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PREVENTING A NOSEDIVE IN RETIREMENT


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In today's turbulent economy, consumers can no longer afford to put off protecting their financial futures. More than ever before, retirees are faced with an increasing array of risks to their savings: a turbulent market, increased longevity, health care costs, inflation, taxes, fees, and a low interest rate environment — to name a few. Each of these risks can whittle away at your savings, or, with sharp market downturns, cause a savings nosedive that takes years to recover from.

News from around the globe can also affect your portfolio. A downturn in China has a ripple effect here in the U.S.; falling crude oil prices and the Feds raising interest rates also create volatility. And the greater the volatility, the greater the potential damage to your retirement savings. Unfortunately, markets can remain turbulent longer than you can remain solvent.

But the good news is that recognizing the risks is the first step toward minimizing them. And while no one can predict a falling market or health care catastrophe, there are steps you can take to lessen the impact of other unsystematic risks on your hard-earned retirement dollars. Note systematic or market risk is undiversifiable risk and can only be hedged against. Your economic situation is a matter of choice, not a matter of chance. You don't have to let your portfolio be blown around in the wind. With a strategic plan in place, you can reduce the impact of these unsystematic risks and help navigate more safely through retirement with money left over.

If you are nearing retirement or are a new retiree, it is critical to have a strategic plan in place so that your savings last for the rest of your life. A wise P.L.A.N.™ would:

Protect your savings;
Leverage your assets;
Accelerate growth; and
Neutralize taxes™

It's imperative that you plan now because your savings are the most vulnerable at the beginning of retirement. Any negative impact at the beginning, such as a market downturn or health care crisis, could take a large chunk out of your retirement and you may not be able to stretch what is left for the remaining years. The choices you make now can help ensure a strong income stream and legacy for your loved ones and cherished causes.

While systematic risk or market risk may be out of your control, there are others that can be reduced through diversification — with a well-constructed plan. For example, the amount of fees you're paying on certain investments can be reduced by repositioning into another financial vehicle with little or no fees. Spend time with an advisor or CPA who understands the tax laws and strategies available to help reduce taxes on your retirement savings and create a tax-efficient plan.

In today's environment, you cannot be passive with your retirement savings, hoping it will grow and last the entire length of retirement. Instead, tactical and strategical investment strategies are required. For example, without a plan, you might be exposed to 100% of the upside but also 100% of the downside of the market. However, by using a vehicle such as an indexed annuity, you would reduce your exposure and receive part of the upside but none of the down.

Working with a knowledgeable advisor who specializes in retirement planning is essential. Make sure you deal with someone who understands your situation and will ask the right questions to create a strategy that allows you to fulfill your financial goals and dreams. A good retirement strategy is one that is not static; it allows for changes because life will throw a curve ball, and your plan needs to be elastic enough to make adjustments.

If you don't have a plan for your savings, you have a plan to fail. It's time to put a plan in place.

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