



Make no mistake, inflation is the main culprit for the dismal stock market performance in 2022 so far.

The U.S. Federal Reserve is hiking interest rates to quash price growth, taking cheap money away from stocks and tech companies, and it's also causing pain and suffering in the bond market.

For nearly everyone, 2022 has been almost as bad as 2008. Here are strategies for retirees and near-retirees to stay on track in a bear market.

Test Drive Your Retirement Budget

For many people, life in retirement may be pretty different than what they'd imagined.

One of the biggest adjustments is getting by on a fixed income. I recommend that my clients should take a "retirement test drive" before they actually stop working. This will require that for a minimum three month period you must document every cent you spend and write it down. This way you will see where your money goes on a quarterly basis.

If you have any bills that you pay once annually i.e. house insurance, car insurance etc., then calculate those amounts as a quarter of the full amount. This is crucial, in seeing where your money goes. It has been my experience that this crucial step is not done completely and as a result the individuals will become worried that they don't have enough income and assets to retire.

Know what your money coming in and what your money going out is and you will not be as uneasy and worried that you don't know what you are facing. Knowledge is power, and it instills confidence over fear.

Find out how easy or difficult it is to stay on budget. This will make it easier to adjust spending in times of high inflation and economic trouble.

Let's say your annual household income is \$100,000, and your current retirement plan would deliver 80% of your pre-retirement income. Spend a period of time attempting to get by on your anticipated income, rather than what you currently earn.

The transition won't be easy, but that's the point of the exercise. Adopting a fixed income requires a psychological shift in intuitively understanding what you can really afford. It's best to approximate this new lifestyle than flying blindly when you stop working.

Your Financial Plan

Clients often call me when markets get rocky and economic news sounds bad, driven by the urge to do something to fix the short-term unpleasantness. It's understandable, but this urge is misplaced.

People with a good handle on their long-term finances generally have a written financial plan.

If you don't already have a financial plan or a retirement plan, now is the time to contact a fee-only financial planner and get to work. Avoid financial planners that also want to invest

your money for you. Financial planning is a full-time job in itself.

This is why I recommend that you seek out someone that does this 24/7. A good financial planner will be able to give you a road map that will show you with projections, what retirement cost and what you need to do going forward.

I suggest retirees go back and review their financial plan when markets start looking bad. This can help them appreciate the larger arc of their post-working life. Otherwise you don't know what you should be comparing.

Meanwhile, the absence of a plan can be most keenly felt in trying times. Rather than having a bedrock to fall back on, you might try to buy or sell your way out of a bad year for your portfolio, which only creates worse problems down the road.

Build a Cash Reserve

You can weather bear markets and investing missteps, like selling when stocks are down.

Retirees don't have the time to wait for the market to bounce back. If they take withdrawals from their retirement funds in a down market, they'll have fewer assets to grow when the market does recover."

A key part of retirement planning is to provide yourself with a sizable cash cushion so you don't have to sell stocks when they're down to finance your expenses. Part of your retirement plan should be funding a cash bucket that you can use to augment guaranteed income from sources like Social Security, pensions and annuities.

Outside of your retirement portfolio, consider aiming to have six-to-12 months' worth of liquid cash or cash alternatives, so you can withdraw from those if needed without touching your portfolio.

A Final Note

Most of people's fears related to retirement are often based upon the unknown. Fear of the unknown is a natural human instinct that has kept us safe through our evolution into the present age. What has made us a superior race of animal is that we have not allowed our fear of the unknown to cripple or hinder our approach to learning about that which we fear. It is with knowledge that we learn from the past, and we prepare for our future. The more intimate you know your present, your spending habits and your lifestyle, the more prepared you will be to live within your means later in life when your best working years are behind you.

Sadly, not all people see saving as a value that they need to make into a habit. I see many people that I meet, diligently pay their bills like clockwork. The rent, the mortgage, the cell phone, their insurance; bill after bill gets paid. However, they fail to assign an amount to themselves and commit to paying that amount to their retirement investment account (RRSP) as regularly as they pay their other bills. Or they assign such a small amount that it does not add up to much and does not have a chance to really grow. If this describes you then make a change now. Start with 5% of your take home pay and put it into your Tax Free Savings Account (TFSA). If you can't afford to do this then you either have to make more money, or spend less, or a combination of the two.

If you can't handle doing that now, how will you manage when you are retired with less income?

Sadly, even our own Government leads by example, spending more than they take in. It seems we are surrounded by media that shows lavish lifestyles, and luxury existences, but that is simply not reality to the average Canadian. It is never too late to live within your means. Know what that looks like and start doing it. As the proverb states “A journey of a thousand miles begins with the first step”.

Please give me a call if you wish to discuss this letter or anything else that you have concerns about.

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