



HELPING TO MAXIMIZE WEALTH THROUGHOUT RETIREMENT

Azura's Strategic Approach

Retirement planning goes beyond saving and investing. The real challenge—and value—lies in how you use those assets optimally throughout your retirement journey. Azura Wealth Adviser's approach encompasses every stage, from accumulation to the strategic drawdown of assets, with the goal of helping your wealth grow while preserving and using it effectively in retirement.

One of the critical factors we guide our clients through is the asymmetry of returns—the concept that *when* you withdraw from your various retirement accounts it may significantly impact your long-term financial success. This article will explain how the sequence in which you withdraw from accounts creates an asymmetry of returns, and how proper planning may help secure your financial future.

I. What is Sequencing Risk?

Average returns mean a lot less when you are taking income from your portfolio. Most retirees have a fixed dollar amount in mind they will need to withdraw on a regular basis, and how they withdraw funds should be based not on average returns, but on sequencing risk; the order in which you experience losses and gains can be more important than the losses and gains themselves. If you experience poor returns early in your retirement and simultaneously withdraw funds from your portfolio, your losses are magnified as you are distributing a fixed dollar amount from a shrinking base.

For example, two retirees with identical average returns can have very different outcomes depending on when they experience market downturns. If one encounters negative returns early in retirement while withdrawing funds, they will deplete their portfolio much faster than someone who experiences those same negative returns in later years.

II. Sequencing Withdrawals: Optimizing for Longevity

While you can't control the market, you can strategically sequence your withdrawals to help maximize your wealth. The order in which you draw from different accounts can significantly impact your portfolio longevity.

- Analyze your assets to understand which are correlated to the stock market and what drives their growth. For example, bonds, cash value life insurance and real estate are all non-correlated assets. While they may be dependent on interest-rate fluctuations, historically they experience much lower volatility than equities. And, similar to a CD, whole life insurance and annuities offer contractually guaranteed growth, but with additional tax advantages that CDs don't offer.
- Understand how the stock market is performing before choosing whether to draw down from correlated or non-correlated assets. Market performance in the years leading up to your retirement can have a profound effect on your retirement savings. Significant gains early in retirement could increase your retirement income over the long term. However, large market downturns could reduce your retirement income. Therefore, in years when you are



seeing negative returns, you are usually better off leaving correlated assets untouched, allowing them the potential to recover, as opposed to locking in losses during your golden years.

Note: It is important to develop these non-correlated assets (to diversify your equity portfolio) prior to retirement so you have opportunity to combat sequence of return risk within your distribution strategy. By sequencing your withdrawals this way, you have the potential to maximize your income and extend the life of your retirement portfolio, giving your assets the best chance to continue growing throughout retirement.

III. Navigating Asymmetry with Azura

Managing the asymmetry of returns during retirement goes beyond protecting your investments from poor market performance—it's a strategy to help make sure you're getting as much "juice for the squeeze" as possible.

At Azura Wealth Advisers, we offer personalized, tax-efficient retirement strategies to help our clients navigate the complexities of sequencing risk and help ensure long-term financial security. And by leveraging our open-architecture model, we are equipped to provide a wide array of customized solutions designed to fit your unique financial situation, helping you optimize your retirement journey.

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420 Lexington Ave 25th Fl Suite 2510, New York, NY 10170 (212) 578-0300 | CRN202503-3849336