credit worthiness of bonds and market conditions before buying or selling. They know when to replace bonds because they are attentive to the credit status of the issuers and they stay abreast of interest rate changes. Another advantage of purchasing bond funds is that you avoid paying individual transaction fees each time you buy or sell your bonds.

The bond funds featured in the Vista 401(k) portfolio include American Century Investments Government Bond (CPTNX). This bond fund includes 219 Fixed Income holdings with an average maturity rate of 7.74 years. All bonds included are 100% U.S. government debt securities. The fund managers invest in a broad range of government bond sectors, including Treasuries, government agencies, and mortgages. The three-year average return on this fund is 0.9%

Another American Century fund in the portfolio is the Inflation Adjusted Bond (ACITX). An Inflation Adjusted Bond increases with inflation and decreases with deflation, as measured by the Consumer Price Index. The average maturity of its holdings are 9.36 years. The fund managers have designed this fund to fight the effects of domestic inflation cycle by investing primarily in inflation-indexed bonds. They employ a strategy of comprehensive risk management that is designed to maximize real return. At least 80% of the fund's assets are invested in Government bonds and the average three-year return is 1.8%.

The Fidelity Advisor Total Bond Fund (FEPIX) is the third bond fund included in our portfolio. Its holdings included at least 80% of its assets in investment-grade debt securities of all types. The fund uses the Bloomberg Barclays U.S. Universal Bond Index as a guide. The bond fund managers carefully analyze the credit quality of the issuers and any economic risks they might carry. The average duration of the bonds in this fund is eight years and it has a 2.5% average three-year return.

A well-diversified investment portfolio should always include bonds. Why? Because bond funds offer protection from a sometimes volatile stock market, while providing steady returns.

# PLAN YOUR PATH TO RETIREMENT

## TAKE ACTION GET RESULTS

5 YRS =	\$11,686
10 YRS =	\$27,450
15 YRS =	\$48,712
20 YRS =	\$77,391
25 YRS =	\$116,076
30 YRS =	\$168,256

*Based on contributions of \$76 per paycheck at 6% assumed rate of return. This is only an example, individual results will vary.*



## START TODAY!

CALL **866-325-1278**  
VISIT **Vista401k.com**

Are you on your way?  
Take the first step, the view gets better each year!

You can start or restart your retirement contributions through payroll deduction. Visit our website or download our app to sign up, track fund performance, and use the profile and analysis tools.

For more information, just contact a Plan Representation, they can help you chart a clear path to retirement!



DOWNLOAD the Vista 401(k) APP



## WE CAN HELP YOU GET THERE.



# Tax Deferred Growth

By Toni Milton, Retirement Solutions Analyst

## Planning and saving now equals financial wellness at retirement!

If you are not contributing to your employer-sponsored 401(k) Plan, you may be decreasing the amount of income you could have at retirement. The beauty of the Vista 401(k) Plan is that it allows your money to grow tax deferred. Many companies require you to wait months, sometimes up to a year, in order to participate in their 401(k) plan. Your employer allows you the ability to enter the plan right away by going to [www.vista401k.com](http://www.vista401k.com) or calling 866-325-1278. That's good news, because the sooner you start contributing, the more money you will have saved.

The contributions are invested at your discretion into one or more funds provided within the plan. The plan offers several options for educating yourself on your 401(k) account. You will receive a statement every quarter, informing you of account activity, fund activity, and fund performance. There is also a very informative newsletter published every quarter available on our website and sent via email. I am sure you are aware that Americans are living longer than ever, so retirement is getting more expensive as the cost of living – especially medical care, prescription drugs and inflation – continues to grow.

Now is the time to take steps toward financial wellness to help prepare you for retirement. Employers have integrated wellness programs to create an overall healthier work experience. There is no greater benefit that an employer can give an employee and their family than the benefit of wellness. These wellness benefits have a tendency to be under utilized. What better way to reach your financial wellness goals than to plan and contribute toward your own retirement?

There are three, primary variables that help determine your ending 401(k) balance, including: your contributions, returns and time. It's a proven fact that the longer you contribute, the more you will have at retirement. It may surprise you how significantly your retirement accumulation could be just by increasing the amount of your contribution by \$5.00 or \$10.00 each pay period.

You could have a secure and happy future in retirement by contributing less than the cost of two movie tickets.

