

Weekly Insight
April 27, 2026

Could You Afford Your Bills if the Market Drops 15%?

This Week's Focus

If you are close to retirement, a market drop is not only scary. It can force bad decisions.

Schwab explains that when markets fall early in retirement, withdrawals can drain savings faster because you may have to sell more investments to raise the same cash for bills. Morningstar calls the 10 years around retirement the "retirement risk zone" because this is when poor returns can do the most damage.

This issue of SFL Weekly Insights shows how to build a simple monthly plan so your essentials do not depend on market timing.

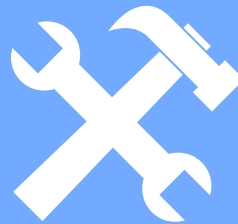
What You Will Learn



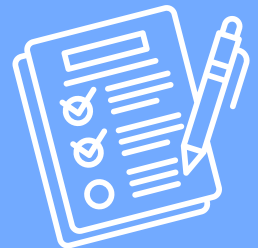
Why early market drops can drain savings faster



The "retirement risk zone" most people fail to plan for



How to build an essentials-first income floor



A 4.5-minute worksheet to test your plan



The Sequence Trap

How A Market Drop Can Drain Your Savings

If you are close to retirement, it is normal to feel tense when the market moves. For many people, it is not “fear of investing.” It is fear of one thing: **What happens if the market drops and I still need monthly cash?** This is a real risk, and it has a name. Schwab explains that a market drop early in retirement can do more than lower your account value. It can shorten how long your savings lasts, because you may be forced to sell more investments to raise the same amount of cash for bills; that leaves fewer assets to recover later. Morningstar calls the years around retirement a “retirement risk zone.” The reason is simple: **you are near the point where you stop adding money and start taking money out.** A bad sequence of returns during this window can put your plan in danger. This is why some people say they are “one market drop away.” Their plan works when markets are calm, but it breaks when markets fall.

The 3 patterns that create the danger

Pattern 1: Bills depend on investments

If your essentials require withdrawals each month, a down market can force you to sell at the wrong time. Schwab shows how this timing can drain savings faster than most people expect.

Pattern 2: Withdrawals stay rigid, even when markets are not

Capital Group explains a key idea: what hurts retirees is not only the market. It is how withdrawals happen during a downturn. When spending stays fixed while markets fall, losses can get “locked in.”

Pattern 3: No buffer for surprises

Without a dedicated emergency buffer, one unexpected expense can force extra withdrawals at the worst time. Your Guaranteed Income guidebook warns that without an emergency fund and a withdrawal strategy, even a well-planned approach can unravel during a downturn or crisis.

Create an “income floor” for essentials

An income floor means that your must-pay bills are covered each month without depending on market timing. When essentials are protected, you can let investments do their job with more patience. By building an “income ladder”, you are not forced to liquidate assets prematurely when markets are unfavorable.

A simple way to think about it: **you are not trying to win the market, you are trying to keep your life steady.**

Here is the shift:

- Old plan: “I will withdraw the same amount no matter what.”
- Better plan: “My essentials stay steady. My withdrawals can adjust when markets are weak.”

Morningstar reinforces this idea when discussing how early retirement losses plus withdrawals can create a double hit, and why withdrawal planning matters.

Your 4.5-Minute Market Drop Readiness Check

SFL Solutions
For
Life

Step 1: Write your monthly essentials

Housing: \$ _____
Utilities: \$ _____
Groceries: \$ _____
Transportation: \$ _____
Insurance: \$ _____
Medical: \$ _____
Other essentials: \$ _____
Total Essentials: \$ _____

Step 2: Write your reliable monthly income

Social Security: \$ _____
Pension: \$ _____
Other reliable income: \$ _____
Total Reliable Income: \$ _____

Step 3: Find your "market drop gap"

Essentials Total minus Reliable Income
Total = Gap
\$ _____ - \$ _____ = \$ _____

Circle one: No gap | Small gap | Big gap

Score

0-2 YES: You are more **stable** than most. Confirm your plan. **3-4 YES:** You are **at risk** in a downturn. Review now. **5+ YES: High risk.** Do not wait for the market to test you.

Step 6: Bring this to with you to your appointment (so it is fast)

My retirement date (or best guess): _____
My biggest fear: Selling low | Running out | Losing control
My 3 largest monthly bills: _____
My current savings statement location: _____

Step 4: Your "down market plan"

(check ONE)

If the market drops and stays down for a while, I would pay my bills by:

- Using a cash reserve or short-term reserve first
- Reducing spending until markets recover
- Selling investments to raise cash
- I do not know

If you checked "Selling investments" or "I do not know," this is a warning sign. Research shows that selling during a downturn while taking withdrawals can drain savings faster than people expect.

Step 5: The One-Market-Drop-Away Score

- YES / NO I would need withdrawals to pay essentials.
- YES / NO I do not have a dedicated emergency buffer.
- YES / NO I would sell investments if the market drops.
- YES / NO My withdrawals would stay the same in a downturn.
- YES / NO I do not have a written withdrawal plan.
- YES / NO One bad year could change my retirement timeline.

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