

# Senior doctors: Protect your retirement assets amid COVID-19 downturn

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**Len Strazewski**

Contributing News Writer

Your retirement future looked pretty rosy at New Year's 2020, with financial markets at historic highs and retirement account balances rising daily. Your savings and investment strategies looked like genius.

But as COVID-19 infection rates rose, financial markets fell, declining by about one-third in March and undermining the hopes of retired doctors and late-career physicians contemplating imminent retirement.

Mike Hegwood is director of brokerage marketing at AMA Insurance, an AMA subsidiary committed to helping physicians protect their finances and their assets. He said you can help protect your retirement savings if you take some strategic financial planning steps now. You can also take steps to help position yourself for a potential market rebound as COVID-19 cases decline and treatments are approved.

## Keep things in context

"Yes, the equity markets have declined considerably these past few months," Hegwood said. "In fact, they were down 20% in the first quarter and at one point, were down 30%. However, according to a recent report from Morningstar [an investment analysis publisher] the median 401(k) balance declined only 11.2% during the period. And remember, in 2019 the market delivered its best returns in six years. The S&P 500 finished up over 28% for the year, while the Nasdaq rose 35%. So, this recent decline may have only set you back to mid-year 2019 levels."

Many late-career physicians and retired doctors may have already made moves to protect their assets by rebalancing their portfolios, reducing the portion devoted to stocks and stock-market mutual funds and increasing fixed-income investments. But if not, you still might be okay.

Stocks have rebounded since the market bottomed out on March 23. In fact, the S&P 500 is projected to finish April up about 12%, its largest one-month percentage gain since 1974. However, markets are likely to remain bumpy in the coming months, Hegwood said, as the economy opens back up and we look for additional signs of recovery.

Learn more about the retired doctors who are hearing the COVID-19 battle call and looking for ways to help. Also consult the AMA's senior physician COVID-19 resource guide.

## Be ready for the rebound

How can retired physicians and those looking to retire soon preserve their previous investment gains and maintain their retirement income? Hegwood suggested investors seek ways to reduce what they withdraw from retirement accounts to preserve their balances for a rebound.

“It is critically important to plan the sequence of your withdrawals carefully. If you withdraw assets from a retirement account down 20%, for instance, you can deplete your savings very quickly,” he said. “If you use your resources in the wrong order, you can really be hurt.”

Avoid withdrawing from retirement accounts before you must, he advises. Tax law requires retirees take mandatory distributions from defined contribution plans like 401(k) or 403 (b) accounts at age 72 but the Corona Aid, Relief and Economic Security Act (CARES Act) allows accountholders to suspend their required minimum distributions in 2020. By not taking these distributions, you can help preserve retirement assets and give them more time to recover.

## Take care on withdrawals

Pull cash from other assets that are not linked to equities. Do you have a life insurance policy with cash value and a guaranteed rate of return? If so, you might consider pulling cash from the policy instead of from a retirement account invested in the equity markets, Hegwood said.

“This is especially important for those who have recently retired. The sequence in which you draw down your assets is extremely important,” he said. Retirees should consider withdrawing cash from sources not directly tied to the markets first.

Hegwood noted that these decisions are critical. So before doing anything, he said, it's always a good idea to have a discussion with your financial adviser. If you don't have an adviser, you can find one with information from the Certified Financial Planners organization, Financial Industry Regulatory Authority or through the AMA Insurance Physicians Financial Partners program. The program



provides access to a nationwide network of independent, local and experienced financial professionals who have undergone a comprehensive due-diligence process by AMA Insurance.

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Learn more about the AMA Senior Physicians Section, which gives voice to and advocates for issues that affect physicians age 65 and older, both active and retired.