Don’t Wait! It could Cost you BIG!

What we are talking about is a savings philosophy so effective that it can put your future finances on easy street.

Yes, Easy Street! It can help you build wealth for decades while you literally do nothing. It may just be the lowest effort way to set yourself up for a nice retirement. Here is how it works.

You save as much as you can as early as you can. Why is this strategy so effective? There are two reasons:

1. Money invested earlier in time typically grows more than money invested later in time

This first point is just math. If we assume that markets compound by some positive rate each year (on average), then money invested earlier will grow to more than money invested later.

2. Compounding money is easier than saving money

This second point is behavioral. It takes all sorts of willpower and planning to save money throughout your life. However, when it comes to compounding your money, it takes almost no effort at all. All you have to do is wait and the market does the hard work for you.

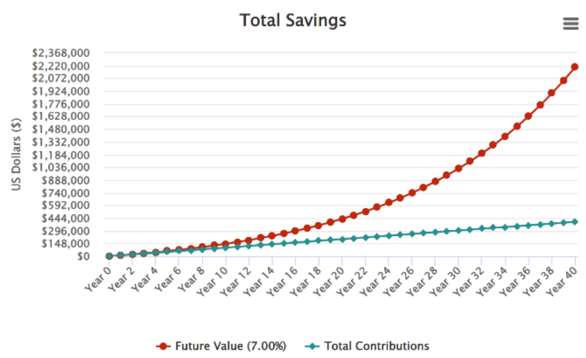
You can see why this strategy is an excellent way to build wealth early and set yourself up for an easier financial future. Of course, saving a vast sum of money early in your career isn’t easy, especially if you have low income. However, if you are able to find a way to save during the first decade of your career, it will pay off in big ways.

How big? Consider the example on the next page that shows what would happen if you saved $10,000 a year starting at age 25 vs. age 35.

Starting Early vs. Starting Late

START SAVING AT AGE 25

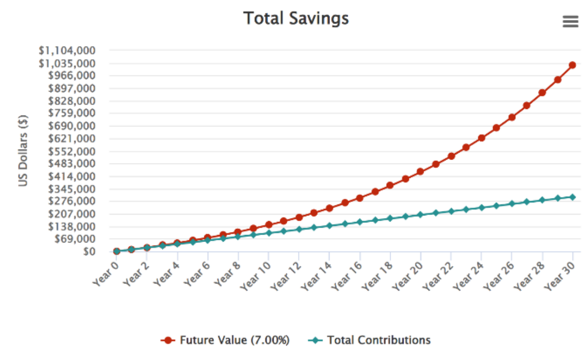
Begin saving in your first year of employment



$2.2M - Contributions $400K

START SAVING AT AGE 35

Wait 10 years into your career to begin saving



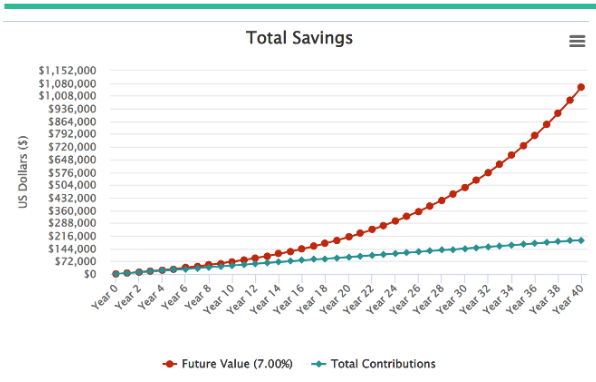
$1M – Contributions $300K

The staggering increase in the "Start Early" portfolio is completely due to compounding and not the additional $100,000 (10 years at $10,000 a year) in savings. An additional $100,000 in savings early in your career can turn into an extra $1 Million dollars at the end. The truth is any money saved early can make a difference at retirement.

What if you can save $200 a month or $2,400 a year? This is how much you could have saved if you start early and continue to save for the next 40 years compared to waiting 10 years into your career to start saving.

