Oppenheimer & Co. Inc.
Mark Baniszewski, Exec. Director - Investments
Caitlin Falenski, CSRP®
Assoc. Director - Investments
385 S. Eton
Birmingham, MI 48009
248-593-3727
248-593-3712
mark.baniszewski@opco.com
caitlin.falenski@opco.com

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Beyond the Basics

Customized Wealth Strategies

Do Target-Date Funds Hit the Bull's-Eye for You?

More than half of 401(k) participants have assets invested in target-date funds.[1] These "all-in-one" funds are often the default option in workplace plans, and their apparent simplicity appeals to many investors. But target-date funds are not as simple as they appear to be. Like all investment strategies, they have strengths and weaknesses.

Focused on time

Target-date funds offer a professionally managed mix of assets (typically a combination of other funds containing stocks, bonds, and cash alternatives) selected for a specific time horizon. The target date, usually included in the fund's name, is the approximate date when an investor would begin to withdraw money for retirement (or another purpose, such as paying for college). An investor expecting to retire in 2045, for example, might choose a 2045 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 income.

One size may not fit all

Target-date funds utilize basic asset allocation principles that are often used to construct more complex portfolios, but the allocation is based solely on the target date and does not take into account the investor's risk tolerance, personal goals, asset levels, sources of income, or any other factors that make an investor unique. An investor with $200,000 in a target-date fund has the same asset allocation as an investor with $20,000 in the fund. An investor who also has a pension and might be comfortable taking more risk with 401(k) investments is placed in the same risk category as an investor who will depend primarily on savings in the 401(k) account.

Considering this one-size-fits-all approach, target-date funds may be more appropriate for novice investors with relatively low assets or those who simply prefer a set-and-forget option in their 401(k) accounts. If you keep assets in a target-date account, it's important to learn more about the specific fund and how it operates.

Glide to or beyond retirement

The transition from more aggressive to more conservative investment allocations 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, taking the fund into your retirement years.

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. Be sure you understand the asset mix of your fund and how it changes over time.

Asset allocation is a widely accepted method to help manage investment risk. It does not guarantee a profit or protect against investment loss, and there is no guarantee that you will be prepared for retirement on the target date or that the fund will meet its stated goals. Keep in mind that investing in other securities outside of a target-date fund may change your overall asset allocation.

The principal value of a target-date fund is not guaranteed before, on, or after the target date. The return and principal value of all mutual funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully 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.

[1] Investment Company Institute, 2019

See disclaimer on final page

Evaluating College Acceptances

Comparing college costs

To compare college costs in an apples-to-apples way, calculate your out-of-pocket cost, or net price, at each college and then compare them. Your out-of-pocket cost is the total cost of a particular college minus any grant or scholarship aid offered by that school. Once you know your out-of-pocket cost at each college, you can then determine how much, if anything, you or your child will need to borrow.

For most high school seniors, spring is crunch time. College acceptances have been arriving, and a deposit must be received by the college the student plans to attend by May 1. The period of time between acceptances and deposit can be intense as students and their parents weigh a number of factors. Here are two questions to ask as your family evaluates college acceptances.

How well does the college meet your child's needs?

Presumably, all the colleges your child applied to would do a good job of meeting your child's needs; otherwise he or she wouldn't have applied there in the first place. But now that your child has a definite list of options, it's time to look at things a little more closely.

Most colleges host an accepted students day geared exclusively to incoming students. Even if your child has already visited the college, visiting again might be helpful. Your child will meet other accepted students; hear in more detail about the offerings related to academics, extracurricular activities, and campus life; and possibly notice things on campus that might have been missed the first time around. Some colleges even offer overnight stays in the dorms. You and your child might also get a chance to explore the surrounding area and see what it would be like to travel back and forth from home. After visiting again, does the college still have the same appeal that it did when your child applied? If not, why?

If your child can't visit in person, there are other ways to do additional research. Your child might email a particular department, professor, or student ambassador with specific questions or browse the college's website to dive deeper into major requirements, campus events, or fitness classes. Your child might also browse online forums and read student reviews of the college. Keep in mind that no college is immune from an occasional negative review, but a similar, consistent complaint or perspective across multiple forums might mean there is a ring of truth to a particular issue. At the very least, a cluster of negative reviews might prompt your child to investigate further.

Finally, don't overlook academic flexibility. Many college students end up changing their majors down the road. If your child decides to change majors, would he or she be able to find another one relatively easily? Another consideration might be the ease of double majoring or minoring, and the ability to earn a master's degree at the same institution in one year versus two by taking graduate-level courses in senior year.

