

What do volatile markets mean for your retirement?



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When the markets begin to slide, one of the first things people are often tempted to do is check their retirement account balance. After all, for many Americans, that's where most of our wealth sits. But how we react to what we see can greatly affect that account balance in the future.

According to AIG's Plan for 100 survey, 53 percent of people say they want to live to 100. But living longer can also mean working longer and weathering more market fluctuations over time.

Regardless of where you are in your life or career, there are things you can do to keep your emotions in check and make sure you're making smart retirement planning decisions when the markets are volatile.

If you're just starting your career.

Because 20- and 30-somethings are at the beginning of their careers, they tend to be the most strapped for money, with student loans and lower salaries than their older counterparts. If they're investing and planning for retirement, it's possible that a substantial market decline could cause feelings of stress or even panic.

Look at it this way instead:

You have a long investment horizon.

Time is on your side, so continue—or begin—saving as much as you can. Consider working with a financial professional to discuss your risk tolerance, then select a diversified mix of investments and an asset allocation strategy that can help you meet your financial goals. While diversification and asset allocation won't protect you from a loss, it can help you smooth out the market's ups and downs.

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If you're in mid-career.

Those of us in our 40s and 50s have been working for years, trying to save as much as possible for retirement, while potentially putting kids through college and taking care of elderly parents. We may react to volatility by trying to time the market.

Look at it this way instead:

You still have time before retirement.

While retirement may seem like it's getting close, you still have a long time horizon, especially if you expect to live 30 to 40 years in retirement. If you're hesitant to invest much in a volatile market, consider investing in regular intervals, such as dollar-cost averaging. While dollar-cost averaging does not ensure a profit or protect against market loss, it involves continuous investment over time regardless of fluctuating price levels, which may lead to lower average price per share.

Because you may be more risk averse than you were at younger ages, finding ways to protect your savings and guarantee income in retirement may also help. If so, talk to your financial professional about an annuity, which is one of the ways you can turn your savings into a steady stream of income later in life, no matter what happens in the market.

If you're closing in on (or in) retirement.

If you're in your 60s or older, market fluctuations can be extremely stressful, as any time you take money out of your retirement funds, you're locking in those lower prices. You may react by feeling like you should place all of your assets in cash.

Look at it this way instead:

You may have 30 or more years in retirement, so you still need time in the market. Keeping some money invested can help.

One of the ways you can continue to take advantage of potential market gains while still looking forward to guaranteed income is by purchasing an annuity. There are many types of annuities: Index Annuities, Variable Annuities, Fixed Annuities, and more. Each one is different, but each can provide guaranteed monthly income to help you enjoy a more secure retirement. Talk to your financial professional to see if one may be right for you.

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Weathering market volatility, no matter how old you are

These ideas have been mentioned before, but definitely bear repeating, as they are still excellent ways to help ride out the ups and downs of the market, emotions intact.

- **Keep a long-term viewpoint.** Over time, throughout history, the market has trended up, despite downturns from time to time. Bear markets, which generally last on average just over a year, historically have recovered in less than two years.¹
- **Know your risk tolerance.** Your tolerance for risk will change over time, and that's okay. It's also okay to adjust your asset allocation strategy to reflect your changing risk tolerance.
- **Diversify.** Spreading your investments over a wide variety of asset classes can help you ride out the ups and downs of the market.
- **Rebalance.** Over time, your asset allocation may change, as one or more asset classes outperform others. To keep your strategy on track, consider periodically rebalancing your allocations back to their original percentages.
- **Plan for guaranteed income.** Whether you're in the early stages of saving or already in retirement, annuities can provide valuable benefits, including a guaranteed income stream that can last a lifetime.
- **Establish an emergency fund.** If you have savings set aside for things like healthcare expenses or home repairs, you may find that you're less likely to react to market fluctuations because you know you have short-term money available.
- **Talk to a financial professional.** Navigating the ups and downs of the market can be stressful. Working with a financial professional can help. Lean on yours to help guide you and create a plan to help meet your retirement goals, regardless of what's happening in the market.

¹ <https://www.cnbc.com/2018/10/26/the-stock-market-loses-13percent-in-a-correction-on-average.html>

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