FINANCIAL*ink*

Your Money Management Newsletter

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Up **FRONT**

54%

Percentage of U.S. adults who owned stocks in 2017, down from an average of 62% for the years 2001 to 2008 before the financial crisis.

Source: Gallup, 2017

FAST **FACTS**

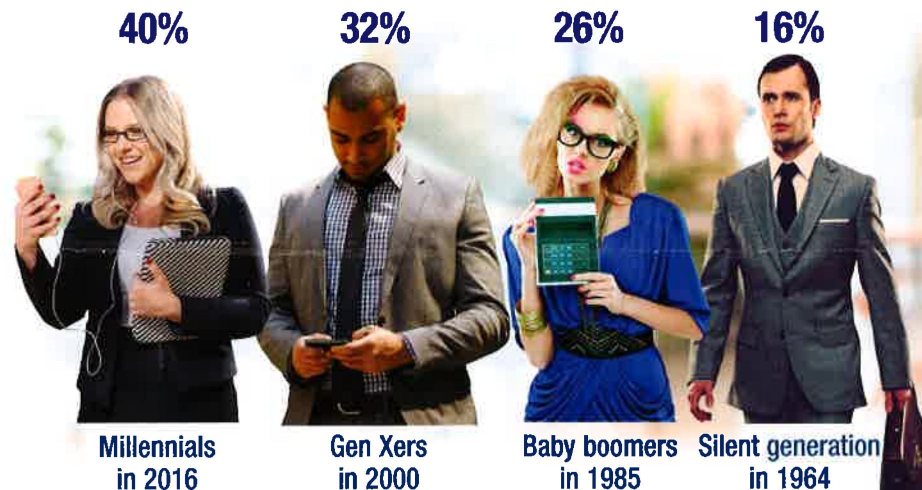
Medicare open enrollment extends from October 15 to December 7 each year. During this period, eligible individuals can make certain changes to Medicare plans and prescription drug coverage.

Quick **VIEW**

MORE YOUNG WORKERS WITH COLLEGE DEGREES

Millennial workers in their mid to late 20s are more likely to have a college degree than workers of the same age in previous generations. Women are more likely to have a college degree than men, a trend that has grown since it was measured among Gen Xers in 2000.

Percentage of employed 25- to 29-year-olds with a bachelor's degree or higher



Source: Pew Research Center, 2017

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Practical insights for your **FINANCIAL GOALS**

ALL-IN-ONE FUNDS: *More Than Meets the Eye*

All-in-one funds offer a professionally managed mix of assets intended to meet broad investment goals. These hybrid funds are often found in employer-sponsored retirement plans — you may own one without even realizing it. They can also be appropriate for investors outside the workplace.

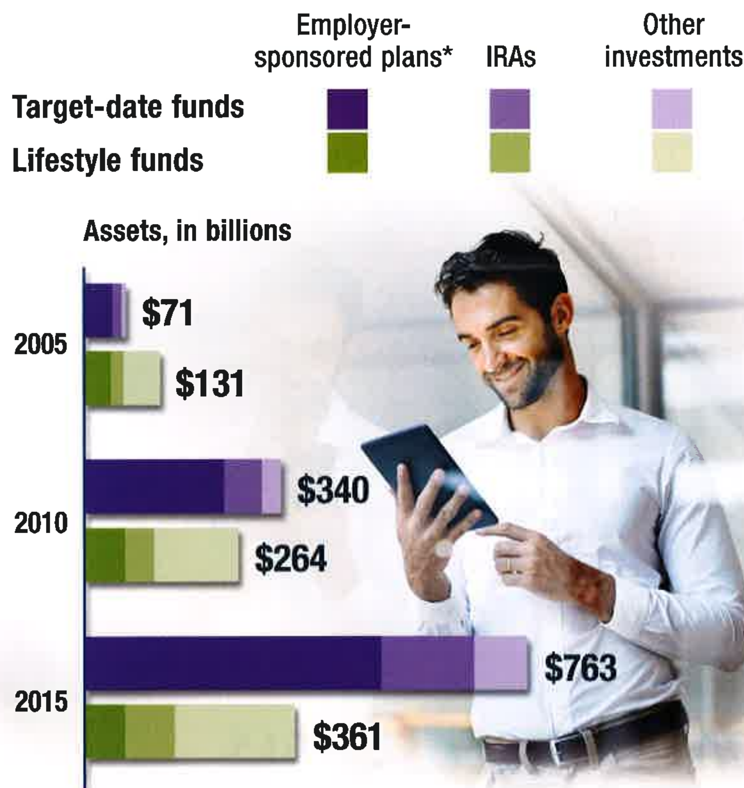
Theoretically, an all-in-one fund could be an investor's only holding, but it may be used with other investments. In either case, it's important to understand the details beyond these apparently simple investment structures.