How much will it cost you *and* your child?

Even if a college meets your child's needs, you should consider its affordability. The news is filled with stories about skyrocketing student debt and the debilitating effects — on students and parents — of taking on too much debt.

A college acceptance packet should include a detailed breakdown of any financial aid the college is offering, including loans, grants, scholarships (need-based or merit-based), and a work-study job. Make sure to read the fine print carefully and understand *exactly* what the college is offering. For example, a college might say, "Congratulations! You've been awarded $30,000...," which you might think is a scholarship but actually includes $5,500 in loans and $2,000 in work-study. As you review the award, keep in mind that if a college says it is meeting "100% of your demonstrated need," the college is the one that defines your need, not you.

The goal is to compare your out-of-pocket cost at each college. To do this, look at the total cost of attendance for each school (this figure includes tuition and fees, room and board, plus a discretionary sum for books, personal expenses, and transportation). Next, list any grants or scholarships that the college is offering. If the grant or scholarship is merit-based, find out whether it's guaranteed for all four years and if there are any requirements that must be met to qualify each year (e.g., a 3.0 minimum GPA or participation in a certain activity). If the grant or scholarship is need-based, find out whether you can expect a similar amount each year as long as your income and assets stay roughly the same (and you'll have the same number of children in college), and ask whether it increases each year to match any annual increase in tuition.

The difference between a college's total cost of attendance and any grant or scholarship aid is your out-of-pocket cost or "net price." Compare your net price across all colleges. Next, with your net price in hand, determine how much, if anything, you and your child will need to borrow. Multiply this figure by four to get an idea of what your total borrowing costs might be over four years. Then use a loan repayment calculator to show your child what the monthly loan repayment would be over a standard 10-year term at a fixed interest rate for the amount he or she will need to borrow (and do the same for yourself). Armed with these numbers, you and your child can make an informed college decision.

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Spring Cleaning Your Way to Better Finances

When it comes to your personal finances, reducing debt should always be a priority.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

Spring is a good time to clean out the cobwebs, and not just in your home or apartment. Your personal finances can benefit from a good spring cleaning, too. Here are some questions to ask yourself regarding your budget, debt, and taxes.

Is there room in my budget to save more?

A budget is the centerpiece of any good personal financial plan. After tallying your monthly income and expenses, you hopefully have money left over to save. But... is there room to save even more? Review your budget again with a fine-tooth comb to see if you might be able to save an additional $25, $50, $100, or $200 per month. Small amounts can add up over time. If you participate in a workplace retirement plan, you might not even notice your slightly smaller paycheck after you increase your contribution amount.

If your expenses are running neck and neck with your income, try to cut back on discretionary spending. If that's not enough, look for ways to lower your fixed costs or explore ways to increase your current income. Budgeting software and/or smartphone apps can help you analyze your spending patterns and track your savings progress.

Do I have a strategy to reduce debt?

When it comes to your personal finances, reducing debt should always be a priority. Whether you have debt from student loans, credit cards, auto loans, or a mortgage, have a plan to pay down your debt as quickly as possible. Here are some tips.

- **Credit cards.** Keep track of your credit card balances and be aware of interest rates and hidden fees; manage your payments so you avoid late fees; pay off high-interest debt first; and avoid charging more than you can pay off at the end of each billing cycle.
- **Student loans.** Are you a candidate for income-based repayment? You can learn more at the Federal Student Aid website.
- **Additional payments.** Making additional loan payments above and beyond your regular loan payments (or the minimum payment due on credit cards) can reduce the length of your loan and the total interest paid. Online calculators can help you see the impact of making additional payments. For example, if you're halfway through a 30-year, $250,000 mortgage with a fixed 4.5% interest rate, an additional principal payment of $150 a month can shave two years off your mortgage. An extra $250 a month can shave off three years!
- **Refinancing.** If you currently have consumer loans, such as a mortgage or auto loan, take a look at your interest rate. If you're paying a higher-than-average interest rate, you may want to consider refinancing. Refinancing to a lower interest rate can result in lower monthly payments and potentially less interest paid over the loan's term. Keep in mind that refinancing often involves its own costs (e.g., points and closing costs for mortgage loans), and you should factor these into your calculation of how much refinancing might save you.
- **Loan consolidation.** Loan consolidation involves combining individual loans into one larger loan, allowing you to make only one monthly payment instead of many. Consolidating your loans has several advantages, including saving you time on bill paying and record keeping and making it easier for you to visualize paying down your debt. In addition, you may be able to get a lower interest rate.
- **Paying down debt vs. investing.** To decide whether it's smarter to pay down debt or invest, compare the anticipated rate of return on your investment with the interest rate you pay on your debt. If you would earn less on your investment than you would pay in interest on your debt, then using your extra cash to pay off debt may be the smarter choice. For example, let's say you have $2,000 in an account that earns 1% per year. Meanwhile, you have a credit card balance of $2,000 that incurs annual interest at a rate of 17%. Over the course of a year, your savings account earns $20 interest while your credit card costs you $340 in interest. So paying off your credit card debt first may be the better choice.

