5 Ways Retirees Can Play Defense With Retirement Portfolios

By Eleanor Laise, Senior Editor | October 29, 2019

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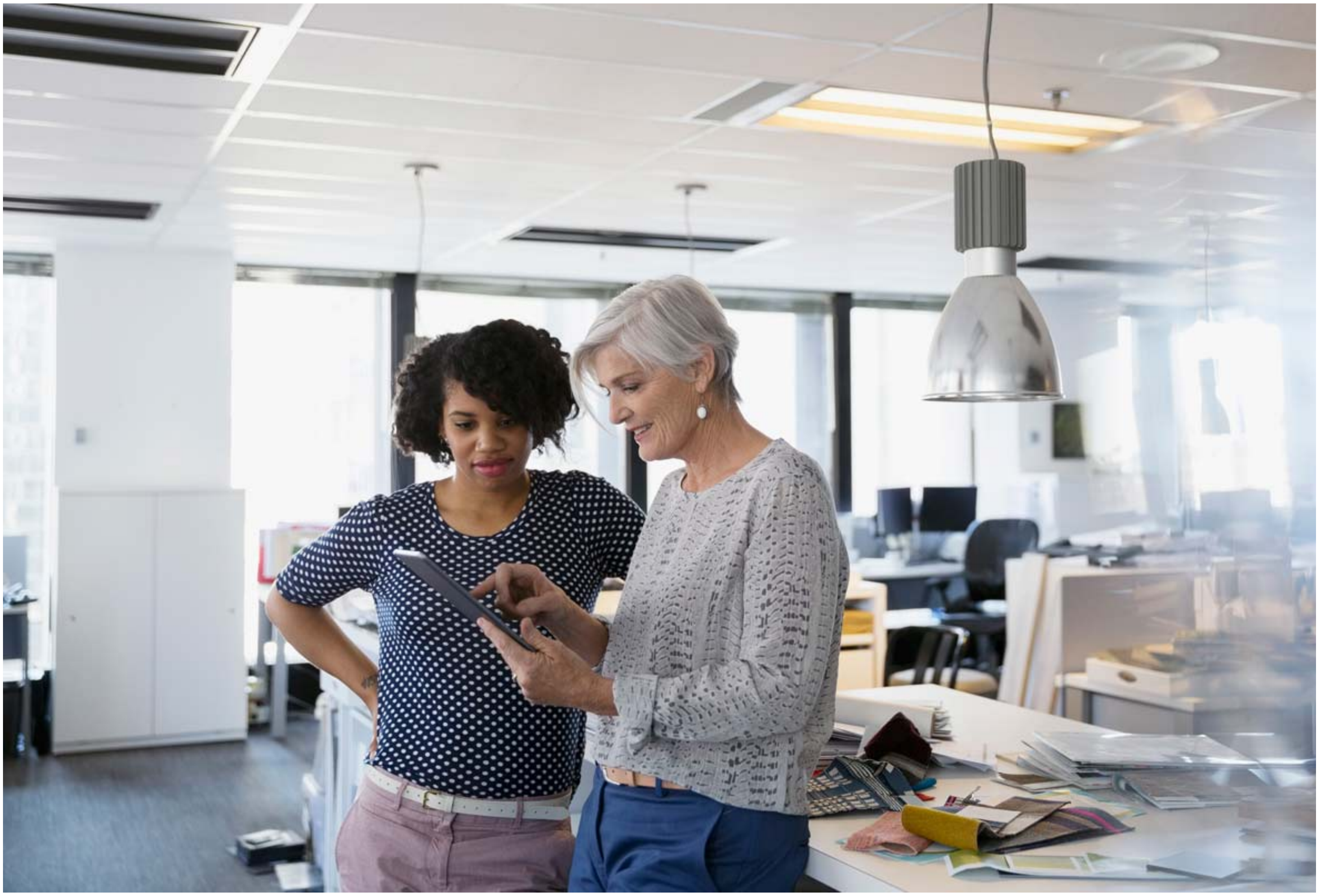
As a volatile third quarter came to a close, stocks and bonds looked pricey by historic standards, there were signs of slowing economic growth, and markets were rattled by the state of U.S.-China trade talks and the start of an impeachment inquiry against President Trump.

All this might unnerve investors of any age—but particularly those just entering retirement. If new retirees get socked by steep market declines, they may be forced to pull spending money from shrinking portfolios—locking in losses and slashing the odds that their money will last a lifetime.

Combine that with retirees’ reluctance to spend from their portfolios even in the best of times, and it’s easy to see the financial anxieties compounding for those just entering retirement. Many retirees anchor to their portfolio value at retirement “and get really nervous when that balance goes down," says Judith Ward, senior financial planner at T. Rowe Price.

While market swings may leave you feeling powerless, “times of uncertainty and volatility remind us to focus on the things we can control,” Ward says, such as your investment mix and spending rate. Here are five ways to maintain control of your retirement security, no matter what the markets throw at you.

Work Longer



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This won't work for everyone: Health problems or corporate downsizing often force people into retirement earlier than expected. But if you're able to extend your working years, you'll do your portfolio several favors. Your money has more time to grow; the additional income can help you **delay claiming Social Security**, giving you a higher benefit down the road; and you reduce the number of retirement years that your nest egg must support. If you can work even part-time—perhaps just enough so that wages, rather than portfolio withdrawals, can cover your essential expenses—"there's a lot of power in that," says retirement researcher and actuary Joe Tomlinson.

Add Guaranteed Income

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When you have enough guaranteed income to cover your basic living expenses, you can watch the market gyrate without breaking a sweat. Your first step: Maximize your Social Security benefit. Consider online services that offer personalized claiming strategies. **Social Security Solutions**, for example, offers advice starting at $19.95. “Social Security is guaranteed income that’s inflation adjusted,” Ward says. “You can’t get better than that.” (Read **Time Claims to Maximize Social Security Benefits**.)

If Social Security, pensions and other guaranteed income sources don’t cover your basic bills, consider a single-premium immediate annuity to fill in the gap. Compare annuity quotes at **ImmediateAnnuities.com**.

Adjust Spending

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If guaranteed income covers your essential expenses, you have more flexibility to vary the portfolio withdrawals that will cover your discretionary spending. Rather than withdrawing the same inflation-adjusted dollar amount year after year, which can cause nail-biting portfolio declines when markets drop, consider an approach that lets withdrawals vary with your investment performance. One strategy: Use the **required minimum distribution** listed for your age in the IRS table.

Build a Cash Buffer

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If you don't have enough guaranteed income to cover basic expenses, you might consider maintaining a cash bucket that could fill in the gap for up to two years, Ward says. That cash might just be the reassurance you need to avoid panic-selling during a market crash.

Trim Your Tax Bill

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The bright side of market volatility: It may open up tax-saving opportunities. If you have losing holdings in taxable accounts, consider harvesting those losses to offset gains elsewhere, says Jim Holtzman, an adviser at Legend Financial Advisors. You might also consider a **Roth conversion** Lower investment values in a traditional IRA would mean a lower tax bill if you were to convert that account to a Roth. Just remember this is a one-way street: You can no longer undo a Roth conversion.