

## Are You Strangling the Goose that Lays the Golden Eggs?

If you're like many retirees—or those soon to be retired—your investment portfolio has probably taken a big hit in the recent market meltdown. Even traditionally conservative investments such as municipal bonds and dividend-paying preferred stocks have behaved in unusual ways.

While you can't control the markets, you do have some control over how and when you take withdrawals from your portfolio. And without even knowing it, some folks are strangling the very goose that lays their golden retirement nest eggs.

The problem arises when portfolio withdrawals are made by liquidating otherwise good investments that have dropped in value. Once those investments are sold, any opportunity for recovery in value is lost, making the losses *permanent* and resulting in faster shrinkage of the portfolio.

Suppose that Jim and Barbara want to draw \$1,000 a month from their investment portfolio to supplement their social security, pensions, and income from rental property. They'll be smarter to draw from interest, dividends, and any stable portion of their portfolio (such as cash or money market).

The point is not that you shouldn't draw from principal, but rather that you shouldn't draw from the portion of your principal that is down in value. Of course, the flipside is that you should always have a portion of your portfolio in stable resources to continue providing your "retirement paycheck" even when times are tough.

Depending on your needs and how flexible you can be, you may need to have 2 to 3 years of living expenses in short-term, "safe" investments. As you draw on this cushion and use it up—if your more growth-oriented investments have recovered to some degree—then that's when you liquidate some of them and replenish the safe money.

One of the most common flaws I see in retirement income planning is a generic across-the-board liquidation of portfolio investments regardless if they're up or down. And unless you know some neat trick to always make your investments go up, then that's pretty much a guaranteed way to prematurely shrink your nest egg.

Don't get caught in that trap. No auto-pilot arrangement or standardized withdrawal model can substitute for an intelligent and tactical approach with your withdrawals.

Let the goose breathe a little and keep those golden eggs coming....

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