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Predictable Unpredictability

By Amy Crews, QKA

Were you concerned about what was going to happen in the stock market after the recent election? If you answered yes, you were not alone! While historical data shows that during the 4th year of a 2nd presidential term, the S&P 500 was only down 1.4% on average from 1900-2015, many investors worried that the markets would suffer a decline immediately following this election. The actual results were the opposite of predictions – futures trading overnight on election night was down about 5%. By the end of the day following the election, the S&P 500 was up just over 1%. As you can see, forecasting the market is simply not possible. Buying and selling because of market predictions is, in fact, predictably unpredictable.

Market unpredictability is why Acropolis recommends a diversified portfolio. As an example, let's look at the potential of a fund becoming and persisting as a top performer. When you realize that only 7.3% of the top domestic equity funds in March 2014 were still in the top 25% two years later, it clearly shows how difficult it is to predict the "top performer." Instead, diversifying your portfolio across multiple asset classes gives you a better chance of being invested in the top performing asset class each year. Diversification also reduces the potential for wild swings in your account that can occur when your investments are concentrated in one fund. This is illustrated in the chart below, which reflects a 5 year period of performance across various asset classes in the overall market. The yellow boxes represent a diversified portfolio made up of 50% stocks, 50% bonds:

50/50 Stocks/Bonds
US Agg Bond Index
Russell 2000 Index
S&P 500 Index
S&P 400
MSCI EAFE Index
One-Mo. US T-Bills
US TIPS Index

	2011	2012	2013	2014	2015
Best	13.56%	17.89%	38.82%	13.69%	1.38%
	7.84%	17.32%	33.50%	9.76%	0.55%
	2.22%	16.35%	32.39%	6.07%	0.02%
	2.11%	16.00%	22.78%	5.97%	-0.41%
	0.04%	10.54%	12.49%	4.89%	-0.81%
	-1.72%	6.98%	0.02%	3.64%	-1.44%
	-4.18%	4.22%	-2.02%	0.02%	-2.18%
Worst	-12.14%	0.06%	-8.61%	-4.90%	-4.41%

It's always good to avoid making dramatic changes to your portfolio based on news flashes and that's just as true now as it ever was. A major change to your portfolio based on election results is nothing more than a 'crystal ball like' prediction – one that could have major consequences to your financial goals.

Budgeting Apps to Get Your 2017 Started Off Right

By Ryanne Tilley, QKA

Even when we really want to, it can be hard to make changes to our finances. But it doesn't have to be! Here are some tools that can help make budgeting, saving, and tackling those financial goals a lot easier:

Budgeting: Mint.com
Long considered the gold standard of free budgeting tools, Mint categorizes all of your spending for you and allows you to set up budgets by category. This makes it easy to see where your money is going and if you're on track with your goals. Mint.com is free, and available online or as an app for your smart phone.

Cash Flow: LevelMoney.com
Most people can easily see what's in their checking account – but tracking how much of that is "spendable" is a different story. Level Money takes into account your savings and what you typically spend on bills and monthly expenses, and helps you know how much of your bank balance is actually free to be spent on other things like eating out and concert tickets. Now you can enjoy a night out, and still save and have money left at the end of the month to pay your electric bill! Free, and available online or on your smart phone.

Saving: Acorns.com
Saving requires discipline, and sometimes sacrifice. But Acorns helps you get there a few cents at a time, so you almost don't even notice you're saving! For every purchase you make, Acorns rounds it up to the nearest dollar and deposits the difference into an account where you can invest it. Your Starbucks might cost $3.51, but Acorns rounds up to $4.00, and deposits the extra 49 cents into your account. A little at a time can really add up to big savings! Please note that Acorns charges a fee of $1.00/month up to your first $5,000 saved, and 0.25% per year on balances above that.

No matter which tool you use (and there are many others out there!), find the one that meets your specific needs, and you've tackled the hardest part—getting started!

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2017 Annual 401(k) Contribution Limits

$18,000 for participants under age 50

$24,000 for participants age 50 and over

Acropolis was born from a *simple* idea:

In an industry where high quality, objective advice is hard to come by, we can make a difference by putting the client's interests above our own.

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