



DAP

A lifelong retirement plan

Heads Up

Directed Account Plan 401(k) Quarterly Newsletter

October 2022

Investing: The Nuts and Bolts

Periodically reviewing investing basics can help keep your account growing

Start Saving Now

The earlier you start, the better. But it is never too late.

Compounding - The interest earned on both your principal and any interest your principal earns.

Remember Inflation

Inflation will rob your retirement funds of their buying power now and after you begin to use them. Are you saving enough?

Inflation - The erosion of money's purchasing power due to the rising cost of goods and services.

Nothing is Risk Free

Understand the risks. Fit the degree of risk you take to your personal investment strategy.

Risk - The potential to lose money in an investment.

Protect Against Volatility

The best approach to retirement savings is "diversification" - spreading your savings across many investment types that tend to move in different directions, such as US Stocks, non-US stocks and fixed income investments.

The **DAP Asset Allocation Funds** provide diversification and asset allocation.

Volatility - How much and how often an investment increases or decreases in value.

Diversification - The process of keeping your nest eggs in more than one basket.

Allocate Your Assets

Diversification and asset allocation are good ways to manage risk. Pick a course that's right for you and stay with it. Market timing seldom pays off.

Asset Allocation - The process of distributing investments between or among different asset classes to produce the greatest possible return consistent with an investor's ability and willingness to accept risk.

Market Timing - The process of deciding when to buy or sell securities based on economic factors, such as changing interest rates, or technical indications, such as trading volume. Most experts believe this is not a successful approach to investing.

Dollar-Cost Averaging - Accumulating assets by investing a set amount of dollars at regular intervals. You buy more shares or units when prices are low. You own more at a greater value when prices go back up. Your bi-weekly contributions to the DAP 401(k) automatically dollar-cost average for you.



Invest for Your Lifetime

Investment selection is a function of your age, goals and risk tolerance. Retiring from the workforce does not mean you should put your 401(k) assets in neutral or let them coast. On the contrary, you should invest with your DAP 401(k) according to your life expectancy. Many investment professionals recommend some stock market exposure into retirement.

Manage Your Assets

The key is to set your course and stick with it. Let your life circumstances dictate your asset allocation decisions, not the market movements. You choose which investments are appropriate for your account by how long you have to invest, how much you need to accumulate, and your tolerance for risk.

Asset Allocation, diversification, dollar-cost averaging and/or rebalancing do not ensure a profit or protect against loss.

Market Timing:

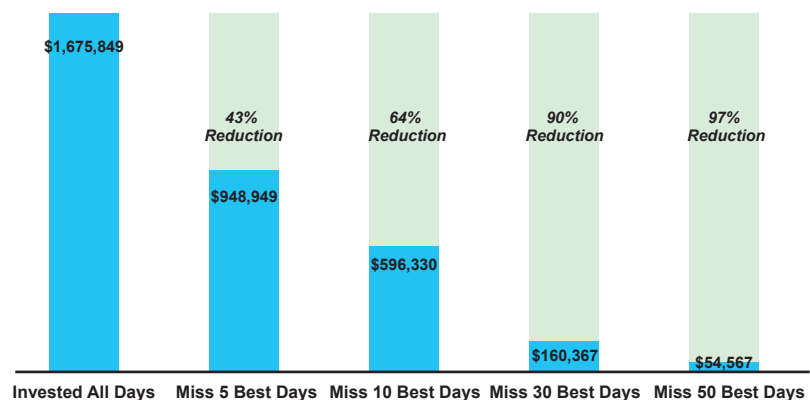
Getting it right is hard and getting it wrong is costly

Market timing requires three things to get it right: correctly timing the sell, doing it in a large enough size that it matters, and correctly timing the buy on the way back in. Timing "buys and sells" is difficult because it involves having a fact pattern right and the appropriate market reaction to execute it consistently.

Moreover, the cost of market timing can be high when you get it wrong. As shown in the chart on this page, missing just a few of the best trading days can have a material impact on the overall return of the portfolio. Additionally, the vast majority of the best days in the market happen during a market pullback. At the times it is the most tempting to make a move, it may also be the most dangerous time to do it.

Excerpt from Fiducient Advisors article, "The Bear Market Field Guide." by Bradford Long - July 2022

Missing the Best Days in the Market



Source: Morningstar. Hypothetical Growth of \$10,000 invested in the S&P 500 index (TR) from January 1, 1980 to December 31, 2021.

Comparisons to any indices are for illustrative purposes only and are not meant to imply that actual returns or volatility will be similar to the indices. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees or expenses.



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IRS Required Minimum Distribution (RMD) Checklist

Many retirees and former TWA Pilot beneficiaries must take a minimum distribution from their Directed Account Plan account to meet IRS requirements by December 31st each year. One-third of the DAP participants are currently taking the required minimum distribution (RMD). This checklist provides some important points for consideration as you make your personal decision on how to manage your RMD.

Determine Your Required Begin Date (RBD)

The RBD is the date that determines the year when you start taking this distribution. The RBD for an original account holder is age 72. The RBD for an account holder other than the original account holder varies depending on a number of factors. The SECURE Act changed the RBD for new beneficiaries who inherit an account from the original 401(k) account holder after January 1, 2020.

Verify Your RMD Calculation

Even if you have not reached your RBD, it is a good idea to know how the RMD is calculated so you may plan ahead. Visit the IRS website below or meet with your tax advisor to learn how to calculate your RMD. The DAP calculates the RMD based on the information that is on file with the Plan.

According to the IRS, although your 401(k) or IRA provider may calculate the RMD, you are ultimately responsible for your calculation. Therefore, check your company's calculation before December 1st to leave time for corrections.

Go Online to Learn More About Your RMD

[IRS.GOV Required Minimum Distribution FAQs](https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions)

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Review Your RMD Management Options

There are three ways to manage your RMD:

1) Partial Distribution

You do not have a scheduled payment and you direct payment when you need money. If you have not taken enough payments to meet your RMD, the DAP automatically distributes your RMD shortage in December using the current payment method on file.

2) Periodic Payment (PPAY)

You choose the amount of money that you want distributed to you. Select the payment amount and timing - monthly, quarterly, semi-annual or annual payments. Select your tax withholdings and payment method. If you have not taken enough payments to meet your RMD, the DAP automatically distributes your RMD shortage in December using the current payment method on file. You may take a partial payment while you have a PPAY in place should you need extra money.

3) Automated RMD Payment (AUTO RMD)

This method is for the participant who wants to meet the RMD as a scheduled payment, no more and no less than what the IRS requires. You may start or modify your AUTO RMD at any time. You select the timing - monthly, quarterly, semi-annual or annual payments. Select your tax withholdings and payment method. You will not have a shortage under this method. You may take a partial payment while you have an AUTO RMD in place should you need extra money.

For Participants Already Taking Distributions

New IRS Withholding Form

The IRS changed their federal tax withholding requirements in 2022. Empower has identified the people that need an updated IRS form on file to comply with the new IRS rules. These participants will receive a mailing from Empower with instructions in October.

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The intent of this communication is to provide useful information, not investment advice. Each participant in the Directed Account Plan is ultimately responsible to make his or her own investment decisions.

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