

# NEWSLETTER

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 FIRST QUARTER 2023

## Make a Smooth Transition into Retirement

After years of dreaming and saving, the date of your retirement finally arrives. What are your plans? Will you travel? Will you spend more time with friends and family? As you consider your next steps, you may want to keep in mind a few things that will ease your transition — at least from the perspective of your retirement finances. For example:

### ➤ Make a spend-down plan

Your retirement income will probably come from various sources — such as retirement accounts, personal savings and investment IRA accounts, part-time income, Social Security benefits, and ERS pension benefits. The mix is different for everyone. To help minimize your tax burden in retirement, you may want to draw different amounts from different sources at various times. This is sometimes called a “spend-down plan.”

### ➤ Reexamine your expenses

Your spending won't come to a stop in retirement, but it will probably change. The average retired household cuts its spending by 1.5% to 1.6% per year throughout retirement. But keep in mind that while some expenses may decline, others may increase.<sup>1</sup> For example, one study has found that 65-year-old couples will spend an average of \$315,000 on healthcare and medical expenses in retirement.<sup>2</sup>

### ➤ Keep managing risk

Is the mix of risk and return potential in your portfolio appropriate for your age, risk tolerance, and overall financial picture? As a rule of thumb, people shift to more conservative investments as they get older to protect the assets they'll rely on for retirement income. Another factor to consider is how long you'll depend on your nest egg for income. After all, your retirement may last decades. [Talk to your local Island Savings Plan Retirement Education Counselor](#) about whether your post-retirement portfolio is in line with your risk tolerance, income goals, and retirement timeline.

Retirement planning doesn't end with retirement. You'll still have to manage the shift from accumulating retirement savings to using those savings for retirement income. With a little planning and regular adjustments, you can make the most of the nest egg you worked so hard to build during your working years.

<sup>1</sup> [smartasset.com/retirement/retirement-spending#:~:text=Research%20shows%20that%20average%20retired,of%20wealth%20and%20physical%20health.](https://smartasset.com/retirement/retirement-spending#:~:text=Research%20shows%20that%20average%20retired,of%20wealth%20and%20physical%20health.)

<sup>2</sup> [cnbc.com/2022/05/16/americans-can-expect-to-pay-a-lot-more-for-medical-care-in-retirement.html.](https://cnbc.com/2022/05/16/americans-can-expect-to-pay-a-lot-more-for-medical-care-in-retirement.html)





## Dollar-Cost Averaging: Why Consistent Retirement Contributions May Work in your Favor

Do you stick with your retirement investment strategy and make regular contributions to your Island Savings Plan account even when markets are performing poorly? If you do, you're probably engaging in a process known as "dollar-cost averaging."

"Dollar-cost averaging" is the term for investing a consistent amount in a chosen investment option over a given period, regardless of its price. It also means you may lower your average cost per share in the long term.

Periods of market volatility can be unsettling. No one likes to log in to their account and find that their retirement account balance has dropped. And during those times, it may be tempting to stop contributing to your account altogether. But before you do, keep in mind that when markets perform poorly, the cost of shares in your chosen investment funds may be lower. As a result, the amount you contribute buys you more shares of those funds. Then, when markets rebound, you'll have more shares in your account working in your favor.