START SAVING AT AGE 25

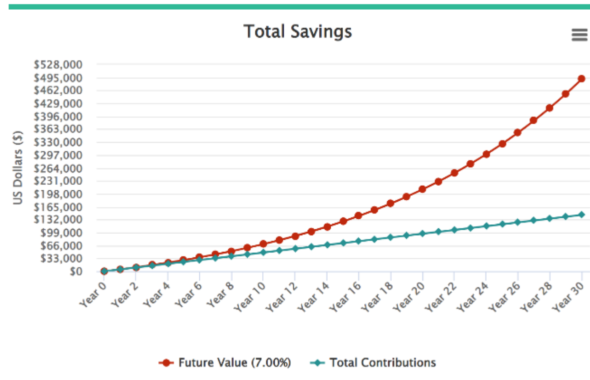
Begin saving in your first year of employment



$1M - Contributions $192K

START SAVING AT AGE 35

Wait 10 years into your career to begin saving



$490K – Contributions $144K

2FA is on the Way!

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Wait, what? 2FA? That's "two-factor authentication," which is an identity and access management security method that requires two forms of identification to access resources and data.

2FA gives businesses the ability to monitor and help safeguard their most vulnerable information and networks.

In the latter part of this year, Fidelity will be making 2FA mandatory for all participants. So, it will be important to have your phone number and personal email addresses on file with AHRP ahead of that roll-out to make sure you will be able to successfully complete the authentication process without having to call AHRP at 800-730-2477. Go online and update your profile with your personal cell phone number at AHRP.com.

How does 2FA benefit you?

Businesses use 2FA to help protect their employees' personal and business assets. They do this by preventing cybercriminals from stealing, destroying, or accessing your internal data records for their own use.

The advantages of 2FA are endless. For example, with 2FA, there's no need for users to carry or download a token generator, or an app associated with one. The websites of most businesses use your mobile device to text, call, or use a personalized 2FA to verify your identity.

How it will be used at AHRP?

- **Two-factor authentication** at log-in and for high-risk transactions
- **Real-time security text alerts** for transactions
- **Customer Protection Guarantee** automatically enabled for clients who provide personal contact information – and rest assured neither Fidelity nor AHRP will ever sell or use your personal contact information for marketing purposes

What are the various authentication methods?

There are a number of methods used to verify your identity through 2FA. Here are some of the most popular options:

Hardware tokens

Businesses can give their employees hardware tokens in the form of a key fob that produces codes from every few seconds to a minute. This is one of the oldest forms of two-factor authentication.

Push notifications

Push two-factor authentication methods require no password. This type of 2FA sends a signal to your phone to either approve/deny or accept/decline access to a website or app to verify your identity.
~Like PING ID

SMS verification

SMS, or text messaging, can be used as a form of two-factor authentication when a message is sent to a trusted phone number. The user is prompted to either interact with the text or use a one-time code to verify their identity on a site or app. (This option will be coming soon to AHRP, so get ready!)

Voice-based authentication

Voice authentication works in a similar way to push notifications, except that your identity is confirmed through automation. The voice will ask you to press a key or state your name to identify yourself. (This option is available now on the Fidelity 800.)

These Biases are Bad News for Retirement Savings

We hate to break it to you, but you may have a savings bias or two that works against you.

The fact is the human brain is not necessarily set up in a way that makes it easy to plan a secure retirement. Cognitive biases — faulty ways of thinking --are unfortunately hardwired into your brain. Behavioral finance and behavioral economics are the study of these phenomena, and understanding these natural tendencies can increase your wealth and happiness.

Here are a few of the important biases that affect how you form your retirement plans and savings habits – along with strategies to free yourself from them:

Present Bias

This bias is the tendency we have to value the moments that are closer to the present than those farther in the future. As a result, we put less value on future rewards, which makes it hard to incur a small cost today (such as saving money from your paycheck) in exchange for a larger reward in the future (like a retirement nest egg that takes advantage of compound interest).

