GREENLEAF TRUST

Perspectives

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Is it Time to Move My 401(k) Balance to a Money Market Fund?

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Short narrative: Jada was talking to her neighbor Ted at his Super Bowl party and he kept telling her about how the economy is doomed to another recession, and that if she had half a brain she would move all of her retirement savings into the most conservative options available. Come Monday morning, she logged onto her account, and transferred her entire balance to a money market fund.

Frequently, I run into this scenario in my retirement plan participant education meetings. Bad advice is one of the greatest hazards to one's retirement success, and it seems to be everywhere. It's easy to fall victim to bad advice when we are surrounded by news reports that say the market is down and a recession is on the horizon. But this is only one side of the coin. Too often we panic over things we are well prepared for, and acting on bad advice could result in captured losses, missed gains, and a distorted time horizon to retirement.

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Moving your retirement savings to ultra-conservative funds in fear of bear markets is rarely a good idea. Fund types like a money market fund or a stable value fund provide minimal returns, and in most cases, inflation is greater than any return a fund of that caliber will be able to produce. This could ultimately result in a real return that is negative (i.e. after accounting for the eroding effects of inflation).

We need to remember that our retirement date is not the finish line to our retirement investing. 'There is still a lot of baseball left to play' once you retire. The average retirement in America currently lasts between 20-30 years, and savings need to last that long. Ultra conservative investment vehicles are best suited for use for larger purchases that are expected months from today, or for the later years of retirement (generally speaking).

Paradoxically, while an ultra-conservative portfolio may lower the risk of daily volatility, it may actually increase the risk of not meeting an investor's long-term retirement goals.

The best thing some retirement plan account holders can do for their investment portfolio is to diversify, diversify, and diversify. Which is an easy thing to accomplish through the professionally designed and managed target date funds by T. Rowe Price or our professionally managed investment models designed by the Greenleaf Trust Research Team.

Back to our opening narrative — The thing about neighbors like Ted is that they are not legally or financially bound to you like your 401(k) provider. My role as a participant services coordinator is to educate retirement plan participants to help keep them on the path to retirement success. As a fiduciary, we are bound to act in the best interest of our retirement plan participants. Not only that, Greenleaf Trust structures its fees to tie our business success to the success of our clients. In layman's terms, when clients win, we win; when clients lose, we lose. With that as our pretense, we are obligated to provide an honest viewpoint of your 401(k)'s health.

As we go into 2019, unsure about what financial markets may have in store, remember there are people who can help keep your retirement on track. Should you be concerned about your Greenleaf Trust retirement plan portfolio and the investments you have chosen, contact our Retirement Plan Division. Between our team of experienced educators, we can accomplish a lot of good for your retirement savings in just one phone call.