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## Eight Smart Ways To Protect Your Retirement Savings

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By Nanci Hellmich

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That may mean avoiding some typical pitfalls, such as trying to time the stock market or not paying enough attention to your investments. "Some common mistakes that people make have very simple solutions, which often just involve taking a little time and effort," says Mike Gray, a CAPTRUST financial advisor in Raleigh, North Carolina.

With some careful planning, "you can find the right balance between enjoying your life now and feeling confident that your investments will last for the rest of your life," says Ellen Crowley, also a CAPTRUST financial advisor in Raleigh.

Gray and Crowley offer their ideas for protecting your retirement savings:

**Don't try to time the stock market.** Timing the market is really hard, because you have to be right about the time to get in and right about the time to get out, Gray says. "The odds of doing that are not very good."

So the best thing that you can do is work with a professional financial advisor to come up with an investment plan you're comfortable with and then stick with it, he says. When the markets are volatile, listen to your advisor. "We have a phrase we use that says, 'It's not about market timing the market; it's about time in the market.'"

**Keep an emergency fund.** Make sure you have some cash on hand so that if an emergency arises, such as an unexpected hospital bill or car repair, you don't have to dip into your retirement savings, Gray says. One

recommendation is to have an emergency fund with enough money to cover six months or more of basic living expenses. "If you take a distribution from your retirement accounts before age 59 1/2, there are generally tax consequences and penalties."

**Get professional help on a regular basis.** Too often, people determine their investments themselves and never pay attention to them again, Gray says. "They pick some funds out of their lineup and go into avoidance behavior. They don't want to think about it, so they don't even look at it." Others just keep too much of their money in cash so their retirement savings aren't working for them, he says.

Although investing can seem overwhelming, assistance is available, he says. Many companies provide financial advice services to help their employees make these decisions. "The value of five minutes on the phone with someone can result in avoiding monstrous mistakes."

Some companies have web-based retirement planning tools and online surveys you can take to help you figure out your risk tolerance, which is how much risk you are willing to take, or can tolerate, with your money. After you've finished the questionnaire, talk to a professional about the best way to divide your money among investment options.

**Reevaluate your financial goals at least once a year.** Whether you are trying to grow your money or are more interested in generating income, you should reevaluate your asset allocation at least once a year and rebalance your portfolio, Crowley says. "As your needs change, figure out how much income you need to generate from your investment accounts and if your asset allocation will accommodate your personal goals."

**Set realistic financial expectations with your adult children.** There may be circumstances when you want to help your adult children financially, but you also need to be aware of your own long-term financial wellbeing, Gray says. You have to be careful not to set up high expectations with your children about giving them money, he says. "If they get used to you giving them money, it becomes very hard to wean them off of it."

People often ask about which they should focus on, retirement or college savings for their kids, Crowley says. Funding retirement should be a higher priority than funding your children's college education. The reasoning is this: If you underfund your retirement there are no easy ways out of that problem, but your children have other options to fund their educations such as going to cheaper colleges or taking out student loans. "If you don't fund your retirement appropriately, you could end up financially dependent on your children instead," she says.

**Use target funds appropriately.** A target date fund is a type of investment that provides a pre-diversified mix of stocks, bonds, and cash based on a person's planned retirement age. Over time, the fund will automatically adjust the mix to become more conservative as you get closer to retirement.

But some people use target date funds inappropriately, Gray says. They may plan to retire in 2045, but instead of buying a fund for that year, they put a little bit of money in a 2030 target date fund because they think that will be more conservative. Then they put a little bit of money in a 2060 target date fund because that's more aggressive. "The combination of those choices may not be as effective as choosing the single right target date fund. You need to put it in one fund based on your planned retirement age and stick with it," he says.

**Have a withdrawal plan.** Make sure you create a systematic plan for withdrawing the required minimum distribution from your retirement accounts when you reach age 72. "A lot of people wait until the end of the year to take out money from their investments, but that may not be the best time to make a withdrawal," Crowley says. For many people, it works better to take out money on a quarterly or monthly basis, she says. "A monthly distribution provides a sense of receiving a paycheck and helps manage cash flow."

**Withhold federal and state (if applicable) income taxes.** Accurate withholding of taxes from retirement account distributions will help eliminate unwelcome surprises at tax time, Crowley says. On non-retirement accounts, you want to be mindful of the taxable nature of the income that is generated. Most mutual funds pay

year-end distributions, which can be unpredictable and may result in an unexpected tax bill in April, she says.

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948, or [schedule an appointment](#) with a retirement counselor today.