The Value of Double-Checking Your Retirement Strategy

As you approach your "third act," does it need to be adjusted?

Provided by Mickey, Stuart and Mark of Rosenzweig Financial Services

Motivational speaker Denis Waitley once remarked, "You must stick to your conviction, but be ready to abandon your assumptions." That statement certainly applies to retirement planning. Your effort must not waver, yet you must also examine it from time to time.[1]

For example, the level of risk you chose to tolerate at 35 or 40 may not be worth tolerating at 55 or 60. Additionally, you may realize that you will need more retirement income than previously assumed. With those factors and others in mind, here are some signs that you may need to double-check your retirement strategy.

Your portfolio lacks significant diversification. Many baby boomers are approaching retirement with portfolios heavily weighted in equities. As many of them will have long retirements and a sustained need for growth investing, you could argue that this is entirely appropriate. If your retirement is near at hand, however, you might want to consider the length of this bull market and the possibility of irrational exuberance.

The current bull has lasted about twice as long as the average one and brought appreciation in excess of 200%. It could rise higher: as InvesTech Research notes, two-thirds of the bull markets since 1955 have gained 20% or more in their final phase. Few analysts think a "megabear" will follow this historic rally, but even a typical bear market brings a reality check. The lesser bear markets since 1929 have brought an average 27.5% reversal for the S&P 500 and lasted an average of 12 months.[2]

A poor quarter makes you anxious. You start watching the market like a hawk and check up on your investments more frequently than you once did. Some of this vigilance is only natural as you near retirement; after all, you have far more at stake than a millennial investor. Even so, this is a sign that you may be uncomfortable with the amount of risk in your portfolio. A portfolio review with a

financial professional could be in order. A semi-annual or annual review is reasonable. One bad quarter should not tempt you to abandon a strategy that has worked for years, only to examine it in the face of sudden headwinds.

You find yourself listening to friends & pundits. Your tennis partner has an opinion about when you should claim Social Security. So does your dentist. So does a noted radio personality or columnist. Their viewpoints may be well-informed, but they are likely expressing what *they* would do as they share what they feel *you* should do. If you seem increasingly interested in the financial opinions of friends, acquaintances and even total strangers, or the latest "hot tip" on the market, this hints at anxiety or restlessness about your financial strategy. Perhaps it is warranted, perhaps not. It may be time to reexamine some assumptions.

You wonder about the demands your lifestyle may make on your finances. You want to travel, golf, and have fun when you retire, and those potential lifestyle expenses now seem larger than they once were. Here is another instance where you may want to double-check your retirement savings and income strategy.

You see what were once "what-ifs" becoming probabilities. You sense that you or your spouse might face a serious health issue in the not-so-distant future. It looks as if you may end up raising one of your grandchildren. It seems likely that you will provide eldercare for a sibling who may move in with you. These life events (and others) may prompt a new look at your financial assumptions.

You think you will retire to another state. Say you retire to Florida. There is no state income tax in Florida. So your retirement tax burden may decrease with such a move (though some states have higher property taxes to offset the lack of state taxes). To what degree will geographic considerations affect your retirement income, or need for income? Such geographic factors are worth considering.[3]

You wonder how deeply inflation will impact your retirement income. A recent Morningstar analysis of retiree spending data compiled by the federal government noticed something interesting: for the typical retiree, spending declines in inflation-adjusted terms between age 65 and age 90. So the assumption that retirees increase household spending over time in light of inflation may be flawed. Of course, inflation has been mild for the past several years. If inflation spikes, however, that assumption might prove wholly valid.[3]

Looking at your retirement strategy anew has merit. As the years go by, priorities change and needs arise. New questions call for appraisals of old assumptions. Reviewing your approach to investing and saving at mid-life is only rational, for your retirement strategy must suit the objectives you now have before you rather than those you set in your past.

1200498RM-May17
This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised

to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Citations.

1 - quotes.lifehack.org/quote/denis-waitley/you-must-stick-to-your-conviction-but/ [4/16/15]
2 - fortune.com/2015/04/16/taming-the-bear-market/ [4/16/15]
3 - tinyurl.com/odyle9s [12/25/13]

Rosenzweig Financial Services
2 Park Avenue Suite 301, New York, NY 10016

Phone: 212-818-0505
rfs@rfsny.com www.rfsny.com

Registered Representative of, and Securities and Investment Advisory services offered through Hornor, Townsend & Kent, Inc., (HTK), Registered Investment Advisor, Member FINRA/SIPC, (212) 697-1355. HTK does not offer tax or legal advice. Always consult with a qualified advisor regarding your individual circumstances. Rosenzweig Financial Services and HTK are independently owned and operated entities. This message, including any attachments, is intended only for the recipient(s)named above. It may contain confidential and privileged information. If you have received this communication in error, please notify the sender immediately and destroy or delete the original message. Also, please be aware that if you are not the intended recipient, any review, disclosure, copying, distribution or any action or reliance based on this message is prohibited by law.