

# MFS JOURNAL

Produced and Edited by the Staff at McNamara Financial Services, Inc.



## Important Changes Coming!

As a result of some upcoming changes, everyone will be receiving new TD Ameritrade account numbers effective the beginning of November. Look for a letter in the mail in the upcoming weeks going over the changes in more detail.

## Mike's Corner

### "What do I do with my 401k?"



We are frequently asked this question by clients and prospective clients. People change jobs, hopefully by design. People retire. They want to know what to do with their retirement plan, which is usually a 401k. Should they leave it where it is, or roll it over to an IRA? Our answer is that it depends. Now, we manage money for a living, and a case could be made that our bias would be to recommend a rollover so that we could manage the money and get paid. We like to think we have an even bigger bias to make recommendations in our client's best interest, and that we'll be compensated for that advice sooner or later. There are some very good reasons to stay with a 401k, and we'd like to share them with you.

If you are between age 55 and 59.5 and have been "separated from service" (your company let you go) you might want to stay with the 401k for a while. If things get tough and you need to access your 401k to live, you will pay taxes on the dollars you take. If you rolled over the 401k to an IRA and then access the IRA to live, you will pay taxes AND a 10% penalty.

There are some kinds of 401k investments that come with "surrender charges" or "contingent deferred sales charges". You would pay a penalty (could be up to 7% or 8% of the value of your account) to leave the investment. These charges go away over time. It probably makes sense to wait until they do before going the rollover route.

Some companies match 401ks or add profit sharing money to the 401k at the end of the calendar or corporate year. If you left the 401k before that time, you would not receive that free money. It would pay to wait until those funds were added to your account.

There are some companies that might increase your pension payout if you left your 401k in the company. Basically you would get more money in your monthly pension check. You would have to do an analysis to see if it would be worth your while to do so. It may be so, and thus a reason to stay with the 401k.

The last reason to stay with your 401k is that you have a diversified portfolio of high quality and low cost investments in an appropriate asset allocation for your financial situation and risk tolerance. This assumes that you are your own financial advisor and that you are satisfied with the job that you are doing. It also assumes that you don't see the value in working with us or another financial advisor. There are folks who can do this. We just don't know any of them.

If none of the above circumstances apply to your 401k, then yes our recommendation would be to roll over the 401k and work with us. We believe that you will have better asset allocation choices and more and better investment choices available to you in an IRA. We monitor the portfolio regularly and make changes when necessary. We get paid for that, and we think we are worth it.

*Mike*



## So What Do We Do Now?

We've been getting this question quite a bit lately. It doesn't come as a surprise. We get it, understandably so every time the market is uncooperative. But this time around it sounds a little different.

In the old days hearing "what do we do now?" usually meant, "our account is down in value, what should we do about it?". It was an easy answer, and one that I probably don't even need to bother writing. "You should be patient Mr. And Mrs. Client. Remember that investing is a marathon and not a sprint, and don't make any snap decisions based on fear. They are almost never profitable. We will stay disciplined in executing our carefully designed investment strategy, which will work if given enough time".

Lately, however, the same question sounds more like this: "You've told us to be patient and hang in there, and we have, but just how long are we supposed to do this? We're going on 12 years of ups and downs in the equity markets with very little to show for it. And the only thing that seems to go up and not come back down is stock market volatility. So what should we do now?".

That is a tougher question. So what's the answer? Well, it's the same, but now we're adding this one onto the end: "We will also remain disciplined in making absolutely sure that our investment strategy is as good as it can possible be. We continue to invest in state-of-the-art investment resources to assist us in our process. We also continue to look open mindedly, as we always have, at the world of investment options in search of improvements to, or even replacements for our investment process. Perhaps we are in a new world of investing where returns are lower and volatility is higher. And perhaps that means we should make some changes to the way we do things. If, after careful consideration, we decide this is the case, we won't hesitate to make improvements as necessary. But what we won't do, is make any snap decisions based on fear. As we've mentioned before, they are almost never profitable.

-Justin

Justin@McNamaraFinancial.com

## Office News

- Congratulations are in order for Alyssa McNamara Reed! Alyssa has completed the intense course work and passed the exam to become a CERTIFIED FINANCIAL PLANNER™ PRACTITIONER. We congratulate her on such a huge accomplishment!
- We will be hosting our third annual Wine Tasting and Open House Event this upcoming December. Stay tuned for details. If you haven't attended event in the past, we look forward to seeing you this year. We are looking forward to another great night!

We've finally joined the world of social media!

You can now look for McNamara Financial Services on Facebook!

Check out our page and "LIKE" us for weekly updates on the market conditions, office news, and upcoming events

## 2011 RMDs

It's that time of the year again! If you are age 70.5 or above, you are required to take a RMD (Required Minimum Distribution) every year if you have a retirement plan (IRA, Rollover, SEP, etc.). If you have not done so yet, or have not talked with anyone at the office about taking it, please contact Deanna. The IRS will slap you with a 50% penalty of the amount you are required to take if you have not done so by December 31st!

**McNamara Financial Services, in accordance with the NY Stock Exchange, will observe the following upcoming holidays for which our office will be closed:**

**Thursday, Nov. 24th & Friday, Nov. 25th in observance of Thanksgiving**