**Ameriprise Audiocast**
Managing retirement accounts in a bear market

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**Speakers:**
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Marcy Keckler:
Hello, I'm Marcy Keckler, vice president of Financial Advice Strategy at Ameriprise Financial. Thank you for listening to our audiocast today. You can listen to our full series of audiocasts at Ameriprise.com/marketvolatility. Today, we want to provide you with some further thoughts and ideas that you might want to consider discussing with your financial advisor given the current market and economic environment and I have a colleague who's going to join me for this conversation today and that's Amy Diesen, who is the vice president of Retirement Plans at Ameriprise. Welcome, Amy.

Amy Diesen:
Thanks for having me today, Marcy.

Marcy Keckler:
So for today's discussion, you know, it'd be great if we could focus on people who are either already retired or who are really thinking about retirement as an important goal. Maybe it's near or you know, maybe it's even a little bit further out but they're, they're focused on retirement. We know that's on a lot of people's minds and so I'd like to start with asking you what a few important considerations when people are thinking about managing their retirement accounts in what has now become a bear market?

Amy Diesen:
Well, when people are really approaching retirement, they should think a little bit about should they consider potentially waiting for withdrawing their assets right now in the current environment. Now might be a good time to look at asset allocation or considering a Roth conversion. Now, is a time really to talk to your advisor and make sure that you're in the right place to retire.

Marcy Keckler:
And when you talk about a, a Roth conversion, maybe we can talk just a little bit more about what are the benefits of that, so if I have money that's in my regular 401(k) plan at work or it's in an IRA, why would I want to think about having potentially a you know, conversion event to move some of that money into a Roth IRA? What would be useful about that?

Amy Diesen:
It's a great way to consider diversifying how you'll be paying your taxes. If in fact your IRA account is perhaps lower than it was six months ago, now would be a great time to

pay the taxes on those dollars convert them and so as they grow they will be tax free when you start taking distributions in the future. So you're really converting your Roth at a lower dollar amount today.

Marcy Keckler:
So that's an attractive lower tax build today but then also giving me maybe some more control over my tax bill once I do retire. So two good tax related reasons to reasons to consider this strategy.

Amy Diesen:
Absolutely. That's right.

Marcy Keckler:
And what about for people maybe you know retirement wasn't something they were planning to do imminently, but they're certainly thinking about retirement. How should they be thinking about their retirement accounts today?

Amy Diesen:
If you are still able to, now is a great time to continue funding as long as possible your retirement account, your 401(k), your IRA. If possible it might be nice even to increase those contributions because you really are buying lower right now.

Marcy Keckler:
It's a great point that when we think about investing even though putting new money into a market that has been bumpy might be kind of a challenge for people to think about, it really can make sense over the longer term because as you said you're going to be able to buy more shares in the price is low and that is going to eventually position you well when we would expect markets to recover as they typically have in the past after a downturn, so that's a great reminder. What about people who might have an IRA that they inherited from someone whether that was their parents or someone else who left an IRA to them and they have that IRA asset available? How should we think about that in today's market?

Amy Diesen:
Well, if you've inherited an IRA now would be a great time to take a break on those required minimum distributions. The CARES Act is allowing us to avoid the required minimum distribution this year. Now if you need the money most certainly take it, but if you don't what a great way to continue to allow those assets to grow.

Marcy Keckler:
That's a great reminder and for people who have an IRA that they didn't inherit, it's their own IRA, but if they are over the age when you have to start taking those required minimum distributions, they get a break to right based on that same piece of legislation that CARES Act that you mentioned?

Amy Diesen:
That is absolutely correct. So if you are in the stage where you should be taking your required minimum distributions as an IRA or 401(k) owner, you also have the ability to take a pause for that required minimum distribution. Again, you don't have to but if you are able, to feel free to take a break, not take the required minimum distribution this year and allow those assets to grow for an additional year.

Marcy Keckler:
So you could potentially leave the entire amount in that account or even if you need part of it, but you don't need the full amount, maybe you could just take a partial amount out and that would allow you to not pull money out when the when the market is down. Is that right?

Amy Diesen:
That's absolutely correct.

Marcy Keckler:
And then Amy another question I have for you is one that I know we've certainly gotten from clients who have been talking to their advisors, who already took the required minimum distribution from their IRA earlier this year. Some people start, you know, they start off January doing that and now they have been asking can I put it back? Can I undo that? I know that's one of the things that the legislation that passed wasn't really clear on. What can you tell people about that question? Can I sort of undo or get a do-over on the required minimum distribution that I withdrew earlier than 2020?

