OAKCREST INSIGHT

APRIL 2022

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SEPARATING THE SIGNAL FROM THE NOISE

What kind of role can a financial professional play for an investor?

The answer: an important one. While the value of such a relationship is hard to quantify, the intangible benefits may be long-lasting.

There are certain investors who turn to a financial professional with one goal in mind: the "alpha" objective of beating the market. But even Wall Street's brightest money managers can come up short.

At some point, these investors realize that their financial professional has no control over what happens in the financial markets. They come to understand the real value of the relationship, which is about *strategy, coaching,* and *understanding*.

A financial professional can provide guidance about today's financial climate, determine objectives, and assess progress toward those goals. Alone, an investor may find it difficult to do any of these tasks. Moreover, an investor may make self-defeating decisions. Today's steady stream of information can prompt emotional behavior and may lead to blunders.

No investor is infallible.

Investors can feel that way during a great year when every decision seems to work out well. But overconfidence may set in, and the reality that the markets have challenging years can be forgotten.

A financial professional can help an investor commit to staying on track.

Through subtle or overt coaching, the investor can learn to take short-term market volatility in stride and focus on the long term. A strategy is put in place based on the investor's goals, risk tolerance, and time horizon.

As the investor-professional relationship unfolds, the investor begins to notice the intangible ways the professional provides value. The professional may help explain the subtleties of investment trends and how potential risk often relates to potential reward.

Perhaps most importantly, the professional helps the client get past the "noise" and "buzz" of the financial markets to see what is really important to their financial life.

The investor gains a new level of understanding, a context for all the investing and saving. The effort to build wealth and retire well is not merely focused on success but also significance.

RETURNS (AS OF 03/31/22)

ASSET CLASS	INDEX	4 WEEK	YTD	1 YEAR	3 YEAR
US Large Cap	S&P 500 TR	3.58%	-4.95%	14.03%	16.92%
US Large Cap	Dow Jones TR	2.32%	-4.575%	5.14%	10.18%
US Small Cap	Russell 2000 TR	1.08%	-7.80%	-6.77%	10.37%
International	MSCI EAFE NR USD	0.12%	-6.61%	-1.21%	5.17%
Taxable Bonds	Barclays US Agg Bond TR	-2.78%	-5.93%	-4.15%	1.69%

INVESTING WITH YOUR HEART

Some individuals believe that return on investment shouldn’t be the only criterion for how they invest their money. For them, the social impact of investing is just as important – perhaps more important.

The history of socially responsible investing stretches as far back as the mid-18th century, but its more-modern form began taking shape in the 1960s, amidst the fight for civil rights and the emerging Vietnam War protests.

More than $17 trillion is managed under sustainable and responsible investing principles. This includes mutual funds, endowments, and even venture capital funds. It should be noted that amounts in mutual funds are subject to fluctuation in value and market risk. Shares, when redeemed, may be worth more or less than their original cost. Mutual funds are sold only by prospectus. *Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.*[1]

What Is “Socially Responsible Investing?”

The definition of socially responsible investing has evolved. And it may be referred to by different names, such as “sustainable and responsible investing” or “values-based investing.”

Whatever term is used, this investment discipline is usually characterized by a set of principles that govern how investments are selected. One widely used framework includes environmental, social, and corporate governance criteria (ESG).

What's ESG?

ESG criteria of good corporate governance, positive environmental impact, and responsible community involvement are a guide for making investment selections, akin to other investment-related criteria, such as price-to-earnings ratio or revenue growth.

The underlying belief is that good corporate practices may lead to better long-term corporate performance.

Investor experience with socially responsible investing will vary. As with any mutual fund or exchange-traded fund, socially responsible investments are subject to fluctuation in value and market risk. Shares, when redeemed, may be worth more or less than their original cost.

Individuals should also recognize that each investment approach may operate under a different set of principles, so you should be careful that your selection mirrors your personal values and beliefs.

Citations

1. USSIF.org, 2020 (most recent data available)

CHOICES FOR YOUR 401(K) AT A FORMER EMPLOYER

One of the common threads of a mobile workforce is that many individuals who leave their job are faced with a decision about what to do with their 401(k) account.[1]

Individuals have four choices with the 401(k) account they accrued at a previous employer.[2]

Choice 1: Leave It with Your Previous Employer

You may choose to do nothing and leave your account in your previous employer's 401(k) plan. However, if your account balance is under a certain amount, be aware that your ex-employer may elect to distribute the funds to you.

There may be reasons to keep your 401(k) with your previous employer —such as investments that are low cost or have limited availability outside of the plan. Other reasons are to maintain certain creditor protections that are unique to qualified retirement plans, or to retain the ability to borrow from it, if the plan allows for such loans to ex-employees.[3]

The primary downside is that individuals can become disconnected from the old account and pay less attention to the ongoing management of its investments.

Choice 2: Transfer to Your New Employer's 401(k) Plan

Provided your current employer's 401(k) accepts the transfer of assets from a pre-existing 401(k), you may want to consider moving these assets to your new plan.

The primary benefits to transferring are the convenience of consolidating your assets, retaining their strong creditor protections, and keeping them accessible via the plan's loan feature.

If the new plan has a competitive investment menu, many individuals prefer to transfer their account and make a full break with their former employer.

Choice 3: Roll Over Assets to a Traditional Individual Retirement Account (IRA)

Another choice is to roll assets over into a new or existing traditional IRA. It's possible that a traditional IRA may provide some investment choices that may not exist in your new 401(k) plan.[4]

The drawback to this approach may be less creditor protection and the loss of access to these funds via a 401(k) loan feature.

Remember, don't feel rushed into making a decision. You have time to consider your choices and may want to seek professional guidance to answer any questions you may have.

Choice 4: Cash out the account

The last choice is to simply cash out of the account. However, if you choose to cash out, you may be required to pay ordinary income tax on the balance plus a 10% early withdrawal penalty if you are under age 59½. In addition, employers may hold onto 20% of your account balance to prepay the taxes you'll owe.

Think carefully before deciding to cash out a retirement plan. Aside from the costs of the early withdrawal penalty, there's an additional opportunity cost in taking money out of an account that could potentially grow on a tax-deferred basis. For example, taking $10,000 out of a 401(k) instead of rolling over into an account earning an average of 8% in tax-deferred earnings could leave you $100,000 short after 30 years.[5]

Citations

1. In most circumstances, you must begin taking required minimum distributions from your 401(k) or other defined contribution plan in the year you turn 72. Withdrawals from your 401(k) or other defined contribution plans are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty.

2. FINRA.org, 2022

3. A 401(k) loan not paid is deemed a distribution, subject to income taxes and a 10% tax penalty if the account owner is under 59½. If the account owner switches jobs or gets laid off, any outstanding 401(k) loan balance becomes due by the time the person files his or her federal tax return.

4. In most circumstances, once you reach age 72, you must begin taking required minimum distributions from a Traditional Individual Retirement Account (IRA). Withdrawals from Traditional IRAs are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty. You may continue to contribute to a Traditional IRA past age 70½ as long as you meet the earned-income requirement.

5. This is a hypothetical example used for illustrative purposes only. It is not representative of any specific investment or combination of investments.

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