EXAMPLE

It is a well-documented phenomenon that you are more likely to spend money this month on something that gives you pleasure now rather than save that money for your future self. Present bias is one of the BIG reasons that saving for retirement is so difficult for so many people.

HOW TO OVERCOME PRESENT BIAS

One way to break the hold of this bias is to imagine (or even view, if you have the software) a picture of what you might look like as an old person — even a really old person. Research indicates that if you can truly visualize yourself in the future, then you are more likely to save money, eat better, exercise and generally plan to take care of your future self.

Ambiguity Effect

We naturally avoid information that we think will be too overwhelming. (As a consequence, one study found that financial education has almost no effect on people's savings.) This feeds into the tendency to avoid decisions or options where unknown information makes it hard to predict an outcome.

EXAMPLE

When planning your retirement, you would like to "know" how long you will live, future inflation rates, investment returns and other factors that are actually unknowable. Not being able to "know" this information can make planning feel ambiguous and impossible and many, many people just avoid it altogether. You might also fall victim to the ambiguity effect with investments; you might opt for bonds where the returns are considered safer than stocks, which are more volatile but are likely to have higher returns.

HOW TO OVERCOME THE AMBIGUITY EFFECT

One way to use behavioral finance to overcome the ambiguity effect for retirement planning is to assign optimistic and pessimistic assumptions, based on historic norms, for the unknowables. Using best and worst case scenarios makes it a little easier to get your hands around the unknowables. For retirement investments, you might want to tailor your asset allocation strategy to your "needs" and "wants" — investing money for needs in conservative vehicles and for wants more aggressively.

The Bandwagon Effect

The bandwagon effect is a behavioral observation that you are inclined to do things because many other people – particularly your friends and family – do them. This can be a big problem when it comes to financial matters because we see people's spending, but not their savings, which means that we do not take advantage of mirroring the good saving habits of others.

EXAMPLE

Research shows that people who have friends who exercise and eat well are healthier themselves. The same is actually true of retirement planning. People who have friends who are knowledgeable and proactive with their finances are more likely to be financially stable themselves. Unfortunately, the reverse is also true. That matters because the vast majority of people in the United States have an extremely low financial IQ. In fact, according to a report from Charles Schwab, only a quarter of people have a written retirement plan! The reality is that the bandwagon effect is probably working against you.

HOW TO OVERCOME THE BANDWAGON EFFECT

Have you considered starting, or joining, a "retirement club?" A retirement club is similar to a book club, but you discuss retirement topics instead of novels. It can provide a friendly forum for learning about financial topics. Best of all, if both you and your friends are engaged in retirement planning, then you are using the bandwagon effect to your advantage and stand a better chance of being financially successful.

Loss Bias

Research indicates that people are far more stressed by the prospect of losing money than they are excited by the chance of gaining money. Put another way, the fear of losing money is greater than the benefit of gains – what is termed "Loss Aversion." In fact, some studies have suggested that losses are twice as powerful, psychologically, as gains. This can make investment management particularly tricky. You need to be able to take appropriate risk and sustain the potentially temporary losses if you want to ultimately achieve positive rates of return.

HOW TO OVERCOME LOSS BIAS

Creating and maintaining an Investment Policy Statement can help you proactively make a plan for responding to different economic scenarios, which in turn can help you overcome the negative bias of loss aversion.

What Exactly is an Investment Policy Statement (IPS)?

This is a statement that defines general investment goals and objectives. It describes the strategies that will be used to meet these objectives and contains specific information on subjects such as asset allocation, risk tolerance, and liquidity requirements.

An IPS is a document that is meant to define:

- Your goals for your investments
- Strategies for achieving those objectives
- A framework for making intelligent changes to your investments
- Options for what to do if things don't go as expected

By creating this tool, you have a good chance of maintaining your perspective during rough financial waters. After all, you are reminding yourself where you are headed over the longer term, and you can have confidence in the course that you have set!