Quarterly Retirement Review

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S.L. Reed & Company
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Inside This Issue

Retiring Confidently During Market Uncertainty:

While significant market downturns can cause distress, you may find comfort in knowing that just a couple of years of patience and spending adjustments could go a long way toward your overall retirement success.

When financial markets are disrupted, it may make us fearful for our financial well-being. You may feel like you need to do something different with your investments if you're planning to retire soon or if you've recently retired. However, what's in the headlines doesn't necessarily correspond directly with the performance in your portfolio. If you're appropriately diversified, you are likely experiencing less significant drops than the market.

For example, consider the first half of 2022: The S&P 500 Index dipped into bear market territory, dropping about 20%, while a 60%/40% mix of stocks and bonds declined by only 16%. Moreover, balanced portfolios have, historically, recovered faster than all-stock portfolios over bear market events as the table shows:

A Closer Look at Bear Market Duration and Recovery

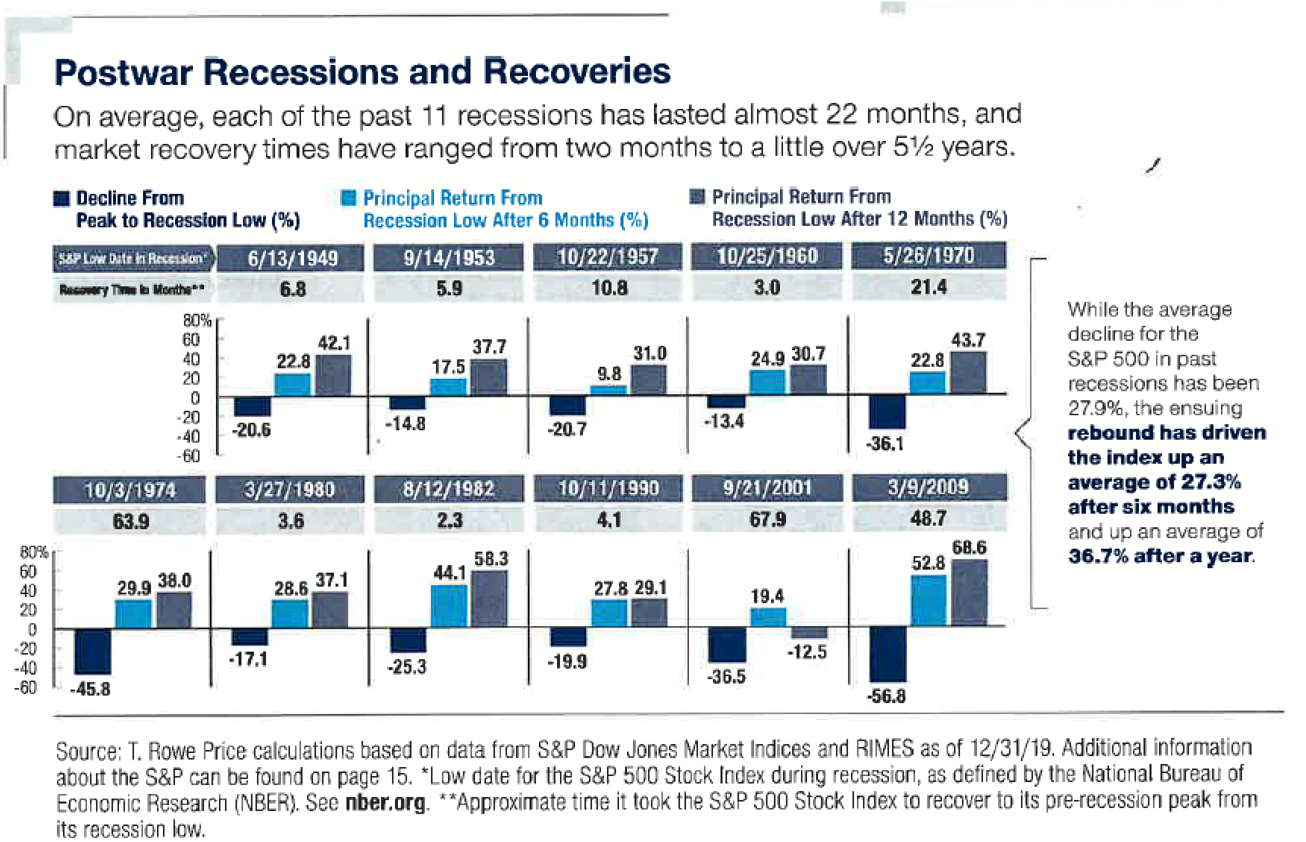
Event	Tech Bubble Crash April 2000—October 2002		Global Financial Crisis October 2007—March 2009	
Bear Market Duration	2 1/2 years		1 1/2 years	
Asset Allocation	100% Stocks	60% Stocks/40% Bonds	100% Stocks	60% Stocks/40% Bonds
% Drop	-49%	-23%	-56%	-33%
Recovery	5 years	2 years	4 years	2 years

Source: T. Rowe Price

Postwar Recessions and Recoveries

On average, each of the past 11 recessions has lasted almost 22 months, and market recovery times have ranged from two months to a little over 5 ½ years. (See the Chart Below)

As we have seen in the past several years, the causes of recessions can widely differ; certainly the pandemic taught us that lesson.



