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How to model your portfolio at age 30, 45 and 60

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Financial adviser Julie Boschert Hercules, a founding member and shareholder of Renaissance Financial said building a financial portfolio isn't age specific but customized for each client. When a client is younger they have time to put a strategy in place for whatever goals they have, and as they get older the portfolio is constantly tweaked to adjust for new life experiences and market fluctuations. As they approach the cusp of retirement, the portfolio strategy is affected by the individual's retirement strategy, Social Security, pensions, inheritance and more, and then built based on how much that person needs for income.

"There is no rule of thumb," Hercules said. "It depends on the individual, their income needs and their risk tolerance."

A group of St. Louis financial advisers shared their insight on how to build and maintain a financial portfolio at some of the most critical stages in an investor's life.

Michele Clark

Founder and managing principal of Clark Hourly Financial Planning LLC in Chesterfield

Assets under advisement: $39 million

How should an individual model their portfolio at 30? I typically see a greater percentage in stocks and lesser percentages in bonds versus at 45 and 60, because at 30 a long time horizon means they can withstand the greatest market fluctuations and take advantage of the growth potential stocks offer. Stocks have the greatest potential for growth, but they also have the greatest loss, so you have to be able to withstand the fluctuation of the market.

JOHN FEDELE

Michele Clark

How should an individual model their portfolio at 45? You have to evaluate the time horizon pertaining to retirement. Early retirees may only be 10 years from retirement while late retirees may be 25 years form retirement, and it will make a difference in how one allocates the portfolio.

How should an individual model their portfolio at 60? At the cusp of retirement, investors often struggle with the conflicting demands on the portfolio between growth and capital preservation. Those individuals need to keep enough in stocks to hedge against inflation because retirees are living longer, they could be living off the portfolio for more than 30 years and need to reduce stocks and increase bonds. With fewer working years left, one cannot make up for stock market losses with earnings from employment.

Charles Baum

Financial adviser and founding member of Renaissance Financial Corp. in St. Louis

Assets under management: $1.3 billion

How should an individual model their portfolio at 30? I am really against a cookie-cutter approach to investing. There are just too many variables and too many assumptions in the stock-bond ratios. The general rule used to be that you have a bond percentage equal to your age, so if you were 20 you had 20 percent bonds, but I'm not a fan of that rule, especially with people living so much longer now than they used to. Building the portfolio depends on what we project as changing in the economy, the investor's situation and when and how much money they need. At 30, you have more time and a greater ability to withstand risks, so you could take on a higher risk in stocks. Even if your portfolio took seven hits, you most likely can still recover. Also, generally you tend to see higher performance with stocks in 15 years time, so at 30 you have time to see those stocks potentially grow versus later on when they may or may not have a positive performance in a three or five year time period.

How should an individual model their portfolio at 45? The old general rule here is putting more into fixed assets, but I don't always follow that. At 45, you start looking at when you want to retire, so in allocating a portfolio at this stage it depends on the investor's desired retirement age, how much money they want to invest, how much money they may take out later and when they will need it. The key element here is when do they need the money. The more time until they need the money, the more they can put into risk, more stocks, and the less time until they need the money they put more into bonds. But, an investor should always look to still diversify their fixed assets.

How should an individual model their portfolio at 60? One of the biggest issues here with retirement and people living longer is when an investor retires and lives off their retirement under generic assumptions about perpetual returns that are founded in the past. Investments will fluctuate. People will choose an age-based retirement strategy because it looks secure, but I believe it's a false security. The problem is that today people are looking for security, want to feel secure, and they will buy security at any cost even if it's false. Instead, I feel investors need to build their portfolios based on three factors. First, it depends on when they are going to need to start living off the money; when they will actually retire. Second, it depends on how much money they need. You would not model a portfolio for someone with $5 million the same way you would for someone with $500,000 dollars. There may be a higher portion being put into fixed assets but still with diversity in bonds. Lastly, it also depends on how much money you want to use and how much you want to, if any, leave for others such as children or grandchildren.

David Adam

Vice president of investments at Wells Fargo Advisors in Frontenac

Assets under management: $190 million

How should an individual model their portfolio at 30? It's time for many investors to think seriously about what their lives will be like in 30 to 40 years when trying to stay on top of their mortgage, put kids through school and still have some fun. This group should focus on good habits like eliminating credit card debt and making regular and significant contributions to an automatic saving plan like a company 401k plan. We see people at this stage taking on risk, and one very powerful asset they have at this stage is time. History has shown a portfolio more heavily weighted towards equity is a great way to invest when you have time on your side. At this stage, we may find a larger share of your portfolio dedicated to stocks, which offer greater growth potential than bonds or cash.

How should an individual model their portfolio at 45? Financial decisions become less forgiving and the ability to play catch up starts to become more limiting. For those who are already have built sizeable savings, wealth preservation becomes increasingly important. At this stage, people may become uncomfortable with big swings in the market and bonds might begin to play a bigger role in a portfolio, especially for those that worry about market volatility. We see people choosing to reduce some of the higher risk equities and begin to allocate toward investments that can offer both reasonable return and increase predictability

How should an individual model their portfolio at 60? This group is not just accumulating money for retirement; they are potentially getting close to the age of retirement. The ability to tolerate some loss of principal still exists although it is not as high as it was when the investor was in earlier stages. In this stage, the investor tends to become less tolerant of risk and develops a need for stable income. Few investors at 60 have the ability to recover from a substantial loss. Protection of principal should be therefore a primary consideration. Many investors choose to lower the percentage of stocks in their portfolio and raise their percentage of bonds and other fixed income investments. Those that have planned for an early retirement will begin to devise strategies to replace a significant portion of their earned income, and obtaining a reasonable return to support growing life expectancies is paramount.

For an in-depth look at investment planning and local stock performance, check out the June 20 issue of the *Business Journal*.

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