TARGETING TIME VS. RISK

The two most common types of all-in-one funds are target-date funds and lifestyle funds. Although they both follow basic principles of asset allocation, they take very different approaches. Asset allocation is a widely accepted method to help manage investment risk; it does not guarantee a profit or protect against investment loss.

Popular in the Workplace

Assets in target-date funds have grown more rapidly over the last decade than assets in lifestyle funds, primarily because of their popularity in employer-sponsored plans. At the end of 2015, target-date funds accounted for 14% of all mutual fund assets held in employer-sponsored plans, compared with just 2% for lifestyle funds. However, lifestyle funds are more popular outside the workplace.



*Defined contribution plans such as 401(k), 403(b), and 457 plans

Source: Investment Company Institute, 2016

Target-date funds offer a mix of assets — typically a combination of other funds comprising stocks, bonds, and cash alternatives — selected for a specific time horizon. The target date, which is usually included in the fund's name, is the approximate date when an investor would withdraw money for retirement or another purpose, such as paying for college. An investor expecting to retire in 2040, for example, might choose a 2040 fund. As the target date approaches, the fund typically shifts toward a more conservative asset allocation to help conserve the value it may have accumulated and potentially provide retirement income.

This transition is driven by a formula called the *glide path*, which determines how the asset mix will change over time. The glide path may end at the target date or continue to shift assets beyond the target date. Because funds with the same target date may vary not only in their glide path but also in the underlying asset allocation, investment holdings, turnover rate, fees, and fund performance, it's important to understand the asset mix of a specific fur and how it changes over time. The principal value of a target-date fund is not guaranteed before, on, or after the target date, and there is no guarantee that an investor will be prepared for retirement on the target date.

Lifestyle funds are designed to maintain a consistent level of risk. Investors typically have a choice of conservative, moderate, or aggressive lifestyle funds that will match their risk management strategy. Unlike a target-date fund, where the risk level becomes more conservative over time, a lifestyle fund attempts to maintain a consistent risk profile. For this reason, if a lifestyle fund is a core holding, investors might want to shift assets from an aggressive fund to a more conservative one as they approach and/or enter retirement.

The return and principal value of mutual funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. There is no guarantee that an all-in-one fund will meet its objectives. Investing in other securities outside of an all-in-one fund may change an investor's overall asset allocation.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefi before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

PPO OR HDHP? *Making Health Insurance Choices*

More than half of large U.S. companies offer employees a high-deductible health plan (HDHP).[1] When an HDHP is offered, employees often have a choice between the HDHP and a traditional preferred provider organization (PPO) plan. People who buy coverage outside the workplace may face a similar choice.

Premiums are generally lower for an HDHP than for a PPO, but you typically pay more out of pocket for specific medical services. If you choose a PPO, you may pay less out of pocket for a given service, but you pay more each month for premiums.

Here are some other factors to consider.

Network — PPOs and HDHPs both offer incentives to use health-care providers within a network, and the network may be exactly the same if the two plans are offered by the same insurance company. If you have a preferred physician, it's wise to make sure he or she is included in the network before enrolling.

Deductible — Both types of plans have a deductible that must be met before the plan begins to cover a percentage of expenses (with the exception of copays for a PPO, as discussed below). As the name suggests, an HDHP has a high deductible. However, PPO deductibles have been rising, so consider the difference between plan deductibles and be sure you understand if the deductible is per person or per family.

Copays — PPOs typically have copays that allow you to obtain certain services such as a doctor visit, lab test, or medication with a defined upfront payment before meeting your deductible. As with deductibles, copays have been rising. With an HDHP, you pay out of pocket for services until you meet your deductible, but costs may be reduced through the insurer's negotiated rate. Certain types of preventive care, such as annual physicals and health screenings, may be provided at no cost under both types of plans.

Maximums — Most health insurance plans have annual and lifetime out-of-pocket maximums above which the insurer pays all medical expenses. HDHP maximums may be the same or similar to that of PPO plans. If you have high medical costs that exceed the annual out-of-pocket maximum, your total out-of-pocket costs for that year would typically be lower for an HDHP when you consider the savings on premiums.

HSA Contribution Limits

In order to make the full HSA contribution for a tax year, you must be enrolled in a high-deductible health plan for all 12 months of that year (with certain exceptions). Limits are prorated for partial-year enrollment or for changing between self-only and family plans. Any employer contributions must be considered within the limit.

