

SCE TIER 3: SELF-DIRECTED BROKERAGE ACCOUNT



In the previous article in our series focusing on Southern California Edison tiered approach to 401k investment plans for employees we dove deeper into the “Target Date funds” as well as the “Core Funds” which allow employees to create their own portfolio.

Planning for retirement is not a “one-size-fits-all” strategy, nor does a financially secure future just happen without careful consideration. To find an appropriate balance, we will turn our focus to the Tier 3 option offered by SCE: Self-Directed Brokerage Accounts also known as the Personal Choice Retirement Account or PCRA.

SCE Self-Directed Brokerage Account is designed to give the employee complete control over how their money is invested. Instead of choosing from a small hand-picked selection of core or target date funds, this plan empowers the investor to select and direct any investment options available, including individual stocks, bonds, options and even futures.

On the surface, it may appear this type of strategy is designed for knowledgeable investors who have an understanding of investment markets and principles and want to invest the time to manage their own portfolio. However, this plan allows for SCE employees to seek the guidance of a financial advisor that is well informed and positioned to manage their money wisely.

The Self-Directed Brokerage Account strategy has clear advantages, giving the employee more control over their money, and enabling them to seek the guidance of a trusted advisor to make very specific choices. For those wanting to tackle Tier 3 on their own, however, it can take much more time, knowledge and research compared to Tier 1 or Tier 2 funds. The onus of overseeing, monitoring and adjusting the investments is on the employee, including the task of selecting the investments that are suitable for their situation, goals, time horizon, and risk tolerance.

Can you handle the responsibility of a self-directed account?

If you are going it alone, that will depend on your knowledge, your tolerance for risk, your time horizon, your outlook on saving and investing, and your ability to devote time to your portfolio.

If you work with a trusted wealth management firm, their professional advice on the investment strategy for your account can help alleviate the burden and fears. While Charles Schwab & Co., Inc. (Member SIPC), offers the Self-Directed Brokerage Account for Edison, employees have the option of hiring an experienced advisor, such as Stratos Wealth Partners, to gain access to the account, conducting all trading and management of the account on their behalf, maximizing the flexibility the Self-Directed Brokerage Account offers. ■

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