Investing in Retirement

Retirement. Time to travel, take up new projects, or spend more time with your family. It's also a time to rethink your investing strategy.

As you transition into retirement, you may want to reduce risk in your portfolio, and to allocate a greater share of your investments to income-producing securities, such as bonds or dividend-paying stocks.

Retirement investors typically allocate a large share of their portfolio to a diverse mix of bonds, such as those issued by the U.S. Treasury, municipalities, and corporations. Each type of bond offers certain advantages, but risk can vary significantly.

Another staple for retirement portfolios is dividend-paying stocks, issued by many utilities, banks, and large blue-chip companies. Since 1926, dividends have accounted for more than one-third of total returns on stocks, and have bolstered portfolio returns in down markets.

Other income-producing investments include real estate investment trusts, which invest in shopping centers, office buildings, apartments, and other commercial properties. By law they must return 90% of their earnings to shareholders as income.

Finally, annuities may also be appropriate investments in retirement, as they feature fixed or variable income streams based on specific contracts.

Whatever income-producing investments you may choose, it also could be important to maintain a portion of your retirement portfolio in growth investments that may have the potential to outpace inflation.

Stocks have been an effective inflation hedge historically, outpacing the cost of living over time.

For many investors, this two-pronged strategy — aiming to stay ahead of inflation while diversifying among income-producing investments — can be the key to a successful retirement portfolio. Your situation might differ, however, so be sure to consult a professional before putting an investing strategy into action.