

# Investor Pro-tip

## “Volatile Markets”

Strategies to protect your retirement income

Reading time: 4 min

If retirement is right around the corner and you’re concerned with making your investment savings last, you might find this information helpful.

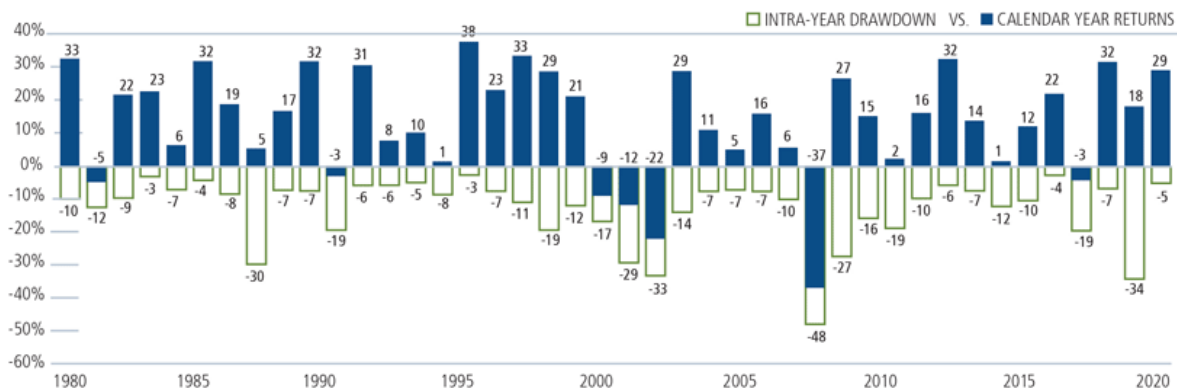
### The Ups and Downs

Markets have provided investors with a bumpy ride to start the first half of 2022, to say the least. And if you’re edging closer to retirement age or have thought about calling it quits recently, the current market environment might be making you rethink your timeline or perhaps even your investment strategy.

There is no single “right” way to invest in financial markets. Markets will go up and down, sometimes with more or less veracity. For example, since 1980 the S&P 500 Index, a broad measure of the U.S. Stock Market, has experienced intra-year peaks and valleys of varying depths, as depicted in the chart below.

#### S&P 500 MARKET DECLINES IN PERSPECTIVE: EVEN UP MARKETS SEE DRAWDOWNS

AS OF 12/31/2021



Past performance is no guarantee of future results. Source: Morningstar using daily total return data. The S&P 500 Index is generally considered representative of the U.S. stock market.

Source: Calamos Investments

As you can see from the chart above, the S&P 500 has returned overall positive results in the last 40 years. However, an important point to note is that in any given 3-5 year period investment returns can be highly variable. It's clear, when looking at historical data of past markets that investors need the right tools to accomplish their short and long-term financial goals.

So, what are some of the questions that investors should be asking leading up to and through retirement? And what are some solutions to address these common areas of concern?

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### **Pro-tip: Having the right "Buckets"**

Investors planning for retirement that own varying types of investment accounts – or **"buckets"** –, such as non-taxable, income-based solutions, or deferred accounts may benefit from a reduced tax burden and more flexibility when drawing income during volatile markets.

Generally speaking, when looking to protect your investment income leading up to and during retirement there are some important questions to first consider, for example:

- *What is the least amount of monthly income we need to cover our expenses in retirement?*
- *Which of our investments should we prioritize when we start taking retirement income?*
- *Should I be diversifying my holdings now for more income, growth, or both?*
- *Should we own investments that will provide us with a guaranteed income, even during market downturns?*
- *What's the right withdrawal rate so we can safely take from our investments and don't run out of money?*

It's important to address these questions along with any other questions you may have with your financial advisor. Developing a comprehensive financial plan can be a great way to achieve peace of mind and understand where the gaps are in your investment strategy.

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## The “Buckets”

A common planning tool that utilizes the **buckets** strategy is to own a combination of tax-deferred and advantaged accounts leading up to retirement, then repositioning these assets to maintain some of their advantages through retirement years, providing even greater flexibility during market downturns. Adding investment solutions such as variable annuities or dividend income strategies could help you diversify your income streams for better financial stability.

**Did you know:** Nearly 70% of employer sponsored retirement plans – such as 401(k), 403b, and ESOP – allow for in-service withdrawals to another qualified investment account? There are some potential advantages and disadvantages to repositioning.

Feel free to give us a call and we’d be happy to discuss the pros and cons for your specific situation.

Did you find this Pro-Tip useful?

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Sources:

<https://www.investopedia.com/terms/i/in servicewithdrawal.asp>

<https://www.calamos.com/insights/volatility-opportunity-guide/significant-intra-year-drawdowns-are-common/>

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