Amy Diesen:
Well, the first thing I would say is talk to your advisor because we are continuing to wait for guidance on that ruling but at the same time you might have the ability to put those dollars back and call it a rollover. The key is to speak to your advisor and make sure you're understanding if you're within the 60 days or if we've already gained that additional guidance we've been looking for.

Marcy Keckler:
That's a great point. And also something to remember is that it's not unusual that when legislation passes, although there are pages and pages of text that we've all been digesting, there can be details that haven't been explicitly addressed. This is a case of that and so very common to get regulatory guidance from the appropriate government agency after the law passes. And so we should know more in the coming weeks about that in a great reminder to talk to people's advisors.

Amy Diesen:
Yes. Our government has done a terrific job of getting these stimulus bills passed very quickly. But when you see that happen, there's also the risk that there are a few nuances that we have to go back and ask some questions on and that's what's happening now.

Marcy Keckler:

Yes, and we are definitely watching that closely and we'll be able to help advisors give clients the best advice that is absolutely lined up with those rules. So the next question I wanted to talk to you about is for people who have already retired and if they are looking at their retirement accounts, how should they be thinking about that in the current market? You've talked a little bit already about required minimum distribution considerations, but anything else people in retirement should be focused on?

Amy Diesen:
Well, the first thing I would say is take a fresh look at your financial plan with your advisor and make sure that you're thinking about market volatility and you have probably already considered this when you built your original plan, but at the same time this is a new environment. There might be adjustments that need to be made. For those that are able to work part-time for a couple of years, that's also something that could really benefit people that are in retirement right now. Even ten thousand dollars in part-time income can really make a big difference. So it's okay to retire and it's okay to be retired, but we really want to make sure people are thinking about their drawdown strategy today.

Marcy Keckler:
A great reminder that when you do financial planning with your advisor, we know that volatility is coming and your plan accounted for that but still a great time to check in with your advisor and rerun your retirement projections to hopefully raise your confidence that you can understand what the future holds and what flexibility you have. Another question that we have gotten from some clients has been how they should think about Social Security. If they haven't yet started taking Social Security, even if they're eligible to have done so, so say they're over age 62, but they decided to hold off on taking social security because of the great deal you get in increased benefits in the future, should people rethink that decision or how would you advise us to consider that Social Security question?

Amy Diesen:
Social Security is a really common question and it's the first thing people think about when they retire. So I always go back to that financial plan and my advisor to say is this the right time to start taking Social Security? It makes a lot of sense to wait, but for some people perhaps taking it earlier could be a value. So the first thing you do, reassess that financial plan, talk to your advisor about taking Social Security. More than likely though, Marcy, the best thing to do is wait.

Marcy Keckler:
It's a great reminder that that is another part of the plan that your advisor has certainly attended to. Let's talk a little bit more about people who had been thinking retirement was just right around the corner and wondering can I still pull the trigger? Should I go ahead and retire? You've touched on it a little bit. Would love to get further thoughts on how those clients ought to be thinking about their financial situation in the current market.

Amy Diesen:
Well, it is definitely okay to retire. That's just fine, if in fact you are ready to do so, but what you want to do is manage your sequence of return risks. You want to avoid locking

in those losses and you want to make sure that you and your advisor agree that your financial plan is in the right place for you to do so.

Marcy Keckler:
And it's a great reminder when you mention, you know, sort of the feelings word that we do have emotions about our money. And in this kind of a market, it's clear that those emotions might rise higher and really your advisor can help you think objectively about your financial situation, although acknowledging you're, you're going to have feelings about it. And you know, we do know that that is one of the important jobs of a financial advisor is to help people think through their emotions and balancing that with the facts.

Amy Diesen:
Absolutely. That's very true. People have a lot of things happening right now in particular and I like to acknowledge those feelings and accept that we are all going through some of those emotions, but at the same time you've been planning for this for a very long time, as has your advisor. Now's the time just to come back together, reassess and make decisions based on the facts.

Marcy Keckler:
Great reminder. So Amy another question I wanted to talk to you about is about a piece of legislation that has sort of fallen in the shadow if you will of the recent legislation related to the coronavirus, but that was a piece of legislation that passed late in 2019 that was called the Secure Act. One of the things that this Secure Act did was make changes to how you can leave an IRA to a beneficiary. We have long had a strategy that many people employed called a stretch IRA and I know that there were some changes in the Secure Act to how, how far you can stretch a stretch IRA. I was hoping you might be able to give a little update on what changed and then how people might want to think about their estate planning in the context of that change.

