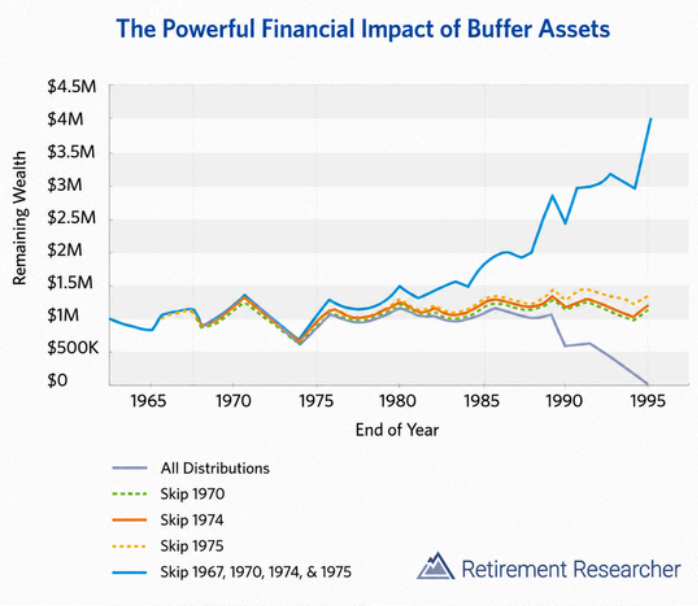
Buffer Assets

Have You Heard About the Financial Power of "Buffer Assets"?

"Buffer assets" are, ideally, highly liquid assets whose value is not correlated with the market(s) in which other investments are held, and which are also not earmarked for other use(s).

Their value in protecting an investment portfolio heavy on equities is illustrated by the graphic below, compiled by Dr. Wade Pfau, Director of Research at McLean Asset Management in McLean, Virginia and founder of the blog, "Retirement Researcher" on line.



The purple line at the bottom reflects the value of an investment portfolio starting with $1MM in 1966 with uninterrupted regular distributions, resulting in full depletion by 1995.

The blue line at the top reflects that same portfolio and distribution schedule, except that the portfolio has been spared distributions in the years following the 4 identified down years in the market.

The results speak for themselves. The lines in the middle reflect not taking distributions from the portfolio following just one of the 4 down years. Still significantly improved outcomes.

The recent 'Corona Crash' has left some retirees faced with the prospect of having to curtail their lifestyle or liquidate investments at a significant loss in order to meet living expenses. Imagine if they had a "buffer asset" to which they could turn temporarily...and give their investments a chance to participate in the inevitable recovery.

If they have equity in their home, they are very likely to have that "buffer asset"...and it's better than a HELOC. Give me a call if you would like to explore the possibility further.

*Not intended as financial planning advice. Please consult a financial advisor.

Call Today For More Information

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