Your Portfolio Isn’t Your Only Safety Net

3 MIN READ

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BY MELANIE LOCKERT

7 Ways to Take the Pressure Off Your Portfolio in Retirement

Managing risk is a major part of **retirement planning**. More often than not, you're left with questions rather than clear-cut answers. Is now a good time to stop working? What about withdrawing investments? Which assets should I use first, and most importantly, *will they last*?

During a volatile market, answering these questions can feel like an impossible puzzle to solve. When you rely too much on your portfolio income, every market downturn can feel like a high-stress event. As your balance goes down, your cortisol goes up.

Sitting in the uncertainty can be uncomfortable, so you may try to time the market. Get in, buy low, and sell high. But trying to perfect market timing using short-term investment shifts can be a losing battle. Instead, diversifying your income rather than attempting quick fixes can take the pressure off your portfolio. By doing so, you'll create the time and stability you need to focus on what *really* matters most in retirement — your health and relationships being top priorities.

Why Market Timing Falls Short

Market timing — the active investment strategy of "timing the market" to buy and sell at just the right moments — seems like a good idea on the surface. In theory, this would mean predicting future price movements in order to outperform the market.

The problem is that this strategy rarely works as planned, even for professional investors. According to **Morgan Stanley**, people who attempt to time the market

typically underperform compared to those who stay invested with a buy-and-hold strategy.

Trying to time the market can also fuel emotional decision-making and impulsivity. When markets react to the latest headlines or events, it's easy to feel like you need to respond right away. You might sell investments out of fear, rather than a well-thought-out strategy.

In the long-term, it could mean missing out on potential gains during key recovery periods. In the short-term, you could incur unnecessary transaction costs. If you're depending on your investments for income, this could be a one-two punch for your portfolio.

Avoid Locking In Your Losses

For those near or already in retirement, relying solely on investments can be **stressful**. You want to get it right, yet you don't have control over what happens in the market. If there's a down market and you're forced to sell, it could affect your long-term growth.

"The core problem is a mathematical trap called sequence of returns risk. If you withdraw cash from a shrinking portfolio, you permanently destroy its compounding power," explains Marcel Miu, a certified financial planner and the founder of **Simplify Wealth Planning**.

When the stock market is volatile, you only lock in those losses if you decide to sell. Until then, these are known as "paper losses" — **unrealized losses** that only appear on paper and can change from one day to the next. The minute you sell, those losses become realized and finalized.

If you are a new retiree, drawing down your investments in a bad market will ultimately leave you less to draw from. Not only that, but you'll have less time for your portfolio to recover.

Guaranteed Income Sources Can Strengthen Your Finances

You can't predict the market, and relying too much on investments may put you in a vulnerable position during a market downturn. Further diversifying with guaranteed income sources or active income streams can give your finances more breathing room.

"The higher your guaranteed income, the less your investments have to work for you, and that usually brings less stress," says Erik Kroll, a CFP, owner and president of **Student Loans Over 50** and **Hilltop Financial Advisors**.

However, each of the three guaranteed income sources most people rely on in retirement — pensions, Social Security, and annuities — come with significant limitations.

Pensions are now uncommon, replaced largely by 401(k) plans originally designed to supplement, not supplant them. Data from the **Bureau of Labor Statistics** shows that only 15% of private sector employees are enrolled in a pension plan. Social Security is helpful, but won't replace 100 percent of your earnings. In fact, the average worker can expect to receive about **40 percent of pre-retirement** income. And **annuities** tend to be more complex and confusing, depending on the structure.

Understanding what's available to you, and where there remain gaps, will keep you in the power seat.

7 Ways to Supplement with Active Income

Whether you're newly retired or thinking about it, adding an active income stream can also have a profound impact on both your mindset and your finances. These could include:

1. Starting a small business
2. Becoming a consultant
3. Taking on gig work
4. Working part-time
5. Investing in real estate
6. Freelancing on the side
7. Teaching in your field

"Adding just $1,500 a month from a rental property or consulting gig reduces the annual draw on a portfolio by $18,000," says Miu. "That micro-stream acts as a shock absorber. It can change decision-making from a state of scarcity to a state of abundance because your baseline survival is no longer threatened by a market dip."

Even a small stream of income can have a lasting impact on your day-to-day finances and portfolio. And, unlike a high-stress career or a typical 9-to-5, these flexible employment options allow more freedom to opt in or out.

Kroll suggests leveraging your career capital and network you've built over the years to **generate more income** doing the things you love.

Thriving In Retirement Takes More

Than a Strong Portfolio

Unlike in your younger years, you may also now have the freedom in retirement to pursue more than just money. This is an ideal time to chase your passions, learn something new, and use your hard-earned skills and wisdom to help others.

“Sometimes the appeal of a post-retirement job has nothing to do with the paycheck. It’s really about how you want to spend your days,” notes Reggie Fairchild, certified financial planner and president at **Flip Flops and Pearls**, LLC, a financial planning firm.

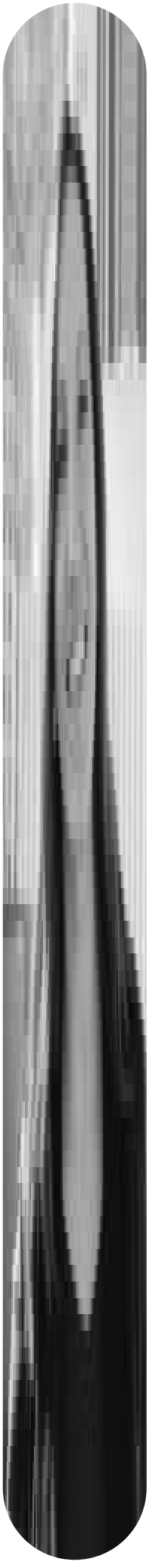
So what could that look like? Think about your ambitions, interests, and goals. Remember, it’s not too late to also experiment and explore.

“I’ve seen people take part-time airline jobs purely because they love to travel,” says Fairchild. “Others want something that keeps them moving, social, or plugged into their community. That kind of work carries real value even when the income is almost beside the point.”

As longer lives become the norm, retirement itself is being reinvented. Financial security is now the floor, not the ceiling. Those who adapt with intention, and manage their money carefully along the way will be the ones who thrive the most.

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WRITTEN BY:



Melanie Lockert