

Retirement 101, Part 8: You've Retired, Now What?

Published August 2, 2013

In this installment of the Retirement 101 Blog series, we'll discuss what to do once you're ready to access your income during retirement. Many people look at retirement as a single event they are planning for. But retirement is really only the beginning of the next part of your journey—and the planning doesn't end once you get there. As you approach – or enter – retirement, you need to determine the best way to take income without depleting all your assets. You will likely want to reduce the risks you're taking with your investments and increase your focus on options that generate income. Perhaps you're thinking about bonds, as they provide regular income. But in today's environment, individual bonds may not provide the income level you need. One option is to consider bond exchange-traded funds (ETFs). Bond ETFs may provide more income than individual bonds, since they may invest in a variety of bonds with different interest rates, maturing at different times. They can provide professional management and other benefits as well. And as we've discussed previously, ETFs can offer lower fees, transparency and many other potential benefits that can make them strong choices for retirement. Another option is to consider dividend ETFs. In today's economy, dividend-paying stocks may offer higher yields than bonds. And dividend ETFs, such as those from WisdomTree, which are weighted by the **Dividend Stream®** rather than by market cap, may offer even more income. And this fact alone can make a significant difference in a portfolio's ability to generate income. For example, the dividend-weighted portfolio below generates approximately 30% more dividend income and almost 1% more dividend yield than the market cap-weighted option. What's more—it does this using the same three stocks and the same initial investment.

Company	Market Cap ¹ (Bil.)	Dividend Stream (Bil.)	Dividend Yield	MARKET CAP WEIGHTING			DIVIDEND WEIGHTING		
				Market Cap Weight	Investment	Dividend Income	Dividend Weight	Investment	Dividend Income
A	\$400.00	\$10.00	2.5%	50.0%	\$500,000	\$12,500	40.0%	\$400,000	\$10,000
B	\$200.00	\$3.00	1.5%	25.0%	\$250,000	\$3,750	12.0%	\$120,000	\$1,800
C	\$200.00	\$12.00	6.0%	25.0%	\$250,000	\$15,000	48.0%	\$480,000	\$28,800
Totals	\$800.00	\$25.00			\$1,000,000	\$31,250		\$1,000,000	\$40,600

For illustrative purposes only.

¹ Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share.

Both bond ETFs and dividend ETFs can provide more regular income, offering monthly or quarterly interest or dividend payouts, respectively—critical when you're looking for regular income in retirement. This concludes our Retirement 101 ETF educational blog series. To learn more about retirement income, dividend weighting, WisdomTree ETFs or other investment topics, please visit www.wisdomtree.com. Read our 401(k) series [here](#).

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. The Funds focus their investments in specific regions or countries, thereby increasing the impact of events and developments associated with the region or country, which can adversely affect performance. Investments in emerging, offshore or frontier markets are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation and intervention or political developments. Derivative investments can be volatile and these investments may be less liquid than other securities, and more sensitive to the effects of varied economic conditions. Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. In addition when interest rates fall income may decline. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Unlike typical exchange-traded funds, there is no index that the Fund attempts to track or replicate. Thus, the ability of the Fund to achieve its objective will depend on the effectiveness of the portfolio manager. Due to the investment strategy of certain Fund's they may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile. Ordinary brokerage commissions apply. You cannot invest directly in an index. Dividends are not guaranteed, and a company's future ability to pay dividends may be limited. A company currently paying dividends may cease paying dividends at any time.