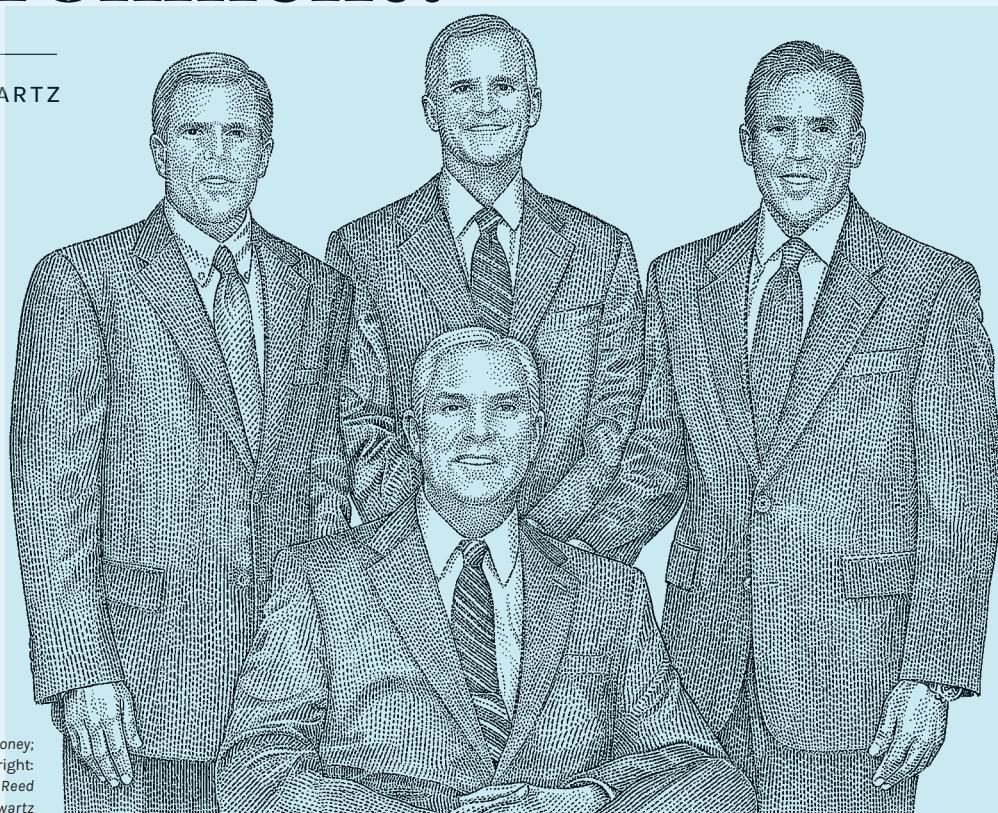


What strategies should I consider to retire in a low/zero interest-rate environment?

BY ANDY SCHWARTZ



Seated: John Cooney;
standing, left to right:
Andy Schwartz, J. Reed
Finney, Scott Schwartz

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ASSETS UNDER ADVISEMENT

\$2.8 billion (firm—brokerage and advisory assets)

MINIMUM FEE FOR INITIAL MEETING

None required

MINIMUM NET WORTH REQUIREMENT

\$1 million in assets (investment services)

LARGEST CLIENT NET WORTH

Confidential

FINANCIAL SERVICES EXPERIENCE

Andy, 30 years; John, 27 years; J. Reed, 29 years; Scott, 30 years

COMPENSATION METHOD

Asset-based fees and commissions (investment and insurance products)

PRIMARY CUSTODIAN FOR INVESTOR ASSETS

LPL Financial

PROFESSIONAL SERVICES PROVIDED

Planning, investment-advisory and asset-management services

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hile predictions have abounded for years that the Fed will raise interest rates “any day now,” except for one bump earlier this year, that day has yet to come. So, investors of all ages and life stages continue to negotiate a seemingly intractable low-to-zero interest-rate environment.

But those nearing retirement are even more perplexed about what investment strategies to employ, and understandably so. To use a familiar phrase, this is not your father’s retirement.

Indeed, when dear old Dad reached his golden years, interest rates were higher, so he could keep a fairly sizable chunk of his retirement portfolio in low-risk, fixed-income investments. Things like annuities and bonds may have delivered him a high-enough return that he could minimize his higher-risk investments, like equities. That was then.

Now, however, the minimal returns on fixed-rate investments, like bonds, are just not getting the job done. Meaning that retired and nearly retired investors may need to rethink their investment

strategy—but, at the same time, avoid several temptations.

One is the temptation, and danger, of chasing high-yield. Even zero-interest rates have not changed this truism: The higher the yield, the higher the risk.

At age 65-plus, when you have switched from building assets to living on them, you simply don’t have time to recover from putting too much of your nest egg into risky baskets.

But, that said, to work toward your income goals, you may need to consider putting a greater percentage of your retirement portfolio into potentially higher-yield

you buy a new group of five-year bonds, adding another “rung” to the bond ladder.

In addition to bond diversification, you might consider devoting a percentage of your portfolio to alternative investments.

The bottom line is that many of you who are now entering retirement may remember a “simpler time” of reasonable interest rates and relatively uncomplicated portfolios that met expectations—and we certainly empathize. But, proactively addressing the challenges of the present is the key to making sure you have a strategy in place for the future which addresses your needs in retirement. ●

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vehicles. This shift, though, should be carefully calibrated and correlated to mitigate additional risk and make sure you have the proper liquidity. Two strategies you may consider are bond diversification and alternative investments.

Say you need \$100,000 a year in income, but your portfolio and Social Security yield just \$60,000. To help you make up that shortfall with fixed-income investments, you might consider a “basket of bonds.” That is a bond portfolio with various options, among which you might consider what are called “laddered bonds.”

With this strategy, an investor buys short-term bonds timed so that some bonds mature every year. Say that, each year, over five years, you buy a group of five-year bonds. The fifth year, the first group should mature and pay out. The sixth year, the second group should mature and pay out, etc., etc.

Then, each year as one group matures,

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a nondiversified portfolio. Diversification does not protect against market risk. Investing involves risk, including loss of principal. No strategy assures success or protects against loss. Bonds are subject to market and interest-rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield.

A bond ladder, depending on the types and amount of securities within the ladder, may not ensure adequate diversification of your investment portfolio. While diversification does not ensure a profit or guarantee against loss, a lack of diversification may result in heightened volatility of the value of your portfolio. You must perform your own evaluation of whether a bond ladder and the securities held within it are consistent with your investment objective, risk tolerance and financial circumstances.

Alternative investments may not be suitable for all investors, and involve special risks, such as leveraging the investment, potential adverse market forces, regulatory changes and potential illiquidity. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

ABOUT US

BLEAKLEY FINANCIAL GROUP HAS BEEN PROVIDING FINANCIAL SERVICES TO THE METROPOLITAN NEW YORK AREA FOR MORE THAN 30 YEARS. The firm’s team of 30 associates and 70 staff serve high net worth individuals from offices in Fairfield and Morristown, N.J. Andy Schwartz, CFP®, wealth management advisor, assists clients with retirement funding, estate preservation and distribution, asset allocation, advanced financial planning and small business planning. ●