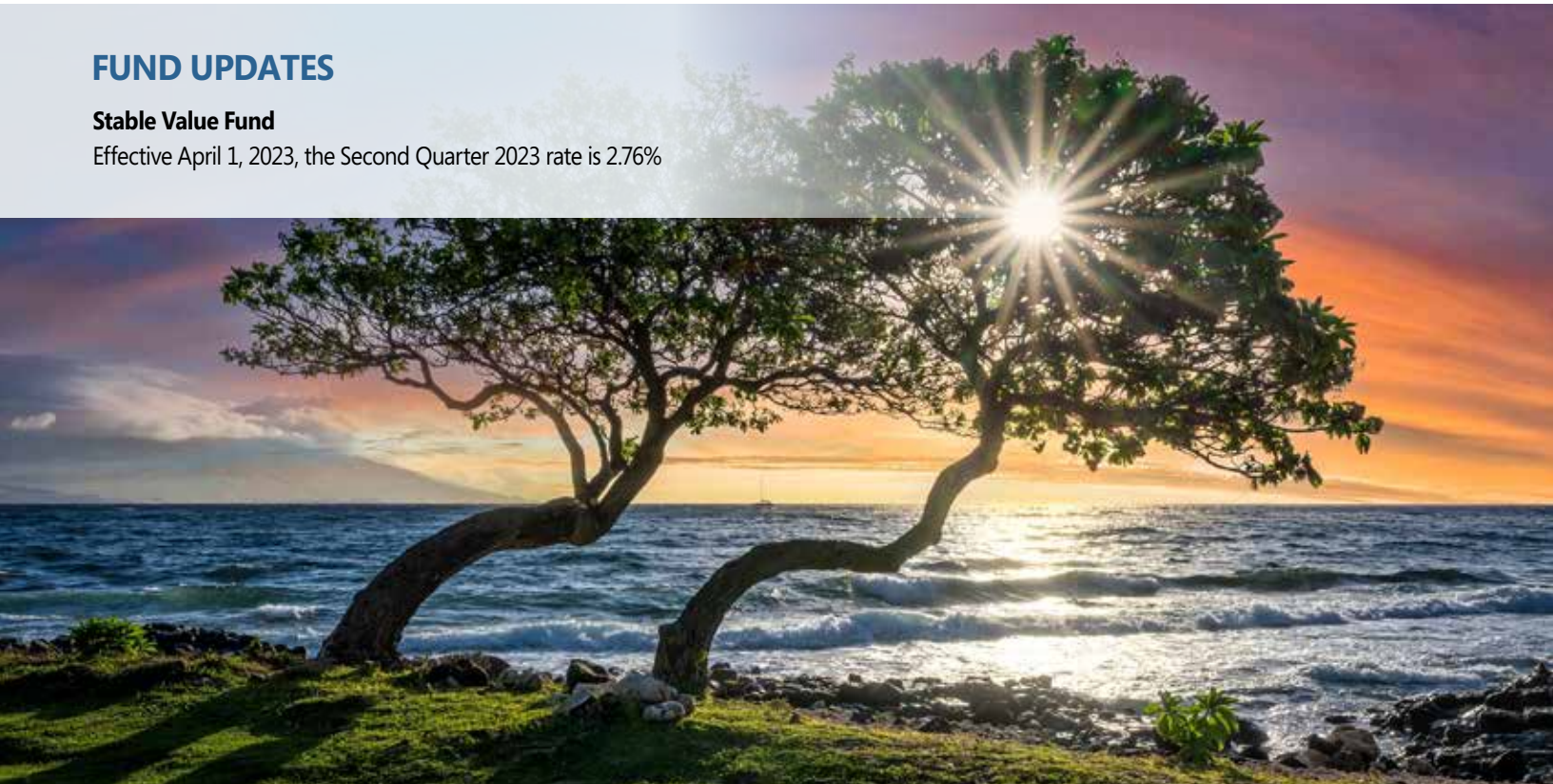
Remember that the fundamentals still apply. Saving and investing for retirement is a long-term project. You still need to manage risk appropriately based on your planned retirement age and risk tolerance. You'll still want to diversify your mix of investments. And there's no guarantee that dollar-cost averaging will benefit you, and it does not ensure a profit or protect against loss. But the good news is that you don't have to do anything special to take advantage of dollar-cost averaging. Just keep contributing as you would otherwise and stick with your strategy.

If you'd like to learn more about dollar-cost averaging and its potential benefits, [schedule some time](#) with your local Island Savings Plan Retirement Education Counselor. They can show you how it works — and review your retirement income goals with you to help you decide if you need to make any adjustments.

