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THERE ARE NO DO-OVERS
By Fred Dunbar

As I write this on Feb. 17, I'm reminded of the classic 1993 Harold Ramis movie, "Groundhog Day," starring Bill Murray as the arrogant Pittsburgh TV weatherman, Phil Connors. Phil is trapped in a time loop in Punxsutawney, waking up each day with a new opportunity to get it right. He uses his experience to save lives, help townspeople and ultimately impress his producer, played by Andie MacDowell. Although a cute story line, it does not happen in real life.

Unfortunately, investing isn't like the movie. If you don't get it right the first time, you don't get a do-over – but you certainly do have an opportunity to make adjustments. In my last article, I discussed risk and portfolios.

The markets this year have been off to one of the worst starts in our history. The first week in January set the tone with the Chinese market getting hammered when it was announced that they are no longer growing their economy at a robust 7-plus percent. Tuesday, the Saudis executed a cleric and Iranians torched their embassy and they cut diplomatic ties. Wednesday, the nut in North Korea announces that he has tested an H-bomb. Soon after that announcement, the United States is flying B-52s and fighter jets within 40 miles of the North Korean border to show that we will protect our interests. Thursday, the Chinese markets got hammered again when they announced that if you own 5 percent of a stock, you must give 15 days' notice prior to selling it. Their markets close again due to their circuit breakers hitting … then they announce that they will no longer use circuit breakers. The kicker came on Friday, Jan. 8, when we announce one the best job-creation numbers in several years. The markets closed down because fear was that the fed will raise rates again this year.

The coup de grace has been oil. For the first part of this year, the price of oil has correlated with the market about 97 percent of the time. Think about it: Outside of owning energy or perhaps some bank stocks that hold loans for companies that frack oil, lower oil prices are good. If one lives in Houston, it has an impact on the local economy. But for everyone else, lower oil prices mean lower gas prices, which are good for the rest of us.

What we have today is an oversupply of oil and not enough demand. Just this week it was announced that the Chinese will stop producing oil temporarily, since it cost less money to buy it on the open market. If it was the other way around, too much demand and not enough supply, I would be extremely worried.

With all that has happened year-to-date, there seems to be panic in the air. Relax; this is not anything like 2008. Recently when I went to a retirement community to give a talk, a woman yelled out before I was introduced, "Are we heading to a recession?" I answered no, since a recession is generally preceded by some type of bubble. In 2008, it was housing; 2000, it was tech; in 1998, it was the Asian financial markets, etc.

One of the most common questions (or fears) this year is from those who will retire in the near future, especially in 2016. Each day it seems like the market is up or down 100, 200 or even 300 points. The markets have recovered somewhat this week but they are still down over 6 percent for the year.

If you are contemplating retirement this year, take a breath and see where you are situated. The first thing to do is figure out where you will get your income. DO NOT RETIRE if you haven't at least done this much. Amazingly, we still meet with people who are going to retire who have done zero planning.

If you have a pension, then you have a base for your income. Next, look at when and how you will take your Social Security income. By this, I mean should you take it now if you're age 62 or should you wait to your full retirement age of 66. If you have longevity on your side, then perhaps you should wait until age 70. Review all of your options. For the balance of your income, take part from your taxable investments and your tax-deferred investments. This will allow you to plan on how much income tax you want to pay. You should also have an emergency fund with at least 6 months of cash, if not more.

If you worked with an adviser or did your own investing, hopefully you have a diversified investment portfolio. Just because you hear the market is down 2 percent for the day, it doesn't mean your portfolio is down the same percentage. Normally, one takes a little less risk approaching retirement. If you are like most getting ready to retire this year, chances are you have no more than 50 percent in stocks. If that is the case, depending on your income and expenses, you should be fine. You'll be able to draw your income from your cash and your bond positions initially, which will allow your stocks to recover.

I recently spoke with the client who retired in 2015. He was concerned that the cash in his investment portfolio was down to two months' income. He asked if he should take a home-equity loan to cover his income for the next year while the markets recover. I explained that he has a capital-preservation portfolio with only 40 percent in equities. His bonds are mostly short-term maturities. I explained that he had enough in bonds that we can leave his stocks recover for the next 9-plus years. He was ecstatic to hear this. The lesson is to remember to design your portfolio based on your goals and risk tolerance.

Now, if your portfolio is upside down, take a breath and analyze it. Bring your portfolio back into balance. DO NOT PANIC. Unfortunately, again, there are no do-overs in real life.

Now that you know you can comfortably retire this year, grab your beach chair and a book and head to the beach. Remember to grab a jacket since it is still a little chilly. Make it a super spring!

Fred Dunbar, CLU, ChFC, RFC, AIF,® is President of Planning Directions, Inc., a registered investment adviser, and Common Cents Planning, Inc. He is also a registered representative of and offers securities through Commonwealth Financial Network, member FINRA/SIPC. Advisory services offered through Planning Directions, and fixed insurance products and services offered by Common Cents Planning, are separate and unrelated to Commonwealth. Fred may be contacted at 800-647-0762, by e-mail at fdunbar@commoncentsplanning.com or by mail at 239 Baltimore Pike, Glen Mills, PA, 19342. He's always happy to meet with you 'down the shore' at 6606 Central Avenue N. Sea Isle City, NJ. 08243.