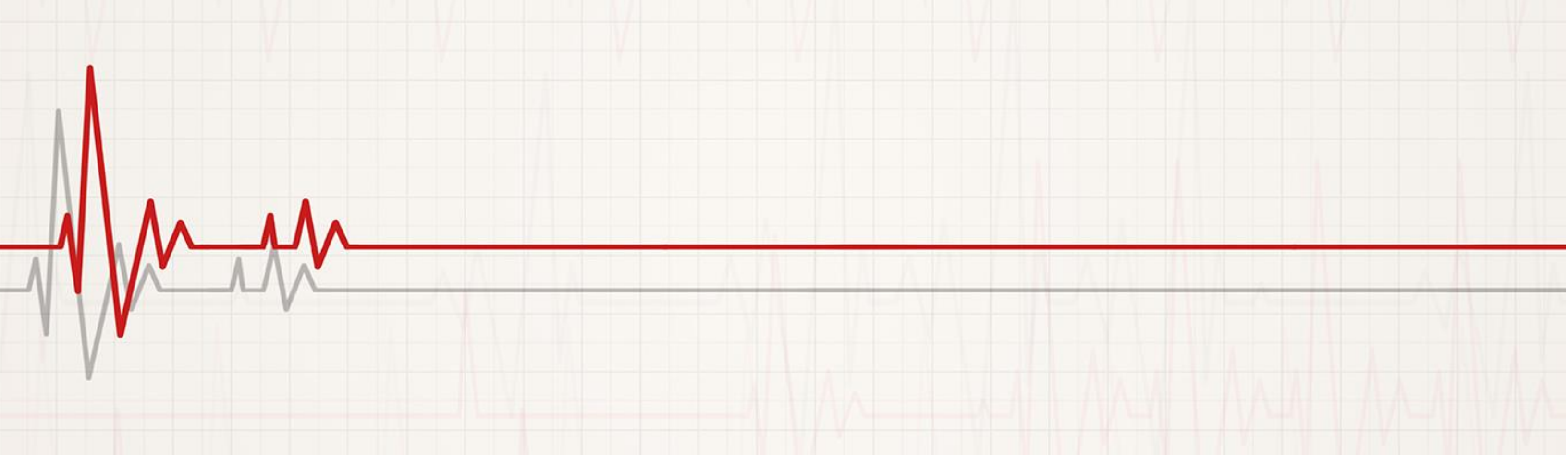

The Golden Age of Bonds May Have Died in 2022

Balancing that narrow cliff trail between risk and earning slightly more

We have probably left the golden age of bonds. Now global interest rates are near all-time lows and investors find bond returns inadequate to generate enough retirement income.

Bonds saw multiple decades of weak returns years ago, but most retirees then had both shorter life expectancies and company pensions instead of an investment account. Retirees saw far less reason to squeeze a little more return out of money.

With low bond income, many investors feel compelled to seek more investment return via more money in the stock market or high-yield junk bonds that may deliver better returns and higher income only in exchange for more uncertainly and volatility. Risk of bond issuers' default, aka credit risk, is tame right up until it isn't – sometimes also the moment that some investors ignore issuers' questionable credit quality while scrambling for that extra point.

What You Can Do Now

So how can you walk that narrow cliff trail between risk and earning slightly more? First, focus on what you can control. Though this task obviously doesn't include investment outcomes, you can learn much more about your exposure to risk, reasonably expected returns and how both match your goals.

A written investment policy (aka an investment policy statement) tied to your financial plan can add a guardrail to that cliff edge, minimizing your emotional and knee-jerk decisions when the market turns temporarily sour.

Another avenue of risk-free return: Lower your investing expenses. Understand the management fees of funds you own – and your alternatives. In some cases, you might realize real cost savings if you roll your money over into a less-expensive individual retirement account.

And the Obvious…

You can also just save more before you need to start living off your savings.

Working an extra year before you retire can reduce a lot of your reliance on investment outcomes. Not only will an extra 12 months of savings (and one fewer year of retirement income withdrawals) help, you also pad your imminent Social Security income – the best risk-free investment you can make.

And as always, find ways to reduce spending without reducing your quality of life. You might be surprised at how easily you can eliminate some frivolous expenses.