## Investing Made Simple <br> Participant Guide

IIT PERAPlus.



## Introduction

Do you remember when you learned how to drive? The feel of the steering wheel in your hands, learning to work the pedals without looking, keeping an eye on your speed, staying in the lines. How many hours did you practice before you felt like you were good at it? Probably a lot.

Today, you may also know how important it is to set up a voluntary savings for retirement, but you're not sure what your options are or how to get started. Maybe you're just fearful that you won't understand how to manage your own funds.

## Fear no more

Investing Made Simple takes concepts that may have seemed intimidating in the past and breaks them down into easy-to-understand chunks. In this workshop, we show you how managing your own retirement investing can be easy and hassle free.

## Investing Made Simple

1. Invest for me: arget Retirement Date Fund, Professional account management.
2. Let me invest: Choose your own investment mix, use Selfdirected brokerage.

## Brainstorming: What investment tool will you most likely use? <br> Use the space below to list the tools best suited for you.

Kayla comes from a family of teachers and has always known that is what she wants to do. She is now in her third year of teaching. She wants to take advantage of extra savings since she is young and has a long time horizon (years she can invest before retiring).

Kayla would like to take advantage of compound growth over time by investing more aggressively when she is young As she gets closer to retirement, she wants to make sure her investments are insulated from market ups and downs, so she has less risk of losing money.

## Kayla's key information:

"Kayla is 30 years old
» She would like to retire at age 60
" Kayla will assume a $7 \%$ rate of return until she reaches age 45 (15 years), a 6\% rate of return between age 45 and 55 (10 years), and 5\% rate of return from age 55 to 60 (5 years).
"Note: For questions 2, 3, and 4, use the
"Future Value of an Investment calculator"

## Case Study Questions:

1. Why is Kayla more concerned about the ups and downs of the market later in her career, when she is older?
2. What will her account balance be at age 45 if she contributes $\$ 200$ per month? (Total investment over 15 years: \$36,000; 7\% rate of return assumed.)
3. Starting with the balance from question 2 , what would her account balance be at age 55 if she continues contributing $\$ 200$ per month? (Account Balance + an additional \$24,000 over the next 10 years; 6\% rate of return assumed.)
4. Starting with the balance from question 3, what would Kayla have in her 401(k) by her retirement age of 60 if she continues with $\$ 200$ per month (Account Balance + an additional $\$ 12,000$ over the final 5 years of her career, $5 \%$ rate of return assumed).
5. What tools can Kayla use to make sure her investment mix matches her risk tolerance as she gets closer to retirement?

## Action Steps

1. Log on to your account
2. Select an investment path
3. Review and rebalance investment mix every year
4. Fill out the participant survey

Go to www.coperaplus.org and log in to your PERAPlus account.


MY PLANS
PERAPlus 401(k) Plan
ACCOUNT INFORMATION
Account overview
Balance
Rate of return
Transaction history
Statements and documents
Beneficiaries
Manage bank accounts
Upload documents
INVESTMENTS
My investments

Investrment help
Investment lineup
Brokerage
*Note - You can also use this process to periodically rebalance your account, or you can select Automatic Account Rebalancing

3. Follow instructions in yellow box

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 100\%
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< Click 'Sutriil" io comple:s your requesi.
Ploase note: You must complete a separate transfer request 'or each fund from which ycu wish to transfer funds. Percentaje transfers from each fund can be from $1 \%$ to $100 \%$. If you request a specific dol ar transfer from a fund, please note that dollar transier requests cannct exceed $90 \%$ of the balance in the fund based on the fund's pevious clcsing pice.
Int the event that the requested dolar ancunt exceecs the next closing balance in the fund due to market fuccuations, the In the event that the requested dolar amount exceeds the next closing balance in the fund due to market fluctuations. the transfer request will not be processed. A rew request will need to be submitted. Percentage transfers are not subject to the $90 \%$ func transfer dollar makkef fuctuation restriction. To contirm the status of a speificic request. you can view processed ransactions on the "Transacton histonn' paze the icllowing business dap. If your requested transaction is rct reflected on transter, then the transaction was not processed.
2. Select an option

What would you like to change?

| $4^{\text {² }}$ | $\text { (5) } \stackrel{5}{0}_{0}^{0}$ | (3) |
| :---: | :---: | :---: |
| Select from options that allow you to change your contributions and rebalance funds to fit your finances. | Make a one-time change to your investment mix by moving money between investments. | Choose your investment mix and apply to future contributions. |
| Rebalance investments | Trade specific funds | Future investments |

## How to Set Your Own Investment Mix

## Case Study Answer Key



## Kayla

1. Kayla is more concerned about higher risk investments when she is older because if there are major losses, she will have less time to recover those losses before retirement.
2. Using the "Future Value of an Investment" calculator, Kayla should have $\$ 62,220$ if she averages $7 \%$ growth and invests $\$ 200$ per month.
3. Using the "Future Value of an Investment" calculator again, with a starting account balance of $\$ 62,220$ from question 2, Kayla should have $\$ 143,921$ by the time she is 55 years old if she averages $6 \%$ growth from age 45 to 55 .
4. Using the "Future Value of an Investment" calculator again, with a starting balance of $\$ 143,921$, Kayla should have $\$ 197,246$ by the time she retires at age 60 .
5. The simplest and most cost-effective way for Kayla to manage her investment mix is to use the Target Retirement Date fund. The Target Retirement Date fund automatically adjusts the mix of investments in the fund to be more conservative as you get closer to your selected retirement date. She could also choose her own investment mix from the PERAdvantage funds and use the free online advice tool.
