



EXECUTIVE
PROGRAM

Volatility Across the Decades



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The Same Market, Different Meaning

The market behaves the same way regardless of your age. It rises, falls, overreacts, and recovers. Volatility is constant. What changes over time are your time horizon, cash flow needs, obligations, and psychology. Because of that, volatility does not mean the same thing at 28 as it does at 58.

Your 20s: Accumulation and Discipline

In your 20s, you are almost certainly a net buyer of investments. You are contributing to retirement accounts and are decades away from withdrawals. Volatility at this stage is largely a pricing mechanism. When markets decline, your contributions buy more shares, which can compound over the long term.

The primary risk here is behavioral. Loss aversion, identified by Daniel Kahneman and Amos Tversky, shows that losses feel roughly twice as painful as equivalent gains feel good. A 15 percent drop is uncomfortable, even when it is statistically ordinary.

The greater danger is inconsistency. Failing to invest regularly, retreating to cash because it feels safer, or attempting to trade around headlines can be far more damaging than a downturn. In this decade, volatility is tuition. Patience is the advantage.



Your 30s: Rising Stakes

By your 30s, income often rises as you take on responsibilities such as mortgages, children, career transitions, and college savings. Portfolio balances grow, and so do dollar swings. A 10% decline now represents meaningful money. The math has not changed, but the emotional impact has.

Research by Shlomo Benartzi and Richard Thaler on myopic loss aversion shows that frequent portfolio monitoring increases the likelihood of reacting conservatively after observing short-term losses. Overachievers tend to monitor closely, which can unintentionally increase anxiety during volatile periods.

Volatility in your 30s remains largely an opportunity because your time horizon is still long. The discipline required is not prediction but consistency. Increase savings as income rises, maintain appropriate equity exposure, and build sufficient liquidity so that market declines do not pressure you into changing your long-term allocation at the wrong time.

Your 40s: From Opportunity to Strategy

In your 40s, retirement becomes visible rather than theoretical. Portfolio swings may now represent six figures. Loss aversion intensifies as dollar amounts grow. Asset allocation, meaning the mix of stocks, bonds, and other investments in your portfolio, becomes increasingly important. It is the primary driver of both risk and return.

Overconfidence can quietly emerge as well. Research by Brad Barber and Terrance Odean has shown that investors who trade more frequently tend to earn lower returns. Professional competence does not eliminate behavioral bias. Volatility in your 40s is not a signal to abandon your allocation. It is a prompt to evaluate whether your allocation still fits your goals.



Your 50s: Risk and Timing

In your 50s, planning shifts toward transition. Volatility now interacts with timing. You are no longer asking only whether the portfolio will grow, but whether it will support a sustainable shift from accumulation to withdrawal.

Sequence of returns risk refers to the impact that the order of market returns has on a portfolio once withdrawals begin. Research in retirement income planning, beginning with William Bengen's work, demonstrates that poor returns early in retirement can disproportionately affect long-term sustainability.

This does not mean eliminating equity exposure. It means aligning risk with expected cash flow needs. Liquidity buffers, diversification, and thoughtful withdrawal design become central. Forced selling, meaning the need to liquidate investments to meet spending needs during a market decline, becomes more relevant as withdrawals approach.

The goal in this decade is resilience, not maximization.

Your 60s: Distribution and Structure

In your 60s, many investors begin withdrawing from their portfolios. Volatility is no longer a discount. It becomes a withdrawal variable.

A market decline combined with ongoing withdrawals can impair a portfolio if reserves are not thoughtfully structured. Separating short-term spending reserves from long-term growth capital can help manage this risk. Maintaining adequate liquidity reduces the likelihood of forced selling at inopportune times.

When volatility is anticipated and integrated into a structured income plan, it is manageable. When ignored, it can become disruptive.

Your 70s and Beyond: Stability and Stewardship

In your 70s and beyond, objectives often shift toward stability, income sustainability, and legacy. Growth still matters, but the marginal benefit of taking additional risk may diminish relative to the emotional cost of large swings.



Volatility at this stage is less about maximizing return and more about protecting lifestyle and preserving capital. Simplicity, clarity, and alignment with long-term intentions become more important than chasing incremental performance.

Reflection Questions

As you consider your current decade, it may be worth asking:

- What is my true time horizon before I need to begin withdrawals?
- Is my asset allocation aligned with that horizon, not just with recent performance?
- If markets declined 20 percent tomorrow, would I feel pressure to change my allocation?
- Do I monitor my portfolio in a way that increases discipline or anxiety?
- If I am within 10 years of retirement, have I explicitly planned for a sequence-of-return risk?
- Is my current structure designed for resilience, or simply growth?

Closing Perspective

Volatility is constant, but your responsibility to it evolves. In your early decades, it asks for patience. In your middle decades, it asks for alignment. In later decades, it asks for structure. At every stage, it asks for discipline. The investor who adapts thoughtfully over decades is not the one who predicts the future best, but the one who understands their own stage.

