Manulife

Managing retirement worries in volatile markets.

Economic volatility across global markets can take a toll on both your financial and mental health. The strong bull market that began in March of 2009 has transitioned into a bear market as of March 2020,[1] as a result of the global pandemic known as coronavirus. From business closures to government recommended social distancing, many are feeling uncertain about the future of their investments. This uncertainty can lead to feelings of stress and anxiety.[2]

As the markets continue to rise and fall, investors need some guidance, especially those nearing retirement. Here are seven tips to help you manage your money and mental health through volatile markets.

[1] Bloomberg, Manulife Investment Management as of March 17th 2020

[2] https://globalnews.ca/news/6706666/canadians-worry-financial-uncertainty-coronavirus-covid19/

The Manufacturers Life Insurance Company

Don't panic

It's never enjoyable to see your retirement savings or any savings drop in value. It's important to take out the emotional aspect of it. Time and again, emotions get the better of us – fear of missing out may prompt buying at the high point in the market, and fear of losses may prompt a selling spree when markets dip.

Here is an example, for informational purposes only, that demonstrates the risk of selling when markets are low. By selling, it will be that much more difficult to recover your losses. If, for example, you have $100,000 in savings and it's now worth $90,000 some people might think they will need 10% return to recuperate the loss. To move back from $90,000, to $100,000 you will need a rate of return of 11.11%. By focusing on the fundamentals, by not panic-selling, you can maintain the right position to weather market volatility.

Review your cashflow strategy

In retirement, there are 3 sources of income:

- Government income
- Group savings income (through work)
- Personal income (personal savings or other income)

Depending on your age and personal situation, it might make sense to review where to draw from first. Government income is guaranteed for life. In some cases, it might make sense to use government funds before your own. For your personal situation, you should seek the advice of a licensed financial advisor.

Consider your options

A growing number of Canadians are postponing retirement.[3] Whether you just want to spend a few more years working at a job you love or want a few more years to contribute to your nest egg before you start withdrawing from it, delaying or phasing into retirement may be an option you haven't even considered. Choosing to push your retirement date means you can earn your full income a little while longer, allowing you to top up your RRSPs and other investments. Delaying retirement also means you can get up to 42% more from your government pension if you wait until you're 70 to start collecting.[4] Postponing retirement can significantly increase your pension, allowing you to have a bit more cash in retirement.

[3] https://www.theglobeandmail.com/investing/personal-finance/retirement/article-when-is-the-right-time-to-retire-maybe-later-than-you-think/

[4] https://www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-benefit/amount.html

Say yes to less stress

Financial worries are one of the biggest sources of stress for over 60% of Canadians.[5] While talking to a financial advisor can help ease your financial worries, it may not be enough to ease feelings of anxiety, depression or stress. Talk to your doctor about referring you to a mental health care professional if you don't already have one. Tele-mental health options may be available so you can talk to a health-care professional via video call from the comfort of your own home. Many employers offer an employee assistance program. The program offers access to professional counselors and psychologists at no cost to you. Speak with your human resources team to find out if this is available to you.

Exercise is also an effective stress-management technique.[6] Consider adding a daily 20-minute walk to your schedule or squeeze in a quick home workout to start or end your day.

Diversify

To avoid any additional loss by selling while markets are down, when the markets have settled it's important to ensure you're diversified. Your retirement savings will need to last you a long time – usually between 20 and 30 years. That's why it's important to have a diversified portfolio. Yes, having market-related funds increases exposure to volatility but solid asset allocation is the key to protecting your portfolio on the downside, while being structured for compound growth over the long term. Talk to an advisor to determine the proper allocation you should have. They're trained to manage risk, seek opportunities and guide you in both up and down markets.

[5] https://www.manulife.ca/personal/plan-and-learn/healthy-living/wellbeing/the-health-and-wealth-connection.html

[6] https://www.mayoclinic.org/healthy-lifestyle/stress-management/in-depth/exercise-and-stress/art-20044469

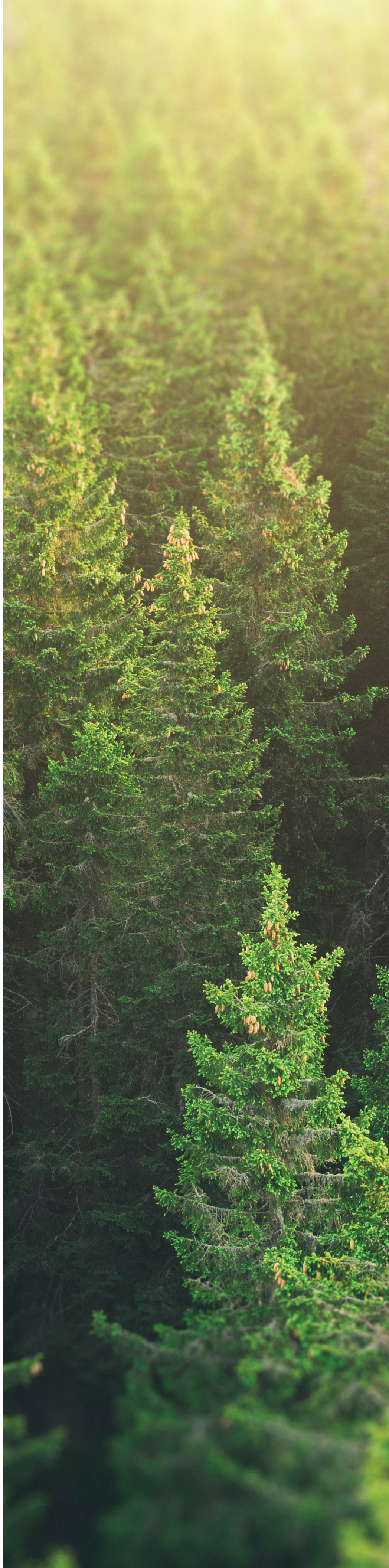
Try setting up a cash wedge strategy

In line with the previous tip, setting up a strong withdrawal strategy is very important. When withdrawing in retirement, it's good practice to have money in 3 different buckets:

- Cash or cash equivalent
- Fixed income
- Equities

All withdrawals should generally come from the cash bucket. This will keep you from withdrawing from market-related funds while they are down.

If you'd like some help with this, speak with an advisor. They will help you see the big picture and offer recommendations on how to get the most out of your savings so you can make your decisions with confidence.



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