

Evaluating the role of risk in your retirement portfolio

The level of risk in your retirement portfolio is determined by the investments you select. Investments that are higher risk have greater potential to decrease in value during periods of market volatility. While periods of market volatility may cause investors to reflect upon their risk tolerance level, it is important to keep your focus on your timeline to retirement. The following questions will help you to assess your level of risk:

How do you determine the level of risk you are comfortable with?

You can determine the risk level that you are comfortable with by completing the investment style questionnaire provided by your insurance carrier. Your level of risk may be affected by how close you are to retirement.



How is risk reflected in your investment portfolio?

You can choose individual funds or an asset allocation fund (a fund with a pre-selected combination of investments) that best reflects your level of risk or year of retirement. Funds range from bond/income funds (lower risk but lower potential returns) to balanced funds (a combination of stocks and bonds providing medium risk and returns) to equity/stock funds (higher risk but historically better long-term performance).

What happens if you have not actively selected an investment?

Your contributions would automatically be invested in your plan's default fund(s) which may not match your risk tolerance level.

Why is it important to periodically re-evaluate your level of risk and timeline to retirement?

While an equity component is important to help your investments last during retirement, many investors do not revisit their tolerance for risk as their retirement date approaches and may arrive at retirement with an exceedingly high level of risk. Investors should review the level of risk/equities in their portfolios and make changes accordingly.

Many investors do not realize that when you withdraw funds during retirement, you are selling some of your investments. If you hold mainly equity funds that are down in value at the time of withdrawal, you may end up selling these investments at a loss which can negatively impact your portfolio.

To discuss your risk tolerance and investments, contact Reuter Benefits' licensed professionals by phone at 1-800-666-0142 or by email at retire@reuterbenefits.com.