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GUEST COLUMN

Congress leaves U.S. dangling off fiscal cliff

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It may feel like Déjà vu for Delaware County investors. The federal government's feuding over a shutdown has dominated the news—and a larger issue looms in the upcoming "Fiscal Cliff 2.0." As the federal debt ceiling approaches in mid-October, some view the potential political standoff over raising the debt ceiling as a Congressional bluff, but citizens of Delaware County—and beyond—need to recognize that the dangers are real. Even if a default is avoided, the agreed-upon resolutions may have their own negative consequences.

Whatever the outcome, the cloud of uncertainty created by Congress will impact the financial markets. The threat of another fiscal cliff will likely steer industries into more conservative spending, significantly slowing investments in new facilities, and jobs. This could spell disaster for our fragile recovery, cramp the recent success in the markets and create disaster for those who have just begun to recover their losses from the Great Recession.

Going over the cliff presents a slew of additional problems, beginning with the U.S. defaulting on its debt payments, which will hurt the global economy. The territory is decidedly uncharted, and while it's unlikely, even the possibility will be a drag on markets internationally.

However, particularly for seniors, the pain of a resolution may be as bad as a default. Entitlement programs like Social Security and Medicare are areas that could be deeply affected through an agreement in order to cut long-term government spending.

So, we know there is trouble brewing: What can we do about it?

First, on the positive side, younger investors ages 25-40 will be impacted on a much lower scale. For middle-aged investors between 40 and 55, the less risk at this time in your life the better. Consider diversifying your assets into low-risk savings and money market accounts and looking at secure alternatives such as annuities. For those ages 55 and up, tread lightly and avoid market risk, or else you risk losing a significant portion of your investments without enough time to recuperate them before retirement.

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It's also important to understand the fragile nature of bonds, which have typically been a conservative, yet rewarding investment. When interest rates inevitably go up, bonds bought at lower rates will be effectually valueless. In this uncertain market, bonds are not a strong option.

Glen Mills-based Daniel A. White & Associates has been helping families through difficult financial circumstances in order to make the right choices for their lifestyle since 1987. For more information, visit www.danwhiteandassociates.com or call 610-358-8942.

And remember, no matter your age or investment situation, if you are uncertain of your savings strategy, consult a financial professional to help you understand your options.

Navigating the multitude of choices can be tricky in a thriving economy, let alone in a tumultuous economy. Take time to evaluate your situation and determine the best course of action for your lifestyle. While younger savers can likely weather the storm and recuperate any lost assets, those nearing retirement should certainly consider more conservative options. Now isn't the time to gamble with your nest egg. ■

Based in Glen Mills, Dan White is the founder and president of Daniel A. White & Associates, a financial planning firm specializing in asset protection and transitional and retirement planning. White is a Chartered Financial Consultant and Chartered Life Underwriter. For more information, visit www.danwhiteandassociates.com.