

Stability Over Returns: The Key to a Secure Retirement Portfolio

Admin User · February 9, 2026

Learn why stability is paramount for long-term financial security and how to build a portfolio that prioritizes preservation over growth.

By Mark Colgan

Think you need higher returns to secure your retirement? You might want to reconsider that assumption. While conventional wisdom pushes for maximum returns, seasoned investors understand that when it comes to retirement portfolios, stability often trumps raw performance. Here's why your high-return strategy might actually be working against you.

The Stability Advantage

Many investors pride themselves on chasing double-digit returns, but here's a reality check: in retirement, predictability matters more than impressive numbers. This isn't just conservative thinking—it's a mathematical fact. The reason? It's all about protecting your capital when you're making regular withdrawals.

Think about it this way: when you're building wealth, volatility can be your friend. The ups and downs of the market create buying opportunities. But once you're withdrawing from your portfolio, that same volatility works against you, amplifying losses through "dollar cost ravaging," a process where selling in down markets accelerates the depletion of your wealth over time.

Understanding the Math of Market Drops

Let's talk about portfolio drawdowns—a concept that even sophisticated investors often overlook. When your portfolio experiences volatility while you're making regular withdrawals, the impact is far more severe than you might realize. Here's why: during market downturns, you're forced to sell more shares to maintain your withdrawal rate, leaving fewer shares to participate in the eventual recovery.

Consider this scenario with two \$1,000,000 portfolios, both supporting annual withdrawals of \$40,000:

- Portfolio A embraces stability with modest 3% annual returns and minimal volatility. After year one, it grows to \$1,030,000 and post-withdrawal, maintains \$990,000.
- Portfolio B chases higher returns at 6% annually but accepts higher volatility. If it faces a 10% decline in the first year (a common occurrence in aggressive portfolios), it drops to \$900,000. After the withdrawal, you're down to \$860,000.

Do the math: Portfolio B now needs significantly higher returns just to catch up to Portfolio A, despite its higher average return potential. It's not just about the percentages—it's about the real dollars left working for you.

The Compounding Effect of Withdrawals

What makes this even more critical is the compounding effect of these withdrawals over time. Let's extend our example into year two. If Portfolio A maintains its steady 3% return, it grows from \$990,000 to \$1,019,700 before the next \$40,000 withdrawal. Meanwhile, even if Portfolio B rebounds with a strong 15% return, it only grows from \$860,000 to \$989,000 before the withdrawal.

This simple example illustrates a profound truth: the mathematics of withdrawals fundamentally changes the risk-return equation. Your portfolio doesn't just need to generate returns, it needs to generate them in a way that supports sustainable withdrawals.

Creating a Resilient Portfolio

For those who understand market dynamics, building a low-volatility portfolio requires two sophisticated approaches:

1. **Implement strategic diversification.** This isn't just about owning different stocks, it's about selecting assets with low correlation coefficients. Include a mix of carefully selected stocks, bonds, real estate investments and alternative assets that work independently of each other. Metrics like standard deviation can provide valuable insight here, helping to measure the variability of returns and assess risk effectively. The goal isn't to eliminate volatility entirely (that's impossible), but to smooth out the peaks and valleys that can devastate a withdrawal strategy.

2. **Leverage the power of dividend-paying assets.** These aren't your grandmother's utility stocks. Think quality companies with strong balance sheets and

consistent dividend growth. These payments create a natural buffer against market volatility and reduce the need to sell assets during downturns. Consider this: a portfolio yielding 3% in dividends only needs to liquidate \$10,000 of a \$40,000 annual withdrawal, significantly reducing the impact of market timing on your wealth.

The Psychology of Stability

There's another advantage to low-volatility portfolios that rarely gets discussed in investment circles: peace of mind. While your peers might boast about their aggressive growth strategies over cocktails, they're likely not sharing their stress during market corrections. A stable portfolio allows you to focus on enjoying your retirement rather than watching market tickers.

Making the Smart Choice

If you're withdrawing from your portfolio regularly, it's time to reassess your strategy. While your golf club colleagues might brag about their high returns, retirement isn't a competition to see who can score the highest gains. It's about preserving your wealth and ensuring it lasts. During the distribution phase, the focus shifts—from how much you can make to how much you can keep. This helps ensure you have enough to support your lifestyle.

The real sophistication in investment strategy isn't about chasing the highest returns. It's about understanding when stability becomes more valuable than potential upside. For those making regular withdrawals, a low-volatility approach might be the most intelligent strategy you're not using.

Remember, this isn't about settling for less, it's about optimizing your portfolio for what actually matters in retirement: sustainable, reliable income that lets you maintain your lifestyle without losing sleep over market swings. The true measure of investment success in retirement isn't your portfolio's peak value, it's how well it sustains your desired lifestyle through all market conditions.

About the author: Mark Colgan, CFP

At Montage Wealth Management, Mark and his team are dedicated to guiding you through life's transitions with financial advice that's as unique as your story. They take the guesswork out of complex decisions, breaking everything into simple, manageable steps and standing by your side with unwavering support—so you can embrace the future with confidence and enthusiasm.

For further details, please visit [Montage Wealth Management](#).

Securities and advisory services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. Fixed Insurance products and services are separate from and not offered through Commonwealth. Montage Wealth Management, 179 Sully's Trail, Suite 302, Pittsford, NY 14534. 585-485-6668.

Diversification does not assure a profit or protect against loss in declining markets, and diversification cannot guarantee that any objective or goal will be achieved.