	Contribution limits	
	2017*	**2018**
Self coverage	$3,400	$3,450
Family coverage	$6,750	$6,900
Additional contribution by HSA owner age 55 and older**	$1,000	$1,000

*HSA contributions for 2017 can be made up to the April 2018 tax filing deadline.

**HSA contributions cannot be made after enrolling in Medicare. A spouse age 55 or older who is not enrolled in Medicare can also make an additional contribution, but it must be made to his or her own HSA. If both spouses have HSAs, their total contributions cannot exceed the family contribution limit plus any allowed additional contributions.

HEALTH SAVINGS ACCOUNTS

High-deductible health plans are designed to be paired with a health savings account (HSA), a tax-advantaged account that can be used to pay future medical expenses. HSA contributions are typically made through pre-tax payroll deductions, but in most cases they can also be made directly to the HSA provider.

HSA funds, including any earnings if the account has an investment option, can be withdrawn free of federal income tax and penalties as long as the money is spent on qualified health-care expenses. (Some states do not follow federal rules on HSA tax treatment.)

HSA assets belong to the contributor, so they can be retained in the account or rolled over to a new HSA if you change employers or retire. Unspent HSA balances can be used to help meet medical needs in future years, whether you are enrolled in an HDHP or not; however, you must be enrolled in an HDHP to contribute to an HSA. Although HSA funds cannot be used to pay regular health insurance premiums, they can be used to help pay Medicare premiums and long-term care expenses.

1) *Employee Benefit News*, May 26, 2017

FAFSA *in the Fall for Lower Stress*

Filling out the Free Application for Federal Student Aid (FAFSA) used to be a family "stressfest" right after the winter holidays. Parents and students scrambled to estimate their prior-year tax information after the FAFSA became available on January 1, and then had to update the information when they finalized their returns.

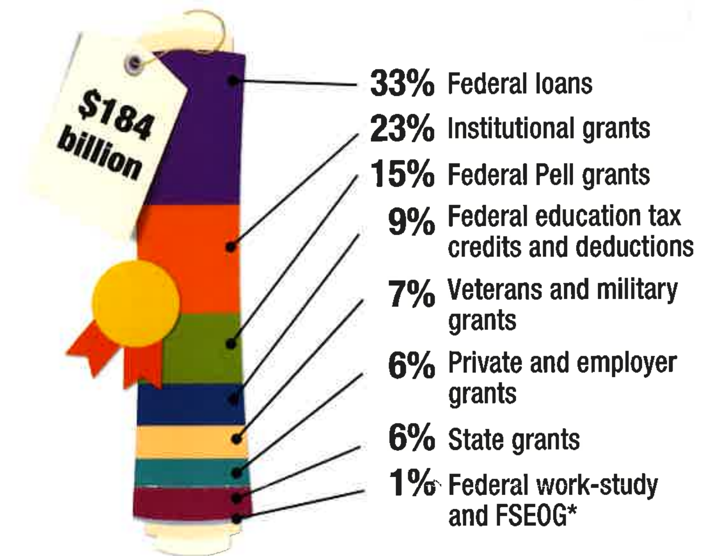
The situation improved in 2016, when the U.S. Department of Education changed the rules to use information from tax returns for the year *two years prior* to the beginning of the school year. In line with this change, the FAFSA for each school year is available on October 1 of the previous year. The FAFSA for the 2018–19 academic year was available on October 1, 2017, and is based on information from 2016 tax returns.

This policy not only removes some of the stress, but is also more in line with college application and admission schedules. Although financial aid deadlines vary by school, it's wise to apply for aid as early as possible at any college a student is considering. Because some financial aid may be awarded on a first-come, first-served basis, knowing more about potential aid could help a student make a final decision among offers of admission.

CALCULATING AID

The FAFSA is required for all federal aid as well as for most state and school-sponsored grants and loans. (You may also need to submit other applications.) The FAFSA uses a formula based on family income and other factors to calculate your Expected Family Contribution (EFC). The EFC is then subtracted from the cost of attendance for a specific school to determine the amount of aid for which your student may be eligible. Aid is typically awarded as a combination of grants, loans, and (in some cases) work-study programs.

Total undergraduate student aid, 2015–16 academic year (percentage by type of aid)



*Federal Supplemental Educational Opportunity Grants (for students with exceptional financial need)

Source: College Board, 2016

You can file your FAFSA electronically — the recommended method — and find deadlines for your state on the U.S. Department of Education FAFSA website at ***fafsa.ed.gov***. Deadlines for specific colleges and universities and related financial aid information can typically be found on the school's website.

For more information on federal student aid, see ***studentaid.ed.gov***.

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