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Retirement Roulette? Letting It All Ride on Stocks May Not Be Best

For those in or near retirement, gambling too hard on today's record-setting bull market could be more risk than they bargained for.

By David Hickey, CPCU | Your Own Retirement
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Have you ever watched somebody playing roulette at a casino – or maybe just in a movie?

The chips pile up as the person gets lucky. And then he starts to get greedy.

You, of course, see the inevitable coming, and so you wonder: Why doesn't he play it safe and set at least some of that aside? When the tide turns, and he loses everything, you shake your head.

But there's a chance you're doing the same thing with your investment portfolio.

With an eight-year bull market and a series of record-setting highs, it's hard not to be – let's not say greedy, but definitely enthusiastic.

If you (understandably) moved from more conservative financial vehicles to stocks to grow your wealth – or just to keep up with inflation – it may be time to take some chips off the table as you close in on retirement.

Yes, it's fun watching your account balances grow month to month and year to year. But at some point, the market will have to correct, and there could be a serious downturn. If you're in retirement – or close to it – when that happens, you may not be able to recover.

The stock market appears to love our new president, but that doesn't mean record growth is guaranteed to continue. Not to mention that we're in a global economy and our future is intertwined with dozens of other countries. Moves to protect our borders, slow immigration, disrupt trade agreements and perhaps impose tariffs are bound to have some effect on the marketplace. And then there's terrorism, threats from emerging nations and anxiety among some of our longtime allies.

Change – good or bad – can be unpleasant.

Start by developing a plan

So, how can you help protect yourself from the pain and still make the most of the current market?

Do some math. Figure out how much income you'll need to get by every year in retirement. (And plan for a lot of years. It could 20 or 30, or longer.) Then add up the income streams you know you can count on: a pension, if you have one, Social Security and other stable sources that aren't dependent on the vagaries of the general marketplace. If there's a gap between those numbers – and if you're a Baby Boomer, there probably is – you'll have to find a way to fill it.

Should you need to pull a chunk from your retirement accounts every month, make sure that money is positioned in a way that can help make sure it won't take a massive hit if there is a market correction.

There are myriad vehicles out there that can help lower your risk, including:

- Dividend-paying stocks
- Annuities
- Municipal bonds

If you don't have a pension, you can create your own guaranteed income stream to help complement your Social Security income, so you hopefully don't have to spend your days worrying and watching CNBC.

Have a frank talk … together

Talk to your financial professional about which solutions might be a good fit for you. But before you go, heed this bit of advice: Both spouses need to take part in the conversation.

That guy at the roulette table who loses all his money? He seldom has his wife at his side. She'd probably stop him – or grab a couple of stacks and run back to their hotel room. After all, it's her money, too.

At our firm, we've found that many women are prudent when it comes to finances and value smart planning. They know the odds, and if their spouse dies, they want to remain financially independent.

Once the two of you have developed your retirement income plan, if there's something left over, you can head back to the market. And let the chips fall where they may.

Kim Franke-Folstad contributed to this article.

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