

Don't Panic: Protect Your Nest Egg

Tumbling home values and skyrocketing gas bills may be alarming, but many financial planners say don't panic. Concentrate on preserving your retirement nest egg and reducing volatility in your portfolio instead.

Most financial experts agree that the older you are, the more conservative an investor you need to be, especially if you're retired and living on a fixed income. However, with increased longevity—you may want to plan on living 20 or 30 years in retirement—it's important to retain some exposure to stocks. Although they may experience occasional short-term volatility, stocks generally provide your best opportunity to outpace inflation and to stretch out your nest egg over decades.

How much stock exposure is enough? One formula that may help you to decide: Start with 100% and subtract your age (60, for example). The remainder (40%) may be an appropriate stock allocation for your age. Consider investing the other 60% in bonds, CDs, money market funds, U.S. Treasury bills and other conservative investments, if you haven't already.

One more stock consideration:

Take a look overseas. By devoting a portion of your stock allocation to non-U.S. funds, you may be able to take advantage of surging economies abroad—which could help offset some potential stock-market losses at home.

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