

# The importance of asset allocation for retirement and estate planning

**Asset allocation is one of the most critical decisions in building and preserving wealth, particularly as it relates to retirement and estate planning. The way investments are allocated across different asset classes not only determines the growth and security of retirement savings but also impacts how your wealth can be transferred to future generations. Importantly, asset allocation is not a static strategy — it should evolve over time to reflect changing financial goals, risk tolerance and estate planning considerations.**

## **The role of asset allocation in retirement planning**

Retirement planning requires a careful balance between growth and preservation. In the early stages of wealth accumulation, investors generally favor growth-oriented equities that may be volatile over the short term but have a stronger return potential over the long run. However, as retirement approaches, the focus shifts toward preserving capital and generating income. A well-structured asset allocation strategy ensures that an investor can maintain financial security throughout retirement while minimizing the risk of market downturns.

### **Early career (20s-40s): Growth phase**

In your 20s and 30s, retirement can seem like a distant concern. But the decisions you make now — how much risk to take, how aggressively to invest — will shape your future financial security.

During this phase, individuals have the advantage of a long investment horizon, allowing for a higher tolerance for volatility. A growth-focused portfolio may include a high equity allocation (80-90%), diversified across market capitalizations and countries. Alternative private investments, such as Private Equity or Real Estate, may also be considered by high-net-worth investors who are comfortable with long, lock-up holding periods.

Bonds and other fixed income securities will generally play a minimal role, serving primarily as a hedge against extreme market downturns or for short-term needs.

### **Mid-career to pre-retirement (50s-60s): Transition phase**

As individuals approach retirement, asset allocation often shifts toward a more balanced structure to mitigate volatility. A gradual increase in fixed income holdings, such as investment-grade bonds or municipal bonds, can help stabilize returns. Additionally, exposure to income-generating assets like dividend-paying stocks and real estate investment trusts (REITs) can provide diversification and steady cash flow. Depending on risk tolerance, a portfolio may transition to a 60/40 or 50/50 equity to fixed income mix.

## Retirement (65+): Preservation and income phase

At this stage, capital preservation and predictable income become paramount as you enter retirement. A well-diversified portfolio might include treasuries, laddered bond portfolios and structured income vehicles. Income-generating assets such as blue chip, dividend-paying stocks and real estate can add further income with the potential to provide some appreciation. Maintaining a cash reserve covering two to five years of expenses can serve as a safeguard against market downturns, preventing the need to liquidate assets at unfavorable prices.

High-net-worth individuals that have their retirement needs more than fully met may consider continuing to invest in riskier assets to give their next generation a larger inheritance. This can be a tax efficient estate planning strategy to take advantage of the step up in basis that their estate will inherit.

## Tax and estate planning considerations

While an appropriate asset allocation plan is imperative for achieving financial success in retirement, using tax-efficient accounts can lower your tax bill by meaningfully impacting the ending value of your investments. For example, a Roth IRA allows your investments to grow tax free as any income or capital gains received from investments in a Roth IRA account will not be taxed by the Federal government.

Effective estate planning can minimize the impact of estate taxes, capital gains taxes and income taxes on beneficiaries. Utilizing trusts, gifting strategies and tax-advantaged accounts can preserve wealth for the next generation. For instance, contributing to a child or grandchild's 529 plan allows for tax-free growth of investments that are used to pay for qualified educational expenses. Thoughtful planning can lower your tax bill while helping your estate.

## Summary

Managing the allocation of your assets is a dynamic and sophisticated strategy essential for retirement security and estate planning. By thoughtfully adjusting investments over time, individuals can optimize returns, manage risks and ensure a steady income throughout retirement. A well-crafted allocation strategy is not just about accumulating assets — it is about sustaining financial independence throughout retirement and helping your family's next generation.

Whether you're just starting your career, nearing retirement, or thinking about your legacy, your asset allocation choices will shape your financial future. Take time to review your portfolio, explore tax-efficient strategies and ensure your wealth works for you and for generations to come. Your Mesirow Wealth Advisor will help ensure that your asset allocation strategy over time is aligned to help you meet your goals at every stage in life.

Published March 2025

**Mesirow does not provide legal or tax advice.** Past performance is not indicative of future results. The views expressed above are as of the date given, may change as market or other conditions change, and may differ from views expressed by other Mesirow associates. This is not a solicitation to buy or sell the securities mentioned. Do not use this information as the sole basis for investment decisions, it is not

intended as advice designed to meet the particular needs of an individual investor. Information herein has been obtained from sources which Mesirow believes to be reliable, we do not guarantee its accuracy and such information may be incomplete and/or condensed. All opinions and estimates included herein are subject to change without notice. This communication may contain privileged and/or confidential information. It is intended solely for the use of the addressee. If you are not the intended recipient, you are strictly prohibited from disclosing, copying, distributing or using any of the information. If you receive this communication in error, please contact the sender immediately and destroy the material in its entirety, whether electronic or hard copy. This material is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

Mesirow refers to Mesirow Financial Holdings, Inc. and its divisions, subsidiaries and affiliates. The Mesirow name and logo are registered service marks of Mesirow Financial Holdings, Inc. ©2026, Mesirow Financial Holdings, Inc. All rights reserved. Any opinions expressed are subject to change without notice. Past performance is not indicative of future results. Advisory Fees are described in Mesirow Financial Investment Management, Inc.'s Form ADV Part 2A. Advisory services offered through Mesirow Financial Investment Management, Inc. an SEC registered investment advisor. Securities offered by Mesirow Financial, Inc. member FINRA and SIPC.