

**GLOBAL & LOCAL**<sup>®</sup>  
THE INVESTMENT EXPERTS

# Investments that may not be suitable for Retirement Portfolios

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It is every investor's dream to live comfortably post-retirement, however, due to poor investment choices and volatile investment climates, that might not always be the case. These choices could result from choosing the incorrect investment products, which result in poor performance. This could've been triggered by choosing an inexperienced and less-skilled financial advisor.

Whether that is the case, this article will highlight some of the investment products that might lead most retirees into misery during their retirement years.

### **Luxurious houses**

Most seniors make the mistake of wanting to go big once they retire, so they spend most of their retirement funds on their dream house, which is understandable, especially for someone who has worked since a young age and feels like now is their time to enjoy the benefits of a luxurious house. However, the reality is that for most retirees, their lifestyles do not match their dream house. Why is that so? Most people at the age of 60 and above are either single or living alone since their kids are probably grown-ups and have moved out. Therefore, the big and luxurious dream house may come with regrets when you've taken on a serious amount of mortgage debt that in most instances will outlive you. Of course, there are always exceptions to the rule and wealthy retirees may prefer to reside in a spacious house, but for the typical retiree who only receives a modest monthly cheque from retirement savings and/or government old age grants, taking out a large mortgage after retirement is sometimes a costly mistake.

### **Cryptocurrencies**

There is a considerable amount of retirees who like keeping up with the latest investment trends and cryptocurrencies definitely forms part of those "trends". Apart from it being the topic of conversation these days due to its wild ups and downs, investing in cryptocurrencies is usually a decision retirees end up regretting. In 2022, most cryptocurrencies will have dropped by 50% or more, and most seniors won't be able to recover from that type of loss in their retirement portfolios given the time it takes for some investments to recover and the age factor.

### **Company shares**

If you've worked for a long time, at one or multiple companies, you may have a good amount of company shares in your benefit plans. While it is expected that you may have an emotional attachment to your former employer, it is usually a bad decision to keep the bulk of your portfolio in company shares. To begin with, you should never hold too many shares in one company, irrespective of it being your former employer or any other company. You should also refrain from making investment decisions based on your emotions and holding onto your former employer's shares. This often has more of a psychological justification rather than a financial one.

### **Property**

Property is a good investment to have when you are a working individual, however, once that salary stops coming in, things begin to change. The majority of retirees depend on a fixed income which includes social security benefits, pension, retirement plan payments, and any other personal savings. While property is likely to appreciate over time, it does not provide an income and poses a problem when it comes to liquidation as it is hard to liquidate quickly. Property can still be a wise investment if

your retirement fund is already substantial, and you have an exceptional amount of money to live off.

### Single-strategy portfolios

Although you may have relied on a few liquid funds to get where you are now, it is ideal to hold a more cautious and diversified portfolio by the time you retire. You will still require growth in your account if you plan on funding a retirement that could potentially last 30 years or longer. However, if you choose to base your financial future on risky assets, you could end up having much less income than you need as you approach retirement. When you are in your 20s, you have time to recover from adverse markets, but in your 70s and 80s, you don't want to deal with a 20%-50% decrease in your income.

### Souvenirs

Although investing in antiques like old automobiles or coins might be a lot of fun, they are typically not a good source of retirement income. There isn't a lot of liquidity in the collectables market and the prices you can get for your assets when you sell them are significantly lower than publicised prices. While they could be interesting or pretty to look at, souvenirs typically make poor choices for retirement portfolios because they don't normally provide an income.

### Helping family with expenses

There are times when a family member might be in dire need of financial aid due to unexpected medical costs or loss of income. As family members, we always want to help where we can but that might come with consequences. One of the main consequences is the depletion of capital. Helping others out financially can lead to experiencing your own financial struggles. Furthermore, since you are helping your family member out, you do not expect them to pay you back so if you had plans for that money, you will have to make plans to get that money elsewhere.

Based on our expertise and experience every investment is judicious but the fundamental question one should ask is; is this investment product suitable for me, considering my investment objective, time horizon and risk tolerance? Furthermore, an investor should align their investment policy statement with asset allocations and investment products that deliver value to their portfolio.

**Lastly, the success of your investment portfolio largely depends on choosing a meticulous, experienced, and skillful financial planner.**

## Contact Us

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