

To Be Or Not To Be...In The Market

Do you need to be in the market, or do you want to be in the market? There is a big difference. Some retirees not working or bringing in earned income may need to heavily rely on investment performance to keep them afloat. The majority of people we speak with only use a portion of their dividends and interest or none of it. Sure, we'd all like to make as much money as we possibly can, but experience tells us that the more we can make, the more we can lose. If you don't need a certain rate of interest to cover your basic and discretionary money, you may not want to be in the market with the majority of your nest egg.

As individuals get older, their risk tolerance typically is reduced. With today's volatile stock market, people of all ages are reconsidering their risk tolerance. Many times, the timing of negative returns is more important than the actual yields. For example, a person retiring at age 65 today would have a major problem if his/her nest egg took a hit of negative 10% the year they were retiring. This translates into the possibility of depleting retirement assets much earlier than desired.

Remember, it's not solely about earning every penny possible. The goal of your money needs to be examined as well as the time frame of that money. Taxation of the yields can play a large part in where your money may be most productive. Lastly, in these turbulent times, you want to keep your money with an organization(s) that has excellent financial strength and will be there when you need them. Don't be lured in by fly-by-night offers and companies that sound too good to be true because we know how that may work out.

I am not saying that everyone should be out of the market and in a fixed account. For the majority of pre-retirees and retirees, they want security, guarantees and basic solutions. If you don't understand lengthy, confusing statements, maybe you should consider consolidating to simpler, more conservative investments based on your personal goals. If you don't do well stomaching daily fluctuations in your nest egg, maybe it's time to reduce your risk and look at other alternatives.

The bottom line is that it's your money and your decision. However, that doesn't mean that you have to take on the responsibility of keeping up with tax code changes and knowing all investment vehicles available to you. It's my opinion that everyone should have a good resource that they can confidentially share financial information with to fine tune a savings and investment strategy. A Financial Services Professional with experience, accreditation and references can be your bridge that will help translate your financial goals into reality and pave a positive and successful long term relationship.