

## Model Portfolios for Retirees

### Improving Your Portfolio

by Sue Stevens | 07-05-01

One of the most common questions I get from clients and Morningstar readers is how should you divide up your nest egg after you've retired. Below are some model portfolios that can be combined with index funds, but I will also make suggestions for those of you looking for some active fund alternatives.

#### Preservation Portfolio

Do you want to ensure that your portfolio never loses money? Is your time horizon less than 10 years? Are you relying on your nest egg as your only source of income? If you answered yes to these questions, the Preservation Portfolio may be right for you.

#### Preservation Portfolio

##### % Holding

25% Stock

60% Bond

15% Cash

##### Breakdown

25% Large Value

40% Intermediate Term

20% Inflation Protected

To create a very conservative portfolio, you won't want to have more than about 25% in the stock market. Having something in the market will help you keep pace with inflation. Funds in the large-cap value category are generally considered to be somewhat less risky than those in large-cap growth. Consider **Fidelity Equity-Income II** FEQTX or **Vanguard Windsor II** VWNFX.

For your core bond holding, stick most of your money in a high-quality intermediate-term bond fund. Consider **Vanguard GNMA** VFIIX or **Vanguard Total Bond Market Index** VBMFX. If you want a tax-exempt fund, consider **Vanguard Intermediate-Term Tax-Exempt** WWITX or **Fidelity Spartan Intermediate Muni Income** FLTMX. To add further diversification, consider adding a smaller portion of your bond holdings in inflation-indexed bonds. In taxable accounts, I'd use I-Bonds—a type of U.S. Savings Bond. For tax-deferred accounts, I like **Vanguard Inflation-Protected Securities** VIPSX or **PIMCO Real Return** PRTNX.

Finally, make sure you have a comfortable cash cushion. You should have enough money in money markets, cds, or very short-term bond funds to cover two to five years of expenses.

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