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How to Protect Against a Bear Market

In case you haven't noticed, the bulls have been, if not quite charging, at least lumbering along for quite some time. (Of course, we're referring to the stock market, rather than any festivals in Spain.) Somewhat astonishingly, given the level of uncertainty in the world today, the U.S. stock market is in the midst of its second-longest bull run on record, and equities continue to break new records, which only encourages more buying.

But all good things *must* come to an end, which means the bears are going to come out of hibernation *eventually*.[1] While no one knows when a sell-off will begin, there are some ways to prepare.

For one, it's critical to reduce your investment risk through diversification, especially as you get closer to retirement age. **Research** shows that having sufficient retirement income is a top priority for Americans and that the most confident investors look for growth and protection.

Having multiple types of asset classes will help insulate you from market shocks so you can secure healthy cash flow in retirement, no matter what happens. As you rethink your portfolio, here are two shock-absorbing financial assets you may have overlooked.

WHOLE LIFE INSURANCE

In addition to cash value growth,[2] regardless of market performance and a guaranteed[3] death benefit to protect your heirs, whole life insurance offers the certainty of set premiums and potential tax advantages.[4]

Whole life insurance is a good way to balance fixed assets (like bonds) and equity assets (like stocks) in an investment portfolio. A whole life policy is immune to market fluctuations and provides guaranteed cash value growth that can supplement long-term goals, such as retirement, and help finance near-term ventures like an education or business.[5]

The right amount of whole life protection depends on your age, your dependents, and your earning power. In general, the younger you are, the more years of your income you need to consider when deciding on the right policy protection for you. You can learn more about **whole life here**.

ANNUITIES

Most people are happier in retirement when they have a level of steady income. A reliable income stream is the chief advantage of an annuity. Essentially, an annuity is a form of insurance that ensures you have guaranteed income in the future.

With a fixed annuity, you know exactly how much you'll earn each year. At retirement, you begin to receive a set payout at defined intervals, typically monthly, quarterly, or annually. Properly designed, an annuity can provide payments for your entire life, even if you live to 120. It's an excellent hedge against market volatility.

As part of the mix in a retirement planning strategy, annuities help reduce uncertainty. You can work with a financial professional to estimate your costs in retirement and establish an annuity to round out your portfolio, accordingly. That way, you can spend your other retirement savings with greater confidence.

Annuities typically grow tax-deferred, which means you don't pay taxes on the earnings until you withdraw the money or convert it to a stream of payments. This may provide a tax advantage, especially if you're in a lower tax bracket at retirement.[6]

Bearish or bullish, no single investor has control over the market. But you can control how you prepare for the highs — and lows — to come. Diversify to grow and protect your investment portfolio so you can optimize your financial and emotional confidence today and for years ahead.

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SOURCES:

[1] https://www.bloomberg.com/news/articles/2017-07-25/next-bear-market-for-stocks-credit-hits-in-2018-survey-shows

[2] Dividends are not guaranteed. They are declared annually by Guardian's Boardof Directors.

[3] All whole life insurance policy guarantees are subject to the timely payment of all required premiums and the claims paying ability of the issuing insurance company. Policy loans and withdrawals affect the guarantees by reducing the policy's death benefit and cash values.

[4] Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regardingyour individual situation.

[5] Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are affected by policy loans and loan interest. Withdrawals above the cost basis may result in taxable ordinary income. If the policy lapses, or is surrendered, any outstanding loans considered gain in the policy may be subject to ordinary income taxes. If the policy is a Modified Endowment Contract (MEC), loans are treated like withdrawals, but as gain first, subject to ordinary income taxes. If the policy owner is under 59 ½, any taxable withdrawal may also be subject to a 10% federal tax penalty.

[6] Towers Watson, Annuities and Retirement Happiness Report September 2012.

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