

Protect Your Retirement Portfolio from Tariff Risks

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Don't let tariffs jeopardize your retirement. Here are specific risks associated with tariffs and how to safeguard against them.

By David Marra

If you're like me and you've been keeping an eye on the tariff turbulence that has defined the start of the new administration, your head might be starting to spin. You would not be alone. I've spent my whole career tracking market-moving events and there is more news coming out of Washington D.C. every day than at any time I can remember. If you're a retiree, the looming possibility of trade wars between the U.S. and Mexico, Canada, China and the European Union —and who knows who else—is daunting. On top of a potential rise in the price of day-to-day items like groceries and prescription drugs, the impact on investment portfolios, which most retirees depend on for long-term income, could be very significant.

As the president's trade policy has been rapidly evolving, it's no surprise that where we sit right now is in a place of great uncertainty. While a 10% percent tariff on all Chinese imports to the U.S. has already gone into effect, the president has agreed to delay the 25% tariffs he announced on Canadian and Mexican imports until March. Again, this picture could change any day, but no matter where we land, the fact of the matter remains: Tariffs in any form pose risks that all investors, particularly those in retirement and near retirement, need to pay attention to.

The main thing to understand is that tariffs are a tax on businesses that are passed on to consumers. Countries respond to U.S. tariffs through retaliation. The larger the tariffs are, the more they stand to create a negative growth shock while also causing inflation or, at the very least, a one-time increase in price depending on how they are implemented and how trading partners choose to retaliate.

How so? Increased prices reduce consumer spending power, which is especially tough for

retirees on fixed incomes. The inflation that ensues prompts central banks to keep rates higher for longer, increasing borrowing costs, which in turn can pressure stocks and stock valuations. Such a cycle risks triggering a risk-off dynamic where investors flee stocks and seek safer assets like bonds, cash, gold or other safe haven currencies.

Tariff Risks

Before discussing what you as a retiree can do to protect your portfolio, let's dive into the specific risks in more detail.

1. Tariffs place downward pressure on earnings, valuations and returns.

Large tariffs can hurt company profits in several ways. If companies choose to absorb the extra costs, their profits shrink. If they instead raise prices to cover tariff costs, demand is likely to fall. If they try to offset the impact by pressuring suppliers to lower prices (which isn't always feasible), suppliers' earnings can suffer similar consequences. Ultimately, someone somewhere has to pay the cost.

For investors, that means potentially lower stock earnings per share (EPS) and lower valuations (P/E ratio). Historically, every 5-percentage point increase in U.S. tariffs has reduced S&P 500 EPS by roughly 1-2%. That means that if the announced tariffs remain in place, EPS forecasts could decline by 2-3%. Then comes the need to account for tighter financial conditions and policy uncertainty's effects on corporate and consumer behavior, both of which can further reduce stock prices. Overall, if the market prices are in a sustained implementation of the announced tariffs, investors are looking at a roughly 5% near-term downside to S&P 500 fair value.

2. Tariffs amplify concerns about future trade policy and potential retaliation.

Tariffs may also reduce investor confidence. Investors may worry that tariffs will fuel inflation in the near term, slow growth over the long term and the Fed may hold rates higher for longer.

[Experts agree](#), with many warning that aggressive trade measures against U.S. allies will only hurt consumers and roil supply chains. While the U.S. has become less dependent on Chinese goods over time—exports to the U.S. as a percentage of China's GDP have declined from 11.3% in 2005 to 2.6% in 2024—the country remains a key provider of essential products like computers, mobile phones, electrical equipment, rare earth metals, textile and apparel goods. As for Europe and Mexico, the U.S. has only become more reliant, with those same figures increasing from 2.1% to 3.2% over the same timeframe for

the Eurozone and from 21.8% to 28.8% for Mexico.

Many U.S. companies also manufacture goods overseas while selling primarily to American consumers (think 3M, Ford, Nike, Target, Dollar Tree—the list goes on). In a tariff-heavy environment, many goods that consumers purchase every day will become more expensive.

On the export side—which stands to be affected by a potentially stronger U.S. dollar from higher rates as well as the possibility of retaliatory measures—the picture is also concerning. In total, S&P 500 companies derive about 28% of revenues from outside the U.S. Thus, a 10% increase in the trade-weighted U.S. dollar could reduce S&P 500 earnings by roughly 2%, not including potential retaliatory measures.

