

*Providing clients with peace of mind, through smart financial decisions.*

## Advice That Adds Up During Down Markets

As recent global markets continue to test the patience of even some of the most stoic among us, how are *you* holding up? Are you finding it feasible (if not necessarily fun) to stick with your existing strategy, or have you been eying it with increasing suspicion of late?

If you fall into the latter category, we understand. In his book, "Your Money and Your Brain," personal finance columnist and author Jason Zweig explains what is going on deep inside our heads during falling markets: "Step near a snake, spot a spider, see a sharp object flying toward your face, and your [brain's] amygdala will jolt you into jumping, ducking, or taking whatever evasive action should get you out of trouble in the least amount of time. This same fear reaction is triggered by losing money – or believing that you might."

In short, our amygdala, which Zweig refers to as "the hot button of the brain," is a welcome ally in keeping us away from many of life's threats. But it often plays against your best financial interests. Whenever you see bad market news, it's best to assume that your instincts are going to spur you into panic mode long before rational thinking kicks in. And if you try to have a one-on-one showdown with them, your impulses just may get the better of you.

For this reason alone, one of our greatest roles as an adviser is to remind clients of why it is highly likely that the best reaction to market downturns is to stick to the investment plan you have already prepared to withstand just these sorts of rough patches. As Behavior Gap author Carl Richards once tweeted: "You don't hire a real financial advisor because you aren't smart enough. You hire one because you aren't an objective 3rd party."

If we can spare you from panic-selling at the wrong times (which financial author Larry Swedroe refers to as our "GMO!" or "Get Me Out!" breaking point), that alone might justify our fees.

There are other ways we add ongoing value to our clients' financial well-being, during fair times and foul. For example, that investment plan we referenced above does not take place in a vacuum.

At the beginning of a client relationship, we work closely with folks to assess their long-term goals, and what it is likely to take to achieve them.

Next, we build a portfolio based on those goals as well as our evidence-based understanding of which investment strategies are

expected to work best, and which are more likely to fail during scary market downturns or giddy surges.

And, in an ongoing manner, we touch base with our clients to periodically revisit their goals and their progress. If circumstances change, we work together to ratchet up expected returns or tamp down risk exposure (while also seeking to minimize any trading costs or tax ramifications involved).

As such, we believe that the market risk that is intentionally built into a portfolio – and that folks are being forced to endure at this time – should not be taken as a sign that "something is wrong." Rather, we believe it is a sign that a portfolio is working as planned.



Source: Craig Lloyd, Maverick at Cedar Point, [www.flickr.com](http://www.flickr.com)

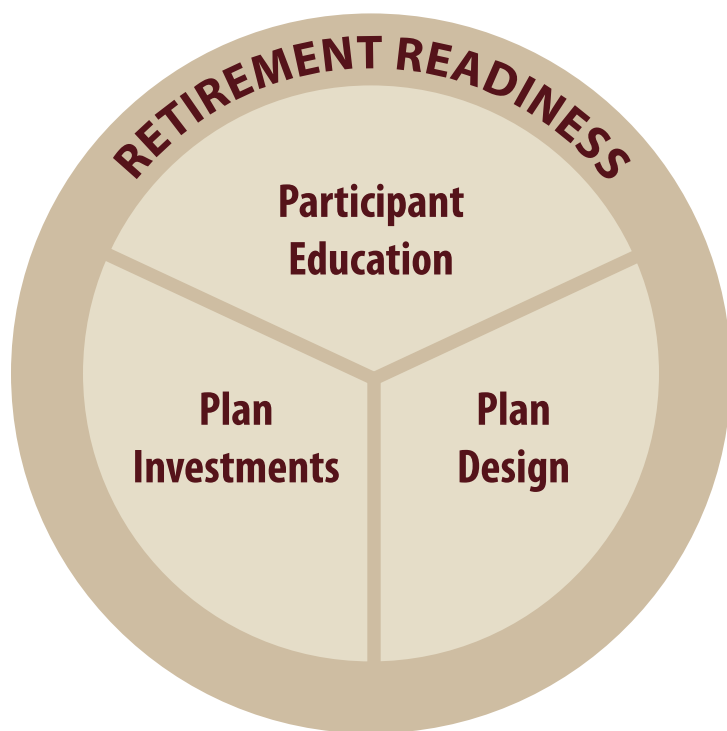
An investment plan is never intended to eliminate all risk or guarantee certain returns. We design it to offer the best, evidence-based odds for personal success. Our aim is to help strike a reasonable balance between minimizing the market risks that you and your amygdala would rather avoid, while moving toward the financial goals you would like to achieve.

If you remain in doubt, though, we still understand. It's possible that your risk tolerance isn't what you thought it would be when you planned for it in a theoretical sense. It's also possible that your life's circumstances have changed, and it just happens to be time to reallocate your portfolio, regardless of what is going on in the markets.

