CPS Investment Advisors
Steady as You Grow

Public/Government Sector Newsletter
2015 4th Quarter
Provided by: Michael L. Lawton, MPA/CPM
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CPS in the News

Events this quarter

"**CPS First Wednesdays**:"

Florida Southern College,
Hollis Room,
11:30 AM to 1:00 PM

November 4th, 2015:
Future Considerations
by Lisa Bates

RSVP to:

CPS Investment Advisors
205 East Orange Street
Lakeland, FL 33801
863-688-1725 or
Esther@cpalliance.com
Lunch Provided

Contact us for more dates

RETIREMENT ROADMAP

The October 2015 quarterly newsletter is part of a series of newsletters discussing your retirement roadmap.

Retirees: Six Tips for Volatile Markets

A big drop in the value of a retirement portfolio is enough to give any investor pause. But when you are living off your investments in retirement or nearing that point, it may feel like the stakes are higher than they were when you had years or decades before you would start to use your money. So retirees need a plan for how to deal with sudden drops in the value of their investments.

"Volatility can be emotional and come with real challenges for retirees," says John Sweeney, executive vice president of retirement and investing strategies at Fidelity. "The key is to prepare your income strategy, and, if necessary, revisit your withdrawal plan and/or adapt your spending."

Corrections are a normal part of investing. That's why we think you should have a strong retirement income plan based on conservative market assumptions and a withdrawal rate that has been stress tested and shown to work in the vast majority of likely market scenarios. With a strong plan in place, many retirees need not worry or adjust their approach at all. If you are going to make changes, don't panic and sell stocks, consider using your cash savings, investment income, or other income sources first, and look at your withdrawals and spending.

Guarantee that your essentials are covered.

Consider an income strategy that includes enough guaranteed money—including Social Security, pensions, or annuities—to cover housing, food, and other essential expenses. That way, your investment accounts are funding entertainment, travel, gifts, and other discretionary expenses—giving you the flexibility to pare back the spending from your investment accounts during down markets.

Cash may provide a cushion.

When the market is down, cash can be a valuable shock absorber. You may want to consider using the cash portion of your portfolio or savings to delay the need to sell stocks while the market is down. Selling stocks in a downturn leaves you with less invested when a recovery comes, turning what may be a temporary market decline into a permanent dent in your income stream. Having cash on hand may give you enough time to participate in a recovery.

Be strategic about investment income.

After cash, you may want to consider which parts of your investment portfolio to sell first. Consider the tax impact of different accounts. In general, it's better to withdraw from taxable accounts first to allow investments in tax-deferred accounts like 401(k)s and IRAs to potentially continue growing.

Some retirees focus their portfolio on investments that can generate income in the form of dividends or interest so they can tap investment income to cover their cash flow needs instead of selling shares. That will preserve the principal, leaving the investor in a position to potentially benefit from a market recovery.

If you are spending down assets during a stock market swoon, check your asset allocation. If your mix has swung toward bonds as stocks prices have fallen, consider selling the bonds first. That will leave the growth stocks in place to recover, and can help rebalance to bring the portfolio's risk level in line with the plan.

When you create a withdrawal strategy, you have to navigate a complex interplay between accounts and investments—and changing market conditions add yet another layer of factors. If the recent pullback has you losing sleep, it might be worth reconsidering your approach.

Check your withdrawal rate.

You may also want to consider adjusting your withdrawal rate. As a general rule of thumb, history suggests that limiting the amount you take from your investment portfolio each year to 4%-5% of the account balance when you enter retirement, plus inflation, should shield you from running out of money prematurely. But if you want to be extra cautious and have the flexibility to do so, some retirees react to a bad stretch in the markets by skipping the inflation adjustment or reducing the withdrawal the following year. But again, most withdrawal plans should be built to last through typical downturns, so changes may not be necessary.

Consider alternative income sources.

If the markets are experiencing extended downturns, you may want to look for other sources of income as a temporary strategy. You may be able to take a part-time job, or find creative income sources—like renting out a vacation home or selling unused possessions.

Get used to volatility.

“Market volatility is part and parcel of investing, so when you build a retirement plan, you can count on the fact that your balance will be moving in both directions,” says Ann Dowd, CFP® and vice president at Fidelity. “That said, having a plan to help preserve the potential for your portfolio to recover with the markets, take care of your essential expenses, and make sure your savings will last can help you keep your mind at ease even in the rockiest of markets.”

So, the take away is simply this:

Retirement/financial planning should be an ongoing process throughout your lifetime. In particular, health care costs during one’s retirement years are increasing at an alarming rate. Everyone should have a comprehensive retirement/financial plan to assist and guide them towards achieving their retirement/financial goals. You should take (or make) the time to contact your trusted financial advisor and discuss these critically important issues.

Learn more about these retirement/financial planning issues at www.cpsinvestmentadvisors.com and click on the Publication Library tab for additional information.

Everyone’s economic and life circumstances are unique, and I always keep that foremost in mind when providing retirement/financial planning advice. I firmly believe that personalized service is essential when matching individual clients with the appropriate retirement/financial planning strategies.

As a financial advisor, I am committed to learning about your personal retirement/financial goals. Working together as a team, we will use your goals to build a retirement/financial plan focused on your specific needs and help you achieve ***“financial security and peace of mind”*** during your lifetime.

I look forward to hearing from you. Please contact me at CPS Investment Advisors at 863-688-1725, mlawton@cpalliance.com

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Source: https://www.fidelity.com/viewpoints/retirement/coping-with-stock-volatility?ccsource=email_weekly

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Sources are deemed reliable but their accuracy is not guaranteed.