BUILDING BLOCKS FOR RETIREMENT

Investment Strategy

Retiring During A Market Plunge

A dip into the icy waters of a sinking portfolio probably isn't the retirement cruise you planned to take. But if it's the one you're on, you may need to find a life preserver to keep you afloat. Watching your investments go under after saving conscientiously throughout your working years may temporarily beach your retirement dreams. Here are a few course corrections that may help.

All Hands on Deck

A portfolio consisting mainly of stocks may take a significant hit if market values plummet. For investors with a long investment time horizon, a drop in stock values may not be much of a concern. But if you're close to retirement and planning to rely on your investments to fund your lifestyle, you'll either need to come up with additional money or revise your plans.

If you do retire, you might have to scale back on activities you were looking forward to, such as traveling or pursuing hobbies, until you can make up the shortfall. One strategy you might want to consider is staying in the work force longer so you can earn — and save — more money. Then, instead of making withdrawals from your employer's retirement plan, you could potentially continue contributing to your plan account. The added contributions may help get your portfolio out of the doldrums.

Ballast Overboard!

If you plan to go ahead with retirement despite a declining market, reducing your exposure to stocks can help protect your nest egg. Consider setting aside several years' worth of living expenses in cash alternative and shortterm bond investments. Your financial professional can advise you on making changes to your investments that can steer your portfolio into calmer waters.

Into the Lifeboat

Drawing on other income sources, such as personal savings or Social Security, may allow you to hold off on making withdrawals from your retirement plan or individual retirement account until you're required to start taking annual minimum distributions (generally once you reach age 70½). By relying on other income to cover your expenses, you'll be giving your retirement account investments more time to recover.

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