So, while the expected negative impact on U.S. growth from tariffs is quite meaningful, representing about 0.2 to 0.4 percentage points less annual growth for the U.S. economy in 2025, the risk of what could happen is even larger. U.S. equities could prove more vulnerable than they have been so far if investors see these shifts as a reason to reassess their assumptions about the outlook for growth, inflation and earnings.

3. Tariffs fuel volatility for certain commodities.

While commodities are typically a more volatile asset class than traditional stocks and bonds, tariffs have upped the ante. Recent regional pricing differentials imply an 85% probability of a 10% import tariff on aluminum, a 50% probability for copper and a 30% chance of a 25% tariff on Canadian oil, so commodities are also an area to watch.

4. Tariffs stand to hurt certain sectors more than others.

Tariffs have different effects on different industries. Medical technology companies like Becton, Dickinson and Medtronic, which rely on Mexican facilities, would face higher costs, while U.S.-based medical manufacturers with minimal exposure would be less affected. In the cement sector, where 25% of U.S. imports come from Mexico and Canada, higher tariffs could benefit domestic producers but raise prices for end consumers. For steel, tariffs support higher steel prices which would flow into the cost of steel-intensive industries across the economy like automobile manufacturing and construction. As for oil, persistent broad tariffs would likely weigh on global growth and oil demand.

What does all of this mean for retirees? While you might not be able to control trade policy, you can arm yourself with the knowledge of how to safeguard your portfolio against these risks.

Ultimately, the general dynamic at work for retirement portfolios is that tariffs—if broad

and persistent enough—put upward pressure on consumer prices and downward pressure on growth. In portfolio terms, this means lower stock prices. In a worst-case scenario, it could bring about a recession. For fixed income bondholders the story is more complicated. For short-duration bond holders, tit-for-tat retaliation implies near-term inflation which should boost short-term rates but reduce long-term rates. Bondholders of different durations would face different effects as a result.

Strategies for Risk Mitigation

Because the trade policy path is still uncertain, it is important to seek out funds and strategies that actively respond to the situation as it changes and those that incorporate risk-mitigating tactics.

1. **Fortify with commodities:** While they do carry certain risks, and therefore are not for all investors, commodities can serve as an inflation hedge and a portfolio diversifier in uncertain times. Gold and oil are key assets, with gold tending to hold its value in times of uncertainty and oil acting as a safeguard against its own supply chain disruptions.

2. **Fortify with the dollar:** Tariffs will tend to keep the dollar strong at least in the short- to mid-term as long as U.S. growth does not deteriorate demonstrably, thus providing a tariff hedge. Other currencies that exhibit safe haven characteristics are the Japanese yen and Swiss franc.

3. **Sector rotation:** Sector rotation is an active strategy that involves shifting investments away from sectors highly exposed to tariff risk and rotating into sectors less affected by or favorably affected by tariffs.

4. **Active bond management:** If tariffs broadly persist, the Fed will likely need to keep interest rates higher for longer to manage inflation risks. In turn, markets would expect slower long-term growth, thus reducing long-term yields. For long-term bondholders, which is many retirement investors, this would mean lower bond income but higher bond returns. An active bond fund that is active across durations should be able to create a properly aligned portfolio, but much will depend on the particular investing strategy of the fund.

5. **Hedge strategies:** As a portfolio manager, I have many clients worried about increasing trade-related risks and I manage strategies that hedge downside market risks. The idea is to have investments within a portfolio that profit when markets go down, thus providing a much-needed cushion in times of stress and lowering the overall risk of loss for the investor. Hedge strategies can be an effective, active way to protect your retirement portfolio from loss.

It's worth pointing out the flipside of what we've been discussing: Tariffs could turn out to

be temporary or only narrowly focused on a few countries and sectors. If that's the case, while the general premise of the risk mitigation tactics outlined above holds, the specific portfolio exposures would require revision.

I understand that that doesn't provide much consolation to retirees who have spent their lives working to enjoy this time and who don't have the runway to ride out a major market downturn. Apart from the above, the best advice I can offer is to seek out a seasoned adviser who can help you navigate this complex, rapidly evolving picture and point you in the direction of fund managers who are actively managing portfolios and making thoughtful, effective moves to protect investor assets. That's exactly what I do at Markin. When in doubt, get help. Help from an expert who understands these risks and is actively responding to the situation as it develops.

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[David Marra](#) is the co-founder and chief investment officer at [Markin Asset Management](#). He specializes in building and managing investment strategies and funds for individuals in the retirement, near-retirement and accumulation phases of their lives. David works with advisers, employers, families and individuals across the United States to align their investment strategies with their goals, helping them increase their income and the value of their assets.