## FUND UPDATES

### Stable Value Fund

Effective April 1, 2023, the Second Quarter 2023 rate is 2.76%





## Why Inflation Should Factor into Your Retirement Investment Strategy

It's hard to avoid the topic of inflation these days. Turn on the nightly news or scroll through the headlines and you can't miss stories talking about the inflation-driven bump in the cost of living for everyone.

Inflation can have a sizable impact on your everyday finances. You see its effects every time you buy groceries or fill the gas tank. But it can also have an impact on your future retirement — even when the rate of inflation is closer to the historical average.

Here's why. Inflation eats away at the purchasing power of every dollar you save. According to the Bureau of Labor Statistics<sup>3</sup>, you would need \$1.61 in today's money to match the purchasing power of \$1 in 2002. What's the connection with your retirement? If you're investing most or all of the contributions to your Island Savings Plan account in safer investments with a lower return potential, your investments may not be keeping pace with inflation. As a result, you may be hurting your chances of achieving your future retirement income goals. Ideally, your portfolio will consist of a mix of investments in different asset classes — with a balance of risk and return potential that matches your risk tolerance and your planned retirement date while helping you keep up with the rate of inflation.

Every investment comes with risk. Even an overly conservative approach to investing can put you at greater risk of the negative impact of inflation. **Schedule time** with your local Island Savings Plan Retirement Education Counselor to understand how you can better manage investment risk to minimize the impact of inflation on your retirement readiness.

<sup>3</sup> [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm)

## Upcoming Island Savings Plan Webinars

You are invited to join your Empower Retirement Education Counselors as they host a series of important retirement planning webinars!

Webinar topics include:

- Understanding Market Volatility
- Taking Control of Your Finances (Budgeting)
- Island Savings Plan Overview

View the [latest webinar schedule](#) and register today!

## RETIREMENT EDUCATION COUNSELORS ARE HERE TO HELP

Dedicated local Retirement Education Counselors are available to help you with any Plan questions and assist you. So, take a moment to set up a personal appointment to help keep you prepared for the future you want.

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## Empower

### Honolulu Office

1100 Alakea Street, Suite 1550  
Honolulu, HI 96813

## Office Hours

8:00 a.m. to 5:00 p.m. HST weekdays  
8:00 a.m. to 12:00 p.m. HST Saturdays

## Free parking

Entrance on Alakea Street; parking ticket  
validated at the local office

## ISLAND SAVINGS PLAN INFO LINE

**888-71-ALOHA (888-712-5642).** This automated, toll-free phone number is available 24/7.

**Select "1"** to speak with a Participant Service Representative weekdays from 2:00 a.m. to 3:00 p.m. HST (DST) or from 3:00 a.m. to 4:00 p.m. HST (after DST ends).

**Select "2"** to contact a local Retirement Education Counselor weekdays from 8:00 a.m. to 5:00 p.m. HST and Saturdays from 8:00 a.m. to 12:00 p.m. HST.

*Carefully consider the investment option's objectives, risks, fees and expenses. Contact Empower for a prospectus, summary prospectus for SEC-registered products or disclosure document for unregistered products, if available, containing this information. Read each carefully before investing.*

A stable value fund is not federally guaranteed and has interest rate, inflation and credit risks. Guarantees are subject to the terms and conditions of the group annuity contract or funding agreement and the claims-paying ability of the insurer.

The Vanguard Retirement Trust Investments are Collective Investment Trusts and not mutual funds. CITs and are exempt from SEC registration and are designed for and exclusively sold to qualified retirement plans and their participants and other eligible trusts, CITs are not available to individual retail investors.

The date in the name of the target date fund is the assumed date of retirement. The asset allocation becomes more conservative as the fund nears the target retirement date; however, the principal value of the fund is never guaranteed.

Important information: Effective April 1, 2022, Empower officially acquired the retirement business of Prudential. For more information associated with the acquisition, please visit [here](#).

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