Do my taxes need some fine-tuning?

Spring also means the end of the tax filing season. You might ask yourself the following questions:

- Am I getting a large tax refund or will I owe taxes? In either case, you may want to adjust the amount of federal or state income tax withheld from your paycheck by filing a new Form W-4 with your employer.
- What else can I learn from my tax return? Now is also a good time to assess tax planning opportunities for the coming year, when you still have many months left to implement any strategy. You can use last year's tax return as a reference point, then make any anticipated adjustments to your income and deductions for the coming year.

Oppenheimer & Co. Inc.
Mark Baniszewski, Exec. Director - Investments
Caitlin Falenski, CSRP®
Assoc. Director - Investments
385 S. Eton
Birmingham, MI 48009
248-593-3727
248-593-3712
mark.baniszewski@opco.com
caitlin.falenski@opco.com

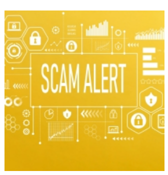
Whether it's a helpful announcement from your child's school or an appointment reminder from a doctor's office, getting robocalls has become an everyday occurrence. Unfortunately, robocalls are also used by criminals to collect consumers' personal and financial information and/or conduct various scams.

The good news is that consumers have won additional protections against unwanted robocalls under the Telephone Robocall Abuse Criminal Enforcement and Deterrence (TRACED) Act. One of the main goals of the law is to make it easier for consumers to avoid unwanted robocalls by:

- Requiring all carriers to implement caller-ID technology at no additional cost to consumers
- Making it easier for law enforcement to prosecute illegal robocallers and increasing penalties for robocall violations
- Creating an interagency task force to study and improve government prosecution of robocall violations

Even when these new protections are implemented, it will take some time to eliminate unwanted robocalls. In the meantime, here are some things you can do to protect yourself:

- Don't answer calls when you don't recognize the phone number.
- If you pick up an unwanted robocall, hang up right away and avoid answering "yes" or "no" questions, providing personal information, or pressing a number to "opt out."
- Consider signing up for a robocall blocking service. Many phone service providers now offer robocall blocking solutions at no additional charge, or you can download additional robocall protection through a third-party app.
- Register your phone number on the National Do Not Call (DNC) Registry, which removes your number from the call lists used by legitimate telemarketing companies. Keep in mind that registering with the DNC Registry will result in your getting fewer calls from legitimate telemarketers, but it won't stop illegal robocallers from contacting you.



Imagine that you receive an email with an urgent message asking you to verify your banking information by clicking on a link. Or perhaps you get an enticing text message claiming that you've won a free vacation to the destination of your choice — all you have to do is click on a link you were sent. In both scenarios, clicking on the link can accidentally result in revealing your sensitive personal and financial information to a cybercriminal.

In a social engineering scam, a cybercriminal psychologically manipulates victims into divulging sensitive information. Cybercriminals "engineer" believable scenarios designed to evoke an emotional response (curiosity, fear, empathy, or excitement) from their victims. As a result, people often react without thinking first due to curiosity or concern about the message that was sent. Since social engineering scams appear in many forms and appeal to a variety of emotions, they can be especially difficult to identify.

Fortunately, there are steps you can take to protect yourself from a social engineering scam:

- If you receive a message conveying a sense of urgency, slow down and read it carefully before reacting. Don't click on suspicious or unfamiliar links in emails, text messages, and instant messaging services.
- Never download email attachments unless you can verify that the sender is legitimate. Similarly, don't send money to an email that requests charitable help unless you can follow up directly with the organization.
- Be wary of unsolicited messages. If you get an email or a text that asks you for financial information or passwords, do not reply, delete it.
- Remember that social engineering scams can also be used over the phone. Use healthy skepticism when you receive phone calls that demand money or request sensitive personal and financial information.