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THE CORNERSTONE

In a presentation entitled "The Return of Interesting Markets," David Spika, Chief Strategic Investment Officer for GuideStone Financial Resources, presented an argument that the volatility of the early 2018 market is healthy, and a sign of normalization for investments. He suggested that much of the market volatility is based on uncertainty surrounding the impact of trade and the effects on U.S. intellectual property, rising interest rates, the effects of a new Fed chair, and the continuing political rancor in Washington DC.

When it comes to retirement planning and investment withdrawal processes, there are two prevalent approaches. First, the Systematic Withdrawal Approach, focuses on taking a percentage distribution each year from the investment portfolio. Second, the Bucket Approach, divides the portfolio into different segments, or buckets, of financial resources based on the time spent in various stages of retirement.

Research shows that a systematic annual withdrawal of 4 percent from an aggregate retirement portfolio can remain soluble for a 30 year retirement. In most cases this can be maintained without reducing the principal of the retirement portfolio.

The Bucket Approach is easier for the individual investor to grasp, as it segments the investment portfolio into three distinct time segments: low risk (cash/CDs), medium risk (bonds), and high risk (equity) investments. This allows retirees the ability to maintain a more blended portfolio investment allocation throughout retirement. The importance of maintaining a 60/40 equity/fixed income allocation has been shown to prevent running out of money in retirement.

Many components go into retirement income planning, such as identifying the best time to draw on one asset class over another, i.e., do I take my money from bonds or from stocks in any given year and why? Issues such as personal family history and when to claim Social Security all factor into an effective retirement plan.

Be consistent in your method, be diligent in your funding, be flexible in your approach, and be realistic in viewing your situation.

The information in this article is for informational purposes only, and not to be construed as specific investment advice. Please consult a trusted financial advisor for specific investment strategies.

Information taken from:

GuideStone summary by Roy Hayhurst from the "Employee Benefits Summit Meeting"

https://www.caniretireyet.com/new-research-the-best-retirement-withdrawal-strategies/

http://www.aaii.com/journal/article/comparing-a-bucket-strategy-and-a-systematic-withdrawal-strategy

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