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Wealthy Delay Retirement but Remain Market-Shy

By JILIAN MINCER

With battered portfolios and concerns about the economy driving even many of the affluent to delay retirement, their advisers are struggling to get them to make the appropriate changes to their portfolios.

Working longer enables people to remain more aggressively invested because they won't need to draw on the assets as soon. But many are nervous about putting money into stocks or illiquid assets such as real estate.

"Everyone's comfort level is down a peg," says Rand Spero, a financial adviser in Lexington, Mass.

The anxiety about the markets stems from the big losses many suffered in the 2008 financial crisis. It is those same losses that, according to recent surveys, have prompted even wealthy people to work longer to rebuild battered portfolios.

"People aren't as comfortable exiting their employment at this point," says Jeff Broadhurst, a financial adviser in West Point, Pa.

He typically reduces a person's stock exposure by 5% every five years and increases investments in bonds and bond funds. But he advises those who stay in the work force to keep more volatile and illiquid assets in their portfolio, since they could produce higher gains over time.

He encourages clients to have real estate in their portfolios because it adds diversification and is an uncorrelated asset class. Working longer also enables many to afford a second home.

Mr. Spero says that digging a little deeper about a client's health and job situation helps him decide how to encourage the client to invest. For example, a client who is a tenured professor and plans to work longer could be encouraged to continue holding more stocks than someone who is less healthy or is working a new part-time job that may only last six months or a year.

In the latter case, clients' extra time in the work force may have more impact on their lifestyle than their portfolio. "It's almost like working longer is not necessarily changing their portfolios," he says.

They think, instead, the extra income "will supplement and increase my chance of things going well. People are more comfortable with a lifestyle when they're still getting a check."

Mary Alpers, a financial adviser in Monument, Colo., typically keeps clients who are 55 to 70 and working longer invested in a 50-50 mix of stocks and bonds, but the final portfolio design is very client-specific. Someone needs to consider not only a client's age, health and job stability, but also his or her risk tolerance and how close he or she is to meeting savings goals.

Ms. Alpers says some clients close to their goal feel as if they can take more risks in their portfolios, while others are afraid to lose anything. For example, one 60-year-old who is staying in the work force and who already has met his savings goal, wants the assets invested conservatively because his wife may have difficulty qualifying for long-term health insurance.

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