How Deep Is The Hole?
Recovering From The Market Downturn of 2008

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Abstract

In this paper we analyze the impact of the market downturn in 2008 on investors nearing retirement. We first assess how declines in typical portfolio values impacted overall projected retirement incomes, factoring in Social Security, future growth and future savings. We then find that even for investors within five years of retirement, modest increases in savings combined with slightly delayed retirement can recover their pre-2008 retirement outlooks if they stay in diversified age-appropriate portfolios. Of these two recovery options, delaying retirement proves to be the most effective. Investors who moved to all-cash portfolios, on the other hand, have more work to do to get back on track. Our analysis finds that these investors are likely to have to delay retirement as much as four years *above and beyond* the steps needed to recover from the 2008 downturn had they stayed in diversified age-appropriate portfolios.