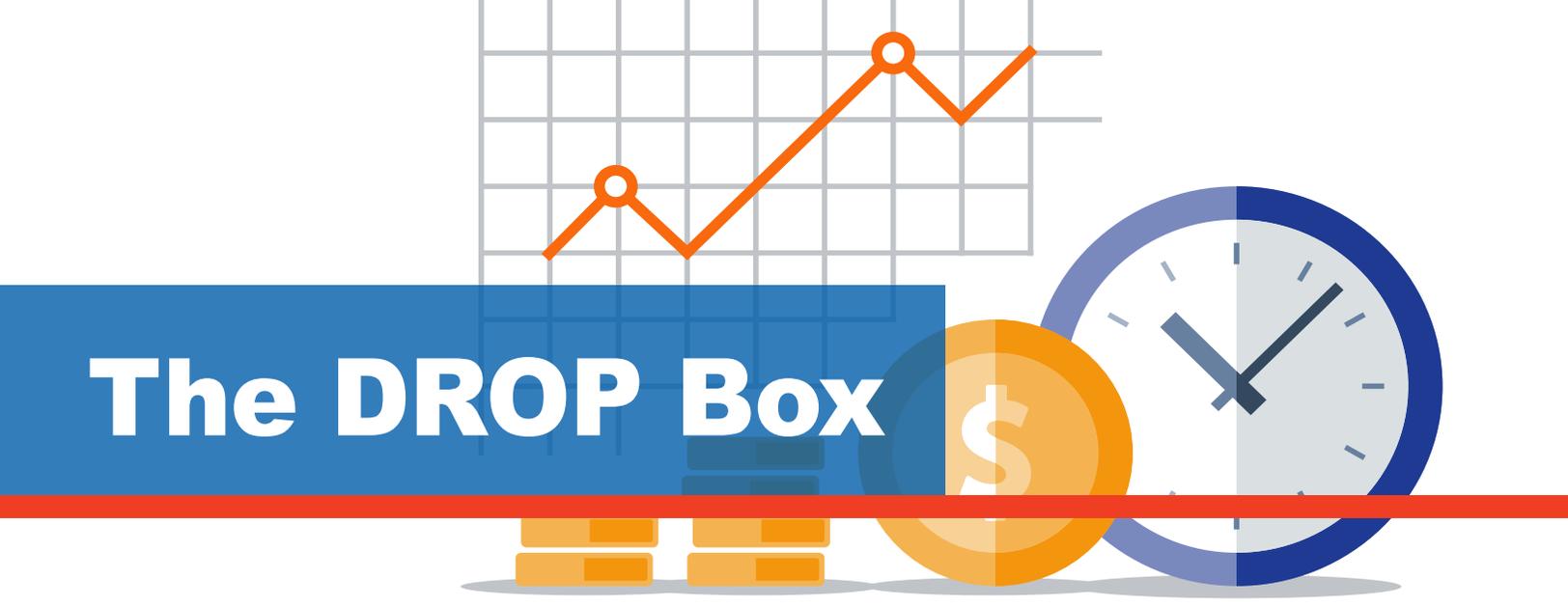
The minimum contribution amount to the Vista 401(k) Plan is only \$25.00. Every dollar counts if you consider you much you'll gain by starting, restarting or increasing your 401(k) account contribution. The answer is, "A lot."

Of course, we understand that starting or increasing your contribution is easier said than done, especially if the rest of your income is already budgeted. Here are a few helpful, money-saving tips you can try:

- Try cutting back on a few, small luxuries, like one less coffee from your favorite vendor.
- You don't have to give up dining out. Look for coupons for local restaurants in the mail, newspapers and online.
- Go to the movie matinees, instead of during prime times. This is a great way to save.
- Instead of buying DVDs, check them out at your local public library.
- Review your cell phone bill. See if there are other plans available with similar services at lower costs.
- Consider having family game nights, instead of going out.

The key to any retirement saving plan is to save consistently. When creating a budget, determine the amount of your salary that you want to contribute each pay check and stick to that plan. Saving is critical for all of us, but especially for those of us getting ready for retirement. It's time to start thinking like a saver. When you receive additional income in the form of a raise, bonus, or tax refund, direct a portion of it into an emergency fund. This will help prevent you from tapping into your 401(k) account for loans or hardships – it should be your last resort.

You'd be surprised at how much you could gain by putting just a bit more into your 401(k) account each year. The annual contribution limits are \$18,500 for anyone up to 50 years of age, and \$24,500 for those older than 50. The Vista 401(k) Plan offers working employees ample opportunity to grow their nest eggs for retirement.



# The DROP Box

*Are you enrolled in DROP and close to retiring?*

*Do you have questions about what to do with your DROP benefits?*

*Would you like to speak with a 401(k) Plan Specialist about your options?*

**CALL 866-325-1278 or EMAIL [401k@vista401k.com](mailto:401k@vista401k.com)**

**When you retire, since you don't have the option of leaving your DROP benefits with the State of Florida, you're required to select a payout method from the following three 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 Vista 401(k) Account, instead of a traditional IRA, you can withdraw funds before age 59½, without a penalty.

**If you entered DROP in 2013, your DROP benefit will be distributed in 2018.**

We also accept rollovers from your BENCOR, 403(b) or 457 accounts, so you can have all of your retirement funds in one convenient account. Call us at 866-325-1278 or e-mail us at: [401k@vista401k.com](mailto:401k@vista401k.com) for one-on-one support from our experienced Retirement Services Team.

# Important Links

## Fund Performance

[CLICK HERE](#)

To view Vista 401(k)  
Fund Performance  
for **June 2018**

## Risk Tolerance Assessment

[VISIT THIS LINK](#)

To take an Investment  
Risk Assessment for  
your 401(k) Account

## Confirmed your beneficiary?

[COMPLETE THIS FORM](#)

To confirm or update the  
beneficiary information on  
your Vista 401(k) Account

## Increase your contributions

[COMPLETE THIS FORM](#)

To increase contributions  
to your 401(k) Account

## Have Questions?

[CLICK HERE](#)

To see answers to the most  
frequently asked questions



**Contribute to your  
retirement today  
through the  
Vista 401(k) Plan**

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