Changes to make to your retirement plan in the wake of the midterm election

By Robert Powell

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The 2014 election is over and now it's time to revisit your financial/retirement/investment plan. Or is it? We asked financial planners to share what steps you should take (or not take) given the results of the 2014 election. Here's what they had to say.

Joseph Clemens, CFP, EA, co-founder/owner, Wisdom Wealth Strategies

My answer to this one is usually the boring one:

Investment strategy should not be significantly altered based on election outcomes. Republican investors who did so and exited the market based on the passing of the Affordable Care Act, aka Obamacare, because they thought it would destroy the economy would have missed out on a doubling of the S&P 500. Democrats who think they should sell out due to this week's "Republican wave" would be making investment decisions in the absence of evidence. In addition, similar to CEOs and NFL quarterbacks, leaders often receive too much credit when things are going well, and too much blame when they aren't.

Large-scale tax reform is also unlikely in the next couple of years. Instead of focusing on items they can't control like markets, retirees should focus on what they can control, such as spending. After this recent midterm election, it may be wise to focus on the smaller "death by a thousand cuts" type of issues that may come up, such as small increased property or sales taxes and other local issues that could affect their overall spending, and make adjustments as accordingly.

Daniel Galli, CFP, Daniel J. Galli & Associates

My advice to retirees who have a plan in place is to stick to the plan. Elections, Ebola, jitters, Syria, global warming and the like—there will always be something going in the world that can affect markets. However, a well-designed plan should have built in a factor to account for these types of change. I plan on staying the course.

However, if there's no plan in place, these things should spur one to get a plan put together using the financial process outlined and blessed by Certified Financial Planner practitioners.

We tend to make mistakes, in some cases, by feeling that we need to react to actions that occur and anticipate the future. For example, the overwhelming sentiment one year ago was to dump bonds. The anticipation was that interest-rate risk was inevitable and likely to start soon. Bonds continue to provide some diversification from equities, and who would have predicted bonds with positive single-digit returns so far this year?

Victoria Fillet, CFP, partner, Value Architects Asset Management LLC

The answer to your question is nothing!

If they have a good financial plan in place, a portfolio structured for the long term and have no major changes in their personal life, there is no need to react to election results.

Retirement is for the long term, and their thinking should be the same!

Mark La Spisa CFP, CFS, managing advisor and president, Vermillion Financial Advisors, Inc.

I would suggest that most retires are investing for the long hall. Most investment advisers and Certified Financial Planners provide investment advice based on long-term goals and objectives, not short-term events. Allow me to break this down further: The idea that because of a singular election that an adviser would suggest a retiree should do something different or that a retiree would want their adviser to suggest they do something different with their investments is counterintuitive.

After specializing in retirees for more than 25 years, I can tell you for certain from my experience that retirees are not short-term focused. They are not speculators or looking to jump into the next hot investment idea; they seek long-term reasonable return for the amount of risk they need to take to in order to achieve their goals.

So my answer is they should do nothing. Continue to focus on their long-term goals and objectives and review their investments regularly to make sure their investments are suitable to meet their long-term needs, their allocation is still in balance with the allocation target, and the investments within each asset class are quality investments that are still meeting the objective for why they were chosen originally when purchased. Changing just because of a singular event such as an election is not very popular with retirees nor investment advisers.

Randy Bruns, CFP, private wealth advisor, HighPoint Planning Partners

As is the case with any short-term event, we remind long-term investors of a twist on the popular phrase “Don’t just stand there, do something!” and instead advise: “Don’t just do something, stand there.”

From an investment standpoint, our advice is to ignore predictions based upon recent politics and instead follow a passive investment strategy for what could be a very long retirement. I will say this, however, the recent stock market rally surrounding the election provides a valuable mulligan opportunity for those investors who were spooked by last month’s volatility. If jitters nearly got the best of you, perhaps it’s time to consider a more conservative allocation. Also, if you haven’t rebalanced your portfolio in the past few years, now a great time to do so.

Doug Gross, CFP, branch manager, Raymond James Financial Services

Remember that changes are the norm in politics and that even big changes, like the Democrats’ sweep in 2008, are transitory. General investment principals are timeless, and don’t let swings in political power alter your long-term plans.

Alan Locke, president, Locke Financial Services

The economy is slowing, and with the Republicans in control, there is not likely to be any stimulus added, so equities should not perform too well. I would recommend income-producing investments such as real-estate rental properties, preferred stock dividends and utility companies, which pay nice dividends. AT&T, for instance, pays 5.46%.

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- Five ways a Republican Congress could change health policy
- Kathleen Day looks at Washington’s struggle over tougher standards for investment advisers, a debate that has largely been on hold leading up to Election Day, and what retirement savers should keep an eye on when the work continues. (SmartBrief/Ozy)

Robert Powell is editor of Retirement Weekly, published by MarketWatch. Follow his tweets @RJPIII. Got questions about retirement? Get answers. Send him an email here.