# How to Spot Danger Zones in Your Retirement Plan

By Casey Dowd / The Boomer / Published March 28, 2014 / FOXBusiness

Hindsight is 20/20, but it's important that we all learn from our past investing mistakes--especially when it comes to our retirement savings.

While no one could have predicted exactly what was going to happen in the wake of the 2007 housing crash that demolished a large part of many boomers' retirement funds, it's important that we learn from the experience and better insulate ourselves from future gyrations.

"Almost no one foresaw what happened that year, and I doubt very much that many will foresee a collapse if it happens again," says Curt Whipple, a certified wealth strategist and CEO of C. Curtis Financial Group.

Identifying potential vulnerabilities in your retirement plan is crucial, and Whipple offers the following tips on how to spot and eliminate any weaknesses:

**Boomer: How often should baby boomers be checking their investment accounts and consulting with a financial advisor?**

**Whipple**: There is nothing wrong with a quick glance of their accounts from time to time. However, a good financial advisor would be in contact with their clients each quarter or no longer than semi-annually. The frequency depends on the clients wishes and the complexity of their portfolio. I think checking more often can lead to anxiety in some clients. However, I seldom recommend judging investments possibilities more often than once per year. Just because they have a bad quarter is not the time to make a change.

**Boomer: If I lost more than 20% of my investment value in 2008, how much risk should I be taking on as I get closer to retirement?**

**Whipple**: The key here is not so much the amount of risk one takes as much as it is what rate of return they would need to meet all of their retirement goals.

We have had prospective clients come in with 98% of their investments tied to Wall Street. Upon review of their goals and need for income during their retirement, we may discover that if they only achieve 3% on their portfolio then they are set for life financially. If that were the case, I ask two questions; 1.)Why is 98% of your portfolio at risk in Wall Street to achieve an average rate of return of 3%? and 2.) Are you willing to risk losing as much as half of what took you 40 years to save and build to hopefully get a 10% return when your "need" is 3%? I'm not saying that they don't want a higher return and we do our best to achieve the best return possible...without losing their security in the process.

Therefore, I believe retiree's should take as little risk as possible in order to achieve their needs and wants in retirement and if they make a greater return than needed. that's gravy.

**Boomer: What is the best way to ensure my portfolio is diversified? Are there investments that give me some kind of financial guarantees?**

**Whipple**: This is the No.1 problem I see retiree's making...poor diversification. In 2008, I would have prospective clients come into my office after losing 40% or more of their entire portfolio saying "I told that advisor I didn't want that much risk!" The problem is that the advisors idea of risk and the clients can mean two different things.

We help our clients identify their diversification using our proprietary software program and the colors red, blue and green. An investor should take any investment that is a stock, bond, mutual fund or variable annuity and place that in the red category. These are "Wall Street" investments and will usually move in accordance with the markets and interest rates. Green investments have guarantees associated with it: bank accounts, government obligations and fixed interest or fixed index annuities. These have strong guarantees associated with them with the goal to protect principle. The blue category would include any investment that is not in red or green and or is uncorrelated to Wall Street. This would include things such as real estate, precious metals, gas and oil plans and equipment leasing plans.

How much is in each category depends on the rate of return the client needs on their portfolio to hit their goals. If they need 3% as stated above, then they would want a large amount of green investments and smaller amounts of red and blue. Conversely, if they need 8% average rate of return then they may only have 35% green, 20% blue and 45% red.

**Boomer: Are bonds still a good idea for boomers to protect against a risky or falling market?**

**Whipple**: We are in a record low period of interest rates mostly never seen before by today's boomers. Most people (I being one of them) believe that in the near future interest rates will rise and with it bonds will fall in value. This is especially true in bond mutual funds. I am recommending all clients stay away from these at this time. Should the investor buy a direct obligation bond with say a company or institution, this can still be a good investment as long as they are willing to hold the bond to maturity.

What scares me is how many people bring me statements from other advisors showing maturity dates of as far out as 2042! Should the investor ever need the principal from this bond back, they would lose a considerable amount of their principal in doing so.

**Boomer: Are there any additional tips you can offer to my readers that will help identify whether or not you are taking too much risk in your portfolio and if your retirement plan is in danger?**

**Whipple**: Signs your retirement plan may be in danger;

1. You find yourself worrying about your investments too much

2. You haven't heard from your financial advisor in over six months

3. You do a "Red, Blue, Green analysis" and have more than 60% of your future tied to the fortunes of Wall Street

4. You are buying investments based on "hot tips" from friends

5. You don't have a financial advisor you fully trust for advice.