FOCUS

GRANITE CAPITAL MANAGEMENT

RETIREMENT INCOME, INTEREST RATES AND RISK

Tips on planning for retirement in an uncertain market

For 30 years I have helped the mass affluent prepare for financial independence. These are people relying on dollars saved over a lifetime, not proceeds from speculative winnings.As they approach retirement, what are they worried about? Plenty. The federal debt, high stock prices, low interest rates, higher taxes and recessionary pressures—not to mention aging parents. According to the most recent quarterly issue of JPMorgan Guides to the Markets, the Barclay Aggregate Bond Index yield is 40% lower than its 30-year average (1). Clipping coupons is no longer practical to produce a large amount of retirement income. The federal debt is projected to increase considerably: from 77.8 percent of GDP to 92.7 percent in 10 years, according the Congressional Budget Office. Higher taxes will be needed to pay down the debt and fund Medicare and Social Security.

These factors combine to create complications in retirement planning. More investors have more exposure to the stock market than matches their risk tolerance, mostly due to the poor performance of bonds in today's low interest rate environment. A bear market could pull the rug out from under many retirement plans.

But that's not the only consideration to factor into your retirement planning: Insurance companies charge a hefty price to insure income for a lifetime. Hedged equity funds are attracting attention but have high fees and spotty track records. High asset management fees adversely affect the income your nest egg can produce. Ask your advisor what your total expenses are, including platform charges, advisory fees and fund expenses. This is important information and could help you adjust fees to a more competitive level.

A better approach to retirement income planning is a comprehensive analysis of your spending needs, risk tolerance and allocation of investable assets. One study shows that annually rebalancing a portfolio results in better returns in 21 of the past 30, 20-year rolling averages in a Multi Asset portfolio using seven major asset classes going back from the end of last year (2). A competitively priced investment portfolio, properly allocated to stocks and fixed income, combined with portfolio rebalancing is an effective way to produce the retirement income you need with reduced volatility.

Mitch Grant
Principal,
Granite Capital Management
Mitch.grant@lfg.com

(1) JPMorgan Guide to Markets 3/31/2019
(2) Craig Israelson, Financial Planning 5/30/2019

Granite Capital Management
7650 Rivers Edge Drive, Suite 250
Columbus, OH 43235
Phone: 614-431-4332
GraniteCapitalOH.com

Left to right: Judd Beam, director of investments and financial planning; Mitch Grant, principal; and Belma Kelly, practice manager