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ASK THE EXPERT

PREPARING FOR RETIREMENT IN AN UNCERTAIN ECONOMY

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How can I best prepare for retirement during times of economic uncertainty?

Kyle Shores: This is a question we get a lot because, right now, we are definitely in a time of uncertainty. The volatility of the market isn't going away any time soon. Inflation and interest rates continue to rise, which creates uncertainty with the stock market and the bond market. Preparing for retirement is just that—preparing. But preparing and deciding are very different phases of retiring. Know what you are spending and what you need from an income standpoint each month to maintain the lifestyle you have created for yourself. Most of today's investors didn't have much money in the market the last time bonds had this type of head wind, and the current bond market is having negative performance. When this happened in 2018, 2008, and 2001, bonds were the security and were of help, but in this current market environment, it's not the case. Remember that not every volatile market is the same. There are differences depending upon what created the volatility. We at Merit have our finger on the pulse of what that could be and have potential answers for this situation.

What kind of plan should I have in place in this market?

Zac Beckerley: We see so many people who have a shortfall between what they need and what they will have—this shortfall is the danger zone. It is the place where a successful retirement can run off the rails. You have to be honest with yourself and know your numbers. What you can plan for, especially in times of uncertainty and even in a normal market, is having at least one year of cash ready for cash-flow purposes, so you're not pulling from funds that have come down a bit. We try to develop a plan around that by looking at our clients' goals. Part of that plan includes having that year's worth of expenses sitting in cash that can

help you ride out a market like the current one we are experiencing.

Blaine Malcolm: People don't always pay attention to what's coming in and what's going out of their bank accounts. In times of uncertainty, it might be a good idea to take a step back and look at this on a more regular basis, particularly if you have a variable compensation type of job or an unexpected job change. Also pay attention to interest rates. As interest rates go up, credit card companies will raise the interest rate, which affects your spending. Mortgage rates can increase and saving accounts and money markets will slightly increase. However, there are a few things that may slow due to a rate increase, such as housing and mortgage applications. It goes without saying that you need to work with a wealth advisor who is established, credentialed, and respected in the industry.

Which investment vehicles should I choose during this volatile market?

Kyle Shores: The most important thing about being invested in the right vehicles is to be self-aware by knowing the type of investor you are. Some clients are very aware of risks and can handle volatility longer than others, which makes a huge difference in the vehicles they can use. Right now, with interest rates rising, the investment vehicles that might be suitable for clients are totally different than they were 12 months ago when we were in one of the lowest interest rate environments ever. With interest rates going up, we have had some opportunities that haven't been available to us before. The investment opportunities presented today may not be here a year from now. These little pockets of time make things issued by the government, insurance companies, and banks available. These different institutions have a comfort level issuing certain types of investments depending on market volatility and interest rates. Again, this is why it is important to work with a knowledgeable and reputable advisor.

About the Expert

Merit Financial is a multigenerational firm striving to invest in relationships with like-minded people. Merit has a team of dedicated individuals desiring to educate you on how to be financially wise and how to protect and invest the money you have accumulated to help build a legacy for you and help the next generation reach their financial potential. Merit holds itself to a Fiduciary standard, both contractually with clients simply because it's the right way to do business. Merit's investment philosophy based on six key principles which help guide the firm's action. In this current economic market of volatility and uncertainty, Merit, which has two area locations in Frisco and Southlake, is accepting new clients and are looking forward to helping people wherever they are in their financial cycle.

Merit Financial Advisors Can Help You:

- Increase cash reserve from six months to a year
- Update your financial plan
- Pay more attention of inflows of your revenue sources and outflows of your expenses
- Take advantage of opportunities created from volatility



LEFT TO RIGHT:
KYLE SHORES,
BLAINE MALCOLM,
CFP®, AND ZAC
BECKERLEY, CFP®

We Are Merit

Your valued financial partner, providing the support you need to navigate life's challenges, transitions, and victories.

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