# Investing After You Retire

After saving for thirty-plus years, most retirees fear that they will run out of money before death. Investing during the saving years was of great importance to these retirees, so they could live a comfortable lifestyle during retirement. Well guess what, so is investing appropriately at and during retirement.

There are several items that need to be considered leading up to and at retirement that affect how one should invest their retirement portfolio: amount of income needed to supplement Social Security, rental, and annuity income; amount of volatility that one can tolerate in any given year(s), how long will you live in your retirement years.

**Amount of Income Needed to Supplement**. A person getting ready to retire should do at least some basic financial planning to determine how much money they will need to live off of. First, determine how much money you will be receiving monthly from Social Security (assuming you are eligible), rental properties (if you own any) and annuities (if you own any or will you receive an employer annuity pension benefit monthly). Second, calculate the total amount of your total expected monthly expenses (don't forget health care costs tend to increase with age, the occasional purchase of a new vehicle, and annual federal and state income taxes that must be paid). The difference between your expected monthly expenses and you monthly income from Social Security, rentals, and annuities will be how much you will most probably have to withdraw from you retirement portfolio to live off of. Assuming you don't want to touch principal, you will now have an ideal of the mix of stocks, bonds, and alternative investments you will need to produce that average monthly income. By looking at the dividend and interest payouts of the various investment types in your portfolio, you should be able to determine how much income can be provided to you on a monthly basis. In years of good stock market returns, many equity mutual funds will also pay out what are called capital gain distributions to investors, which is income not principal.

**Portfolio Volatility.** The amount of risk retirees can tolerate varies by individual (or couple). For many retirees retiring in their 60s, investing in equities is a good idea because inflation and income taxes still need to be overcome during the retirement years. However, the amount of equities relative to bonds and other alternative investments can be less than during your younger years because taking the proverbial "big hit" can be disastrous to overcome. When determining the appropriate asset allocation mix, you should remember that the S&P 500 lost 37.785% from September 2008 through March 2009. Comparatively, an asset allocation mix of 60% intermediate-term Treasury bonds and 40% S&P 500 equities would have lost about 17%. During the 2001 through 2002 market downturn, the S&P 500 lost 32.677%. You can run hypotheticals of various combinations to determine what your maximum drawdown would have been in any given year for any asset allocation mix. Any drawdown exceeding your risk tolerance can be replaced by a more conservative mix.

**Years in Retirement.** The amount of years you expect to live and actually live are typically different. However, in planning for retirement, all you can go by is how long is your family history, your personal medical history, actuary statistics, etc. For retirees who expect to live a long time during retirement, some advisors recommend holding more stocks than bonds in today's low-interest-rate environment because of the low interest rates being paid on Treasury securities and short-term bonds. Much of the equities can be invested in in dividend-paying stocks and real estate investment trusts (REITs). For those who have less time and are in their late 70s and beyond, some advisors recommend more bonds than stocks in the portfolio because of the potential for larger losses in a more stock oriented portfolio.

The bottom line is at a minimum, all three of the above factors should be considered when determining how to invest during retirement.

***Craig C. Le Bouef, MBA, CPA/PFS, CFP®, Shareholder of Going, Sebastien, Fisher, & Le Bouef, LLP, Certified Public Accountants, Registered Investment Advisors, and Consultants, 2811 South Union, Opelousas, LA. Website: www.goingcpa.com E-mail: craig@goingcpa.com***