Preparing Your Porfolio for Retirement

It may be time to adjust your investment mix and investing approach.

Over time, your investment portfolio can change subtly. A bull market can leave you with more of your holdings in equities than you prefer, and the target asset allocations you chose 20 or 30 years ago may be inappropriate today.

Revisit your portfolio a few years before you retire. The asset allocations should seem reasonable; you may not want to be overweighted in equities. You also want to address two critical risks.

Market risk can threaten your investments. While you may want to keep at least half of your portfolio in equities during retirement for the potential to capture market gains, too great an equity allocation can lead to poor returns in a bear market. The greater your equity position, the greater degree of market risk you invite—and having too much equity exposure in a down market could radically reduce your retirement fund.

Living-standard risk can impact your lifestyle. This is the chance of your standard of living eroding at some point in your retirement. If you have stable income streams and little or no debt, your living standard risk is low compared with retirees having high debt.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.

Rebalancing a portfolio may cause investors to incur tax liabilities and/or transaction costs. Keep in mind, rebalancing and asset allocation do not ensure a profit or protect against a loss. Investing involves risk, including loss of principal.