Working Out A Safe-Money Strategy

Financial Consultants Say Retirees Can Take Steps To Protect Savings From Vagaries Of The Market
March 18, 2015 (www.investorideas.com newswire) As people creep into the retirement "red zone" – those years just before or right after they retire – it becomes more important than ever that they find ways to keep their savings safe.

Because at that point, their retirement picture will change significantly only if they lose a lot of money, says Chris Bennett, co-founding partner of The Abbott Bennett Group, (www.theabbottbennettgroup.com).

"They are not going to change who they are," Bennett says. "But if they lose a bucket of money, they are not going to go out to eat, they won't travel, they won't be able to leave money to their children and grandchildren. They will end up having to make sacrifices."

In other words, they won't be living the retirement they envisioned all those years they were saving a nest egg.

Having a "safe money" strategy is key to a secure retirement, say Bennett and Michael Abbott, CFO of the firm. It's important to be able to create an income stream that the retiree won't outlive.

There are several areas you and your financial professional can focus on as part of an overall "safe money" strategy, Abbott and Bennett say. Here are two examples:

- Rate of return vs. sequence of return. The average rate of return on an investment can be misleading, they say. That's because in reality how well you hang onto your money depends more on "sequence of return." That is, exactly when do those profits and losses come about?

  To see how that might work, imagine a 50 percent loss followed by a 50 percent gain. That would appear to average out to a zero rate of return. But that's not how it would look in your portfolio, Bennett says. If you have $100,000, a 50 percent loss drops it to $50,000. The market rebounds with a 50 percent gain. But a 50 percent gain on $50,000 just increases that investment to $75,000, so you've still taken a loss.

  Now consider that kind of activity over the course of your retirement as you are also withdrawing money from your savings to live on. Depending on when market fluctuations happened, you could take major hits. That's especially true if the dips come early in retirement when your savings are at their peak, and the rallies arrive late when there is less left in the account.

  "One big downturn and that money could run dry," Bennett says.

  Abbott and Bennett say there are tools that a good financial professional uses that can help people reduce the risk created by sequence of return.
- Maneuvering toward tax-free income. "Whatever the tax rates may be in the future, taxes can be a drag on your savings and may adversely impact your retirement security," Abbott says. So it's important to consider

the tax implications of how you hold your assets.

Even those Social Security benefits that retirees draw can be taxed, but they don't necessarily have to be, Bennett says. Once again, a financial professional can review strategies that could help reduce or even eliminate the tax on that monthly Social Security benefit.

"It's possible to have tax-free income in retirement," Bennett says. "Talk about being in control. Then you can just enjoy your retirement with your children and your grandchildren."

About Michael Abbott and Christopher Bennett
Michael Abbott has two decades of experience assisting retirees with their 401(k)s and pension plans. He is co-founder of The Abbott Bennett Group, LLC, an independent financial services firm, where he serves as CFO. He is a lifetime member of MDRT (Million Dollar Round Table), an association composed of the world's best financial services professionals, and a member of NAIFA (National Association of Insurance and Financial Advisors). He holds a Master of Estate Preservation designation.

Christopher Bennett is a 16-year financial professional who has served as CEO of The Abbott Bennett Group, LLC, since 2003. He holds a Certified in Long-Term Care designation, a Master of Estate Preservation certification, and is a lifetime member of Million Dollar Round Table). Chris is also a member of multiple chambers of commerce, and participates in the National Association of Insurance and Financial Advisors. He has hosted and conducted hundreds of seminars and workshops.

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