Amy Diesen:
Great question Marcy. So historically, when people have inherited an IRA and they were not the spouse of the IRA owner, they had ability to stretch the IRA distributions over their life expectancy. Now if you were to inherit an IRA, as a non spouse beneficiary, what you'll do is you'll take those distributions out over 10 years. You can always take them out more quickly, but the expectation is you take those distributions in a 10-year time period or less, as a non-spouse beneficiary. Now, it's a great benefit still. This stretch IRA really can help people spread their taxes out over a number of years, at the same time it's very important to make sure that the right person is labeled as the beneficiary in the first place. So now is a wonderful time to speak to your advisor about who is beneficiary on my 401(k), on my IRA. Are they listed appropriately and will they be able to stretch as long as possible giving them the biggest tax benefit?
Marcy Keckler,
It's a good reminder that checking in on some of those basics about your accounts including beneficiaries can have a big impact on your wishes coming true at the end of your life and that it's something that advisors can certainly help you check in on. So, well Amy, I really appreciate your sharing your thoughts on how we can think about

retirement accounts in the current bear market. I think some of the, you know, key messages are you know, if you can keep saving you, you will eventually accumulate more shares and that you can check in with your advisor on your plan if you're thinking about retiring, but are there any other final messages you want to share with people around how to think about the investments in those retirement accounts or anything we haven't had a chance to cover?

Amy Diesen:
Well now more than ever is a great time to think about asset allocation, think about the sequence of returns and think about how you have your taxes set up for withdrawals and revisiting this with your advisor makes a lot of sense and they're here to talk to you about this. This is really the reason why you had a relationship with a financial advisor. So I'm glad we've got the opportunity, even in this difficult time, to help clients and really assist them in going through this process.

Marcy Keckler:
That's a reminder that advisors are here to help, they care, they know about your financial situation and, and your goals and what's important to you. I also want to just remind everyone listening that your advisor can absolutely meet with you virtually using just a phone call or even using online capabilities at ameriprise.com on our secure site. So there are great ways that you can have a thoughtful and interactive conversation with your advisor that you might normally do in the office that doesn't make sense to do today, but you can still get that same benefit. So if that's not something you've taken advantage of yet, certainly reach out to your advisor and they can help you get connected and use the full power of the features on our secure site to help you have confidence and feel in control of your financial situation.

Amy, you used a couple terms that I would love to circle back to and ask you to share just a little bit more about. One that you mentioned was the idea of locking in losses and I was hoping you could just say a little bit more about kind of what you mean when you use that phrase and, and why it's something that we want to encourage people to be cautious about.

Amy Diesen:
Thank you for asking that question, Marcy, and when I think about locking in your losses, I really think that what happens is people end up selling when the market is low and that can force them to give up the opportunity to participate in potential future growth of those investments.

Marcy Keckler:
So it doesn't mean nobody should ever make any transactions but to be really thoughtful and again that's where advisors can work with clients to make the right decisions. Another thing that you've mentioned is the idea of asset allocation and rebalancing and could you say a little bit more about why those things are especially important now?

Amy Diesen:

Well asset allocation is the cornerstone of most investment strategies and philosophies and continuing to rebalance and reassess your portfolio is routine and it's really part of what you do with your advisor on a regular basis. What we're asking you to do is to continue to manage and maintain your assets, especially during times of market fluctuation. It can help maintain what your goals are.

Marcy Keckler:
That's right. And we do know that your investment portfolio likely has a target asset allocation and market movement like we've been seeing lately. With more activity than usual or certainly than we've seen in the last 10 or 11 years, might have knocked people a little further off target from their asset allocation target then they had been in the last number of years. So a great reminder that that's especially important and then a final concept that you mentioned, Amy, is the idea of sequence of returns risk, which you know is a complicated topic and certainly a great one to talk to your advisor about, but you know, I think when we think about sequence of returns risk, essentially, it means that the order of your investment returns year-over-year can make a big difference on your financial situation and that that's why we want to be cautious about potentially thinking about withdrawals when values are substantially down. Is that how you'd, how you'd sort of think about the importance of sequence of returns as a risk?

Amy Diesen:
Absolutely, and in particular, it's a risk for people that are near or in retirement. So portfolio withdrawals, during a bear market, could potentially compound your losses because you aren't continuing to purchase and share in the gains of the market.

Marcy Keckler:
That's a great reminder. So all important topics that advisors can talk to clients about. So I want to say thank you, Amy. I appreciate your joining me today.

Amy Diesen:
Thank you for having me, Marcy, great to see you.

Marcy Keckler:
And to everyone listening, thank you for taking time to hear our audiocast and continue to take good care of yourselves and all those around you. We appreciate the trust you place in us to help you with your financial situation. Your advisor cares about you and is here to help. Thank you.

Finally, before we leave I'd like to share some important disclosure information.

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