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HOW TO DEAL WITH A MARKET DIP IF YOU'RE ABOUT TO RETIRE

Beth Braverman | March 19, 2019

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Making some smart moves now can protect your nest egg—and your retirement plans. Here's what to do.

After decades of dreaming about a relaxing retirement spent on the links or playing with your grandkids, you're almost there. But once you're down to those last few years of work, reality can start to intrude on those dreams.

These days, that reality is a volatile stock market that some people think could be on the brink of a downturn. After 10 years of steadily climbing upward, it's likely the market will experience a decline, although no one knows when that will happen or how long it will last. You've probably heard (or read on our site), that there's no reason to worry about stock market ups and downs as long as you've got a lengthy time horizon before you need your money. Still, as your last few years of work approach, you may feel concern creeping in.

For those at or near retirement, even a short-term bear market can have a substantial impact on their nest eggs, especially if they're forced to make withdrawals from stocks that have lost value. "We hate to sell positions to get money when the market is down," says Katharine Perry, a financial consultant at Fort Pitt Capital Group in Pittsburgh. "All that does is lock in your losses."

Even if you're not planning on immediate withdrawals, a volatile market can be hard to stomach. If you've built up a sizable retirement balance, even a small percentage decline can feel like a big financial loss. Still, there's no reason to panic. Making some smart moves now can protect your nest egg—and your retirement plans. Here's what to do.

You should still be saving as much as you can for retirement, but take some of your ongoing and future contributions and put them into a cash-like investment, such as a money-market fund within your 401(k). That money won't earn much of a return, but it will give you a source of money to draw on in retirement without having to sell your stocks. Aim to set aside 18 months to two years worth of savings so you can weather any storm that may come. "In a volatile market, you don't know when to sell, so having that money in cash will give the rest of the portfolio time to breathe and rebound," says Karen Cunningham, president and cofounder of the Oklahoma City Financial Center.

DON'T ABANDON STOCKS

Selling your stocks is not only a bad idea in the short-term, it can pose a much bigger threat to your overall retirement — you could run out of money. "Don't over-correct and move everything into cash," says Steve Parrish, director of the Retirement Income Center at The American College of Financial Services. In order to thrive throughout the several decades-long retirement that most women will enjoy, you need to have investments that will allow at least some of your portfolio to grow faster than inflation. The only way to get that type of return over the long-term is to remain invested in stocks, even when the market seems intimidating.

GET A PROFESSIONAL OPINION

Once you're within a few years of retirement, a professional financial planner can take a look at your overall money picture to help you come up with a plan that will ensure your money will last as long as you do. "The key here is to actually understand whether you have enough to live the lifestyle you want in retirement," says Byron Ellis, a Certified Financial Planner and managing director at United Capital in The Woodlands, Texas. You may have access to free or discounted financial advice via your company's retirement benefit provider. If not, it's worth paying a fee-only hourly planner to give you a financial checkup. Bonus: Having a plan to follow will take some of the stress and worry off of your plate, so that you can go back to dreaming about that perfect putt.

BOTTOM LINE

As long as you're prepared, market moves are no reason to panic. A few tweaks to your portfolio and strategy now can make sure your money takes you exactly where you want to be over the next few decades.

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