SHRIER ASSOCIATES LLC

Wealth Management Strategies

Why Buy and Hold Breaks Down in Retirement

For decades, investors have been told to buy an index fund, hold it, and let time do the work. Over a long enough horizon, that's been true. But a new piece from Michael Lebowitz at Real Investment Advice shows why it breaks down once you start taking withdrawals.

His example is a saver who retired in January 2000 with about $1.7 million, all in the S&P 500, drawing 4% a year. Two bear markets later, the account had fallen to about $555,000 by March 2009. By age 83 it was down to roughly five years of income. The same saver with a simple 60/40 mix bottomed near $1.07 million and later grew back to about $1.6 million.

The lesson is that the order of returns matters as much as the average. A 50% loss needs a 100% gain just to get back to even, and withdrawals during a downturn turn a temporary loss into a permanent one. 2022 added another wrinkle: stocks and bonds fell together, so a traditional bond cushion didn't help.

That's why we don't build portfolios to buy and forget. We combine three things:

- **Strategic allocation:** a long-term stock and bond mix built around your income needs and the drawdown you can live with.
- **Tactical allocation:** risk-managed strategies that can shift toward defensive positions when market risk rises, and back again when it eases.
- **Private credit:** short-duration, first-lien real estate loans that pay income and don't move in lockstep with public stocks and bonds.

The goal is simple: keep a bad market from threatening the lifestyle you've planned for.

You can read the full article here:
https://realinvestmentadvice.com/resources/blog/buy-and-forget-its-not-that-easy/

If you'd like to see how your own plan would hold up in the next downturn, contact us and we'll set up a time to talk.

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Investments involve risk, including possible loss of principal. Private credit funds may have limited liquidity. Examples are hypothetical and from the cited article, not Shrier Associates client results. Past performance does not guarantee future results.

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