

diversifying retirement accounts

When too much company stock becomes *a risk to retirement*

THE CHALLENGE

It's common for employees, especially those who have participated in an Employee Stock Ownership Plan (ESOP) or received company stock as part of 401(k) matching, to accumulate a significant portion of their retirement savings in a single company's stock. Over time, this concentration can grow quietly, often unnoticed amid busy lives and shifting priorities.

Consider someone approaching retirement who discovers that more than 15% of their 401(k) is tied up in their employer's stock. While loyalty and confidence in the company may feel reassuring, this level of concentration creates a heightened risk. A sharp decline in that stock's value can not only impact the portfolio but also affect job security, leading to a "double risk" scenario.

THE PROCESS

Taking a fresh look at retirement accounts with an eye toward diversification is key. Many plans now provide access to a variety of low-cost funds designed to balance risk across sectors and asset classes. Shifting out of a concentrated stock position into a diversified portfolio helps reduce vulnerability without abandoning belief in the company's future.

This process often begins with a candid conversation about the trade-offs: what the risk looks like, what the alternatives are, and how diversification aligns with long-term financial security. For those with emotional ties to their employer's stock, understanding the benefits of spreading risk can make the decision easier and more empowering.



THE OUTCOME

Clients who proactively reduce company stock concentration often avoid significant losses during market downturns. For example, when an employer's stock price falls sharply, a diversified portfolio cushions the blow, preserving retirement savings and peace of mind. This proactive step can make a meaningful difference between financial stress and confidence on the path to retirement.

REFLECTION & TAKEAWAY

Concentration risk in retirement accounts is a common but often overlooked challenge. Regularly reviewing 401(k) allocations and taking steps to diversify can help protect against unexpected market shifts. Remember, diversification isn't about abandoning loyalty, it's about safeguarding your future.

If it's been a while since you reviewed your retirement portfolio, consider making it a priority. Thoughtful planning today can help ensure financial security and peace of mind tomorrow.

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