CAPTRUST



Ask the Experts: Market Volatility and Retirement

Q: I am planning to retire next year. What should I be doing to prepare given uncertainties in the markets and economy?

A: Your question is understandable in light of current circumstances. Federal policies are shifting, the world is experiencing multiple geopolitical conflicts, and stock markets have been volatile.

That said, much of what you should do has nothing to do with the current economic or market realities.

1. If you have not worked with a financial advisor to create a plan for your retirement, itâ??s time to get started.
2. If you already have a plan, now is a good time to refresh it to make sure it provides the assurance you need to retire with confidence.

Here are a few recommendations as you enter your home stretch before ending career work:

- **Understand your income sources.** Social Security benefits provide a foundation for most Americansâ?? retirements. When do you plan to file for benefits? What benefits do you expect? Do you have other sources of income, such as a pension plan or rental real estate? While you may not be thinking about work during retirement, a part-time job is a great way to stay engaged and keep you from dipping into your savings.
- **Get a handle on your expenses.** This can be tough. While you will spend less on some things during retirement, you will probably spend more on others. Less on dry cleaning, for example, and more on travel or entertainment. Paying off your mortgage or downsizing your home can also have a big impact on your expenses. Keep a log of expenses to get a sense of your current

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spending and note items you think will increase, decrease, or go away altogether. This can provide a good starting point.

- **Assess your portfolio.** Even if youâ??re retiring in your 60s, you are still a long-term investor. Plan for your portfolio to sustain your expenses (plus inflation) for 30 yearsâ??and even longer if you have extra-long-lived family members. Your portfolio needs a growth element that is balanced with more stable investments to moderate volatility.
- **Run the numbers.** With an understanding of your income, expenses, and portfolio mix, you can validate your plan. Try a retirement calculator that uses *Monte Carlo simulation*. This kind of simulation incorporates a range of potential market conditions and provides a sense of best case, worst case, and expected outcomes. Tweak the inputs to come up with a plan that you can live with. You may decide to work a little longer to provide a bigger margin of safety or to retire immediately if the numbers look good.
- **Stress test your plan.** While a Monte Carlo simulation incorporates a wide range of market conditions, you may find it comforting to further stress test your plan. What if the market falls 20 percent during your first year of retirement? What if you decide to spend more money early in retirement? What if you run into a big healthcare expense? Exploring these possible scenarios can provide further confidence in your planâ??s durability.

Remember: retirement is not a set-it-and-forget-it endeavor. Make your decision to retire based on a thorough analysis that builds in a comfortable margin of error in case things donâ??t play out as expected. Then, rerun your plan every three to five years, or when something significant happensâ??like a big market move, the death of your spouse, selling your home or receiving an inheritance.

Remember: Your goals and situation are unique so make sure you sit down with your financial, tax, and legal advisors to make a plan that is right for you.

Have questions? Need help? Call the CAPTRUST at Work Desk at 800.967.9948 or schedule an appointment with a financial counselor today.

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