If you have questions we can explore about your goals, your investment portfolio, and current market returns we would love to hear from you. Please reach out to us any time. **S**

## Are Your Employees “Retirement Ready”?

In today’s retirement landscape, the majority of retirement plan discussions with plan sponsors tend to focus on the Three F’s; Funds, Fiduciaries, and Fees. In addition to the Three F’s, plan sponsors also need to center their attention on the concept of Retirement Readiness, which has significant implications for plan participants, sponsors, and the industry as a whole. As the name implies, Retirement Readiness is a gauge that determines whether or not an employee will have enough money in retirement to enjoy a similar standard of living as before retirement.



### How Can You Improve Retirement Readiness for Your Employees

As a plan sponsor of a retirement plan, you can motivate employees to improve their retirement readiness through strategic changes in three key areas:

#### Plan Design

##### **Company Match and Discretionary Contributions**

Company matching contributions and/or discretionary contributions provide significant incentives for participants to save for retirement. You should consider stretching company matches to encourage employee contributions of at least six percent.

#### **Adopt Automatic Enrollment / Escalation to Increase Savings Rates**

Automatic enrollment is one of the most significant plan design tools an employer can use to boost plan participation and potentially improve retirement readiness for all employees. You should consider enrolling participants at a 6% rate and should re-enroll all employees annually, not just new hires.

Automatic escalation helps employees to save more for their retirement by gradually increasing their deferral rates over time. Without auto escalation, participants who are automatically enrolled tend to stay at their original deferral rate, which is often too low to meet their needs.

#### **Plan Investments**

##### **Incorporate Professionally Managed Services and Asset Allocation Suites**

How employers structure and present a plan’s investment options can significantly influence a participant’s approach to the investment decision-making process, and thus their retirement readiness. We believe a two-tiered structure and presentation can be effective for most any diverse participant population:

- **“Do It For Me”** - Designed for those participants who do not want to make investment decisions, but rather want a professionally managed fully-diverse portfolio (i.e. Asset Allocation Models / Managed Accounts).
- **“Do It Myself”** - Designed for those participants who want to create their own investment portfolios by choosing from the various options available (Core Investment Menu / Self-Directed Brokerage Account).

#### **Qualified Default Investment Alternatives / Target Date Funds**

The Qualified Default Investment Alternatives (QDIA) safe harbor protection for plan sponsors and the unique “set it and forget it” nature of target-date funds for participants makes them a popular investment choice. Because they are professionally managed portfolios, target-date funds may be effective in improving retirement readiness outcomes for plan participants.

#### **Participant Education**

Effective participant education strategies employ multiple delivery channels to reach as many participants as possible:

- On-site Meetings – group and individual
- Virtual one-on-one consultations

- Webinars – generic or plan-specific
- Printed Materials – plan specific and personalized
- Online Tools – interactive web tools and information

Individual in-person or virtual meetings give participants the best opportunity to ask specific questions about their personal financial situation. This strategy has proven to overcome participant inertia.

Targeted communications allow for a meaningful conversations with employees regarding their projected retirement readiness and the actions they can take to improve their individual outcomes.

***Plan sponsors need 401(k) focused advisors like Sensenig Capital to help them discover the current state of retirement readiness in their workforce. . .***


### Retirement Readiness Conclusions

Retirement Readiness is and will continue to be a spotlight issue for regulators, plan sponsors and most importantly for the American workforce. The benefits to employers for improving their employees' retirement readiness may include:

- Increased ROI due to reputational goodwill and the ability to attract and retain talented employees as an "employer of choice" in the community
- Lower costs resulting from higher productivity and morale and lower healthcare costs
- Reduced fiduciary litigation risk

Plan sponsors need 401(k) focused advisors like Sensenig Capital to help them discover the current state of retirement readiness in their workforce, to develop strategies to increase participation / contribution levels, and to deliver effective solutions that may enhance the overall retirement readiness of their employees.

It is in the best interests of the industry, plan sponsors and participants to take a proactive stance on improving retirement readiness.

To learn more about how Sensenig Capital Advisors can help you and your employees improve their retirement readiness, please call us at (610) 584-9700. 

## Sensenig Capital is Moving!


We are proud to announce that as of December 1<sup>st</sup> our firm will be moving to a new location. Due to the growth of our staff and increasing size of our client base we needed additional space. Our new address as of 12/1/2015 will be as follows:

**100 Springhouse Drive  
Suite 206  
Collegeville, PA 19426**



100 Springhouse Drive is located at the entrance to the Route 422 Expressway on Route 29 in Collegeville. While providing more space for our staff, this new location is more easily accessible for those who prefer to meet with us in our office.



We will be keeping you posted on the progress of our new office and plan to invite clients, vendors, and friends of the firm to an open house in the springtime. ***Thank you to our clients, who's loyalty and trust in us has made this next chapter of our company possible!*** 

What does **Fee-Only** mean?

How is an **independent** firm different?

What is the **fiduciary** standard?

Why work with a **CFP® Professional**?

**Contact us to learn more**

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