

# OUTLOOK 2009

## What's Next for the Markets & the Economy

### TRANSCRIPT

#### OUTLOOK 2009: INVESTING TO REBUILD YOUR RETIREMENT SAVINGS

**ADAM QUINTON:** Well, Rich, we've got a lot of clients who've been diligently saving for their retirement. They're just coming up to retirement, and they've been hit by a very difficult year that's just gone by in 2008. Their portfolios obviously, in most case, suffered pretty significantly. So what advice would you give to people who are faced with that challenge? What should they be doing potentially to catch up that lost ground?

**RICH BERNSTEIN:** Well, you're right, Adam. 2008 was a very trying year for a broad range of investors. And it ... the tendency is to try to catch up, as you said, and that's probably the wrong way to view it. It's not like doubling down at the blackjack table. Rather what you do is, I think, take two different approaches.

One is: you do want to rebalance your asset allocation. If you're now dramatically underweight equities, you do want to pick up that, that equity weight. However, what people very often forget is one of the easiest ways to build wealth is through the compounding of dividends. So as you begin to increase that equity exposure again, you want to do so in very high-quality dividend-paying names, because that compounding of the dividend will help you restore your wealth over the next three, five, seven, nine, ten years.

**AQ:** And a key message, I assume, would be that people should avoid the temptation to go away from a diversified portfolio and take a risk essentially to try and get themselves back to where they hoped they would be.

**RB:** Yeah, that's right. One of the, one of the best ways to really ruin a very sound financial plan is to allow market movement and emotion to, to control the asset allocation. And rather what you want to do is you want to stick to the plan. Whatever the asset allocation was that you agreed to at some point, and you thought that was a sound baseline to use, you want to consistently rebalance the portfolio back to that.

That not only means when equities are down that you want to rebalance up, but when equities are up, you want to rebalance down. And I think people forget that both of those are extremely important.

**AQ:** So that's an important sort of year-end planning exercise with everybody's Financial Advisor, right ... that they should be thinking through that?

**RB:** I think that's right. I think it should always be done by calendar and not by event. Whatever time horizon is good for that. And then you want to stick to those meetings--and to those decisions--done by the calendar.

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