

## Turning your Nest Egg into an Income Stream

When our parents retired, they used their pension and Social Security benefits to cover most of their day-to-day living expenses and supplemented their lifestyle by living off the interest from their CDs, which were earning 10%+. There was not a 401k or IRA to manage and no need to ensure income was keeping pace with inflation. Our parents' retirement income was simpler and more secure.

Today things are not as simple. Few people have pensions, CDs earn less than 1%, and Social Security covers less of our monthly expenses relative to our parents. However, many retirees have managed to save assets in 401ks and IRAs. The missing piece is how turn these savings into secure income sources.

**Step #1: A Growth & Income Portfolio:** Build a portfolio comprised of stocks and bonds that will provide both the growth needed to keep pace with inflation and the income needed for distributions.

**Step #2: A Well-Balanced Portfolio:** Once you retire, you cannot afford to take as much risk as when you were working. Dial down the risky stocks and build up the fixed income portfolio. The fixed income will create income, but also cushion the portfolio during highly volatile markets.

**Step #3: Rebalance Regularly and Strategically:** Establish a target weight for each security in your portfolio and when cash is needed, harvest securities that are over their targeted ranges. Warning: this will probably mean selling securities that are performing the best at that moment. When the markets are up, you will be selling portions of your stocks. When equity markets are down, as in March of this year, you will be selling bonds. This also serves as a mini-rebalance strategy, where harvesting the best performing asset prevents it from growing to become an excessive part of your portfolio and provides your under-performing assets time to recover.



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