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As Featured On:

Kiplinger

First Published:
March 2017

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SMART INSIGHTS FROM PROFESSIONAL ADVISERS

# Don’t Let Market Volatility Wreck Your Retirement Portfolio

By ANDREW M. COSTA | Global Wealth Management

Kiplinger

**How much risk are you willing to take? A close look at your investments could reveal you're risking a lot more than you think.**

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I'm always amazed at the number of new clients who come in not knowing how much of their portfolio is at risk.

Time and again, we'll find that people never made the switch from the accumulation phase of their investment cycle to the preservation phase that is so important in retirement. They're taking a lot more risk than they realize — and much more than they actually want.

So, one of the first things we'll do is perform a risk assessment on their current holdings. They'll tell us, "I don't want to lose more than 5% to 10%," but when we get the analysis back, we'll see they're at risk of losing 20%, 30% or even 40%.

Once they get over the shock, they're ready to learn about volatility and what it can do to their portfolios — specifically in retirement, when they're depending on those investments for income. That's when market risks represent the potential loss of funds, which can have an impact on the retirement lifestyle they dreamed of for years.

Volatility isn't as much a concern during those accumulation years. If you're 35 and the market takes a tumble, you've got plenty of time — decades, in fact — to recover before you're ready to retire. But when you're actually in retirement, volatility definitely becomes a significant concern.

A major reason for that concern, of course, is you no longer have all those years of potential recovery time ahead of you to counteract anything that goes amiss. If the market takes a big dip, you have less chance of recovering, and that may mean you'll need to change your spending habits and how much you're withdrawing from your accounts to live on.

Some people might argue that volatility also involves some big gains in the market to counter those big losses. Won't it all even out in the end?

Not necessarily.

If you have $100,000 invested and take a 30% loss one year, a 30% gain the next year won't even get you back to square one. That 30% loss dropped you to $70,000. That 30% gain brought you to $91,000, still $9,000 below where you started.

Another factor comes into play when you're already retired. At that point, you also may be withdrawing money from some of your accounts to handle your daily living expenses and enjoy your retirement. A big drop in a volatile market — combined with your withdrawals — makes it even more difficult to keep things steady on your financial side.

It may be time to take a real hard look at the amount of risk you have in your portfolio by having a professional do a risk analysis for you and determine whether you're taking too much risk, being too conservative or playing it just about right.

The result could be eye opening — and it also could provide much-needed information that will help you make better investment choices going forward.

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*Ronnie Blair contributed to this article.*



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