Position your retirement portfolio both for today and for the future

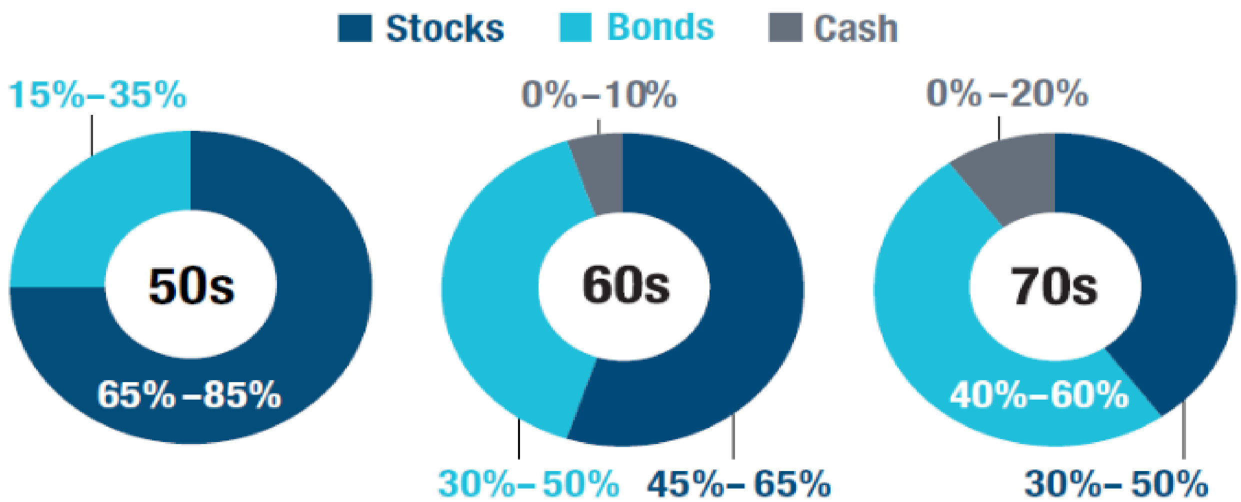
If you're close to retirement or if you're a recent retiree, you want to make sure to continue to hold a healthy allocation to stocks in your portfolio while introducing more bonds and cash as you get older.

Doing so can help manage short-term volatility while also providing the growth potential necessary and for your financial needs.

If you aren't appropriately allocated for your age or risk tolerance, or if your allocation has drifted off course, now might be a good time to think about how you might be able to adjust your portfolio to obtain a balance to help you stay afloat during a market downturn.

Begin by making investment changes within your workplace plan or individual retirement accounts (IRAs), as changes will not result in a taxable event. If you want to make gradual adjustments, consider directing future contributions to the investments within the asset class you would like to increase. See the chart below for an example:

Asset Allocation in Your 50s, 60s, and 70s



Within Stocks: 60% U.S. large-cap, 25% developed international, 10% U.S. small-cap, 5% emerging markets
Within Bonds: 45% U.S. investment grade, 10%–30% U.S. Treasury, 10% nontraditional bond, 0%–10% high yield, 10% international, 0%–10% emerging markets
Within Cash: 100% money market securities, certificates of deposit, bank accounts, short-term bonds

Source: T. Rowe Price

Examine your expenses and develop a retirement spending strategy

If you haven't already, you might want to take the time to review your current expenses and determine how those expenses may change during your retirement. You might consider planning to replace around 75% of your gross preretirement income at the onset of retirement in order to maintain your current lifestyle in retirement.

As you draw closer to retirement, you'll want to get a more specific idea of your actual spending needs. To start, take a look at how current retirees are spending their money.

The top four expense categories for those age 65 and older are:

- housing (36%)
- health care (14%),
- transportation (14%)
- food (12%).

Build up cash reserves

Most likely, you have an emergency fund in place to help you get through periods of financial shock, such as loss of income or large, unexpected expenses.

When you ae heading into retirement, we recommend a cash buffer that could cover one to two years of spending needs.

Having an alternative source available to fund expenses can be particularly helpful in a down market to give you cover until your investments rebound.

Be flexible about your retirement

The 2020 pandemic introduced a new way of working for many industries. Hybrid and remote work opportunities may provide the flexibility to work longer than planned.

If you are fortunate enough to have some flexibility around your retirement date, consider how another year or two of earning a salary could affect your financial security.

Use that time to pay down debt and increase your cash reserves. Additionally, waiting to claim Social Security benefits means a higher benefit amount throughout your retirement.

HAS ANYTHING CHANGED?

S.L. Reed & Company can help:

401(k) Rollover from Previous Employer
Rollover IRA out of a Retirement Plan
Traditional or ROTH IRA
Taxable Accounts
Annuities
Insurance

Additionally, we can work with you on:
Managed Accounts

For Assistance Call:
Ken Kilpo (310) 893-3016

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