
**MOULTON WEALTH MANAGEMENT INC.**

# MOULTON HOT MINUTES

*SPECIALIZING IN RETIREMENT AND TAX PLANNING*



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## Why Asset Allocation Alone Is Not Enough for Retirees

*The Case for a Sell Discipline*

When it comes to retirement investing, most people have heard the phrase: *"Don't put all your eggs in one basket."* That's the idea behind asset allocation - spreading money across stocks, bonds, and sometimes cash or alternative assets, to reduce risk.

For decades, financial advisors have told retirees that if they diversify properly, they can weather almost any storm. And in normal times, this approach works well. The problem? History shows us that diversification alone hasn't always been enough. In the worst downturns, even well-allocated portfolios took heavy losses.

For retirees, those losses are more than just numbers on paper. A 25% or 30% drop early in retirement can permanently reduce the amount of money available to live on for decades to come. That's why retirees need something more than asset allocation — they need a *sell discipline*.

### Lessons From the Last 25 Years

Let's look back at three major market downturns:

**2000–2002: The Dot-Com Bust**

At the turn of the millennium, investors believed technology stocks could only go higher. When the bubble burst, the S&P 500 fell nearly **50%** from 2000 to 2002. Many investors thought bonds would balance the losses. But while bonds provided some protection, the average balanced portfolio (60% stocks, 40% bonds) still fell by more than **30%**.

For a retiree who had just stopped working, this meant potentially cutting withdrawals or selling assets at depressed prices just to pay the bills.

**2008–2009: The Great Financial Crisis**

Fast forward to 2008. Housing markets collapsed, banks failed, and stocks crashed. The S&P 500 lost more than **55%**. Diversified investors didn't escape the pain. A typical 60/40 portfolio lost more than **40%**.

This period was especially dangerous for retirees. If you were withdrawing $40,000 a year from a $1 million portfolio, by the end of 2008 your balance might have been closer to $600,000. The next $40,000 withdrawal suddenly represented a much bigger hit to your portfolio, making recovery considerably harder.

**2022: The Year Both Stocks and Bonds Fell**

Traditionally, bonds rise when stocks fall. But 2022 shattered that relationship. Inflation surged to 40-year highs, the Federal Reserve raised interest rates at the fastest pace in decades, and both stocks and bonds dropped together.

The S&P 500 fell nearly **20%**, and the U.S. bond market suffered its worst year in modern history, down **13%**. Balanced portfolios were hit with double-digit losses. For retirees counting on the "safety" of bonds, this was a wake-up call that diversification isn't a guarantee.

## Why a Sell Discipline Matters

If allocation alone can't always protect retirees, what can? The answer is having a mathematically based **sell discipline** - a clear, unemotional system for reducing exposure when markets start to break down.

A sell discipline is not about trying to predict the top of the market. No one can do that consistently. Instead, it's about setting rules ahead of time.

The key is removing emotion. Without rules, most investors either panic and sell too late, or they hang on hoping the market will recover quickly. Retirees don't have the luxury of waiting ten years for a rebound.

## The Cost of Doing Nothing

Imagine driving in heavy fog. You don't slam on the brakes, but you also don't keep going 70 miles per hour. You slow down to protect yourself. That's what a sell discipline does - it adjusts your speed to the road conditions.

The past three decades prove that simply "diversifying and holding on" is not always enough. Retirees who forego a sell discipline risk losing the very thing they worked a lifetime to build: ***financial security.***

## Final Thought

Asset allocation is still important, but it's not a shield against every storm. The dot-com crash, the financial crisis, and the inflation shock of 2022 all showed that even balanced portfolios can suffer severe losses.

For retirees, the difference between surviving those downturns and struggling through them often comes down to whether they had a disciplined plan to sell - not in panic, but according to rules designed to preserve capital.

In retirement, your portfolio is more than numbers. It's your lifestyle, your independence, and your peace of mind. That's why a sell discipline is not just an investment strategy - it's a retirement survival tool.

If you are retired or close to retirement…

## *What is your plan?*

Attend one of our free seminars or call the office to hear about your options.

Yours truly,

**Rial R. Moulton, CFP®, CPA / PFS, RFC**
*Certified Financial Planner™ professional*
*Estate Planning Attorney*

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*Certified Financial Planner™ professional*

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please ask them to send an email with their information and permission to be added.

# *Free, no obligation breakfast seminar!*

# Protect your retirement!

**Weekly Radio Show Saturday Morning:**

**8:00 AM KXLY 920 AM**
**Spokane and Area**

**9:30 AM KFLD 870 AM**
**Tri-Cities and Area**

**Moultonwealth.com**

**SPOKANE**

Hampton Inn Valley—Spokane
*Breakfast*
16148 E. Indiana—Spokane
Sept. 23rd @ 9:30 AM

**TRI-CITIES**

Hampton Inn
*Breakfast*
486 Bradley Blvd—Richland
Sept 24th @ 11:00 AM

- **How employing and consistently following a defensive system could help you to a better retirement.**
- The "Widow's Tax" could be a major drain on the survivor's spendable income!
- What happens when an economic downturn makes it difficult for companies to pay back their massive debt?
- Why Buy and Hold Investing was right for the 80's and 90's yet very wrong for today.
- Will inflation eat up your assets?
- How to potentially decrease taxes on your hard earned Social Security Income
- To Roth or not to Roth?

***And so much more!***

## COMPLIMENTARY SEMINAR

**For those 50 years old and older**

MOULTON WEALTH MANAGEMENT Inc.

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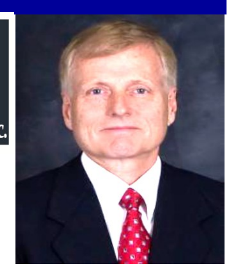

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# Call to reserve a spot: 509-922-3110

*Advisory services through Moulton Wealth Management, Inc., an independent Registered Investment Advisor registered with the SEC*

# Protect Your Retirement!

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# Free Breakfast Seminar

| Spokane | No Cost Seminars for Retirees and those close to Retirement | Richland |
|---|---|---|
| Sept 23rd @ 9:30 AM<br>*Details Inside* | | Sept 24th @ 11:00 AM<br>*Details Inside* |