

Retirement Point

NEWS FOR PLAN SPONSORS AND PARTICIPANTS

September 2019

Your Changing Definition of Risk in Retirement

Some things to consider

THE MONTH IN BRIEF

The stock market had a tumultuous August, reacting to the sudden devaluation of the Chinese yuan and the escalation of the trade dispute between the U.S. and China. Ultimately, investors seemed more interested in risk aversion: the S&P 500 lost 1.81% for the month. Demand for bonds helped to send Treasury yields lower; prices of precious metals climbed. Away from the markets, monthly personal spending and retail sales gains were strong.¹

MARKET INDEX	Y-T-D CHANGE	1-MO CHANGE	2018
DJIA	+13.19	-1.72	-5.63
NASDAQ	+20.01	-2.60	-3.88
S&P 500	+16.74	-1.81	-6.24
YIELD	7/31 RATE	1 MO AGO	1 YR AGO
10 YR NOTE	1.50	2.02	2.86

Sources: cnnbusiness.com, wsj.com, treasury.gov – 8/30/19¹⁶⁻²⁰

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly.

These returns do not include dividends. 10-year Treasury yield = projected return on investment, expressed as a percentage, on the U.S. government's 10-year bond.

Monthly Quote

"The whole point of being alive is to evolve into the complete person you were intended to be."

OPRAH WINFREY

Tip of the Month

Some insurers are now offering usage-based auto insurance. If you happen to drive less than 10,000 to 15,000 miles a year, you may be eligible for a discount on your policy.

The Monthly Riddle

During what month do people sleep the least, on average?

Last month's riddle:

I am very strong and tough, but never rigid. I can be broken, but only in a certain sense. What am I?

Last month's answer:

Your Heart

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During your accumulation years, you may have categorized your risk as “conservative,” “moderate,” or “aggressive,” and that guided how your portfolio was built. Maybe you concerned yourself with finding the “best-performing funds,” even though you knew past performance does not guarantee future results.

What occurs with many retirees is a change in mindset – it’s less about finding the “best-performing fund” and more about consistent performance. It may be less about a risk continuum – that stretches from conservative to aggressive – and more about balancing the objectives of maximizing your income and sustaining it for a lifetime.

You may even find yourself willing to forgo return potential for steady income.

A change in your mindset may drive changes in how you shape your portfolio and the investments you choose to fill it.

Let’s examine how this might look at an individual level.

Still Believe. During your working years, you understood the short-term volatility of the stock market, but accepted it for its growth potential over longer time periods. You’re now in retirement and still believe in that concept. In fact, you know stocks remain important to your financial strategy over a 30-year or more retirement period.

But you’ve also come to understand that withdrawals from your investment portfolio have the potential to accelerate the depletion of your assets when investment values are declining. How you define your risk tolerance may not have changed, but you understand the new risks introduced by retirement. Consequently, it’s not so much about managing your exposure to stocks but considering new strategies that adapt to this new landscape. Keep in mind that the return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost. This is a hypothetical example used for illustrative purposes only.

Shift the Risk. For instance, it may mean that you hold more cash than you ever did when you were earning a paycheck. It also may mean that you consider investments that shift the risk of market uncertainty to another party, such as an insurance company. Many retirees choose annuities for just that reason.

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The guarantees of an annuity contract depend on the issuing company's claims-paying ability. Annuities have contract limitations, fees, and charges, including account and administrative fees, underlying investment management fees, mortality and expense fees, and charges for optional benefits. Most annuities have surrender fees that are usually highest if you take out the money in the initial years of the annuity contract. Withdrawals and income payments are taxed as ordinary income. If a withdrawal is made prior to age 59½, a 10% federal income tax penalty may apply (unless an exception applies).¹

The march of time affords us ever-changing perspectives on life, and that is never truer than during retirement.



For more information on investment choices for your retirement plan, please call Darsh Makim at 202-618-3977 or email at dmakim@pointoak.com

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CITATIONS ECONOMIC SECTION:

- 1 - us.spindices.com/indices/equity/sp-500 [8/30/19]
- 16 - money.cnn.com/data/markets/dow/ [8/30/19]
- 17 - money.cnn.com/data/markets/nasdaq/ [8/30/19]
- 18 - money.cnn.com/data/markets/sandp/ [8/30/19]
- 19 - markets.wsj.com/us [12/31/18]
- 20 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldAll [8/30/19]

CITATIONS FINANCIAL ARTICLE SECTION:

- 1 - forbes.com/sites/forbesfinancecouncil/2019/05/09/understanding-financial-risk-why-you-shouldnt-just-focus-on-the-probability-of-success [5/7/19]