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For some investors, patience is hard advice to follow

But even retirees and others with pressing needs should try to avoid selling stocks now, experts say.

By JOHN RICHARDSON Staff Writer October 1, 2008

The standard advice to investors has been loud and clear, even above the turmoil on Wall Street and in Washington.

Don't panic. Wait it out.

But leaving savings in the stock market could be particularly hard for workers about to retire, or for families about to send a child to college. Even then, experts say, it makes sense to buy time -- even a year or two -- and avoid drawing retirement and college savings out of stocks until the market has a chance to recover.

That could mean using other funds for the next college tuition bill, and it might lead some people to delay retirement, some financial experts said.

"This is the exactly the wrong moment that you want to be pulling (savings) out of the stock market," said Brian Dietz, a certified financial planner and owner of Portland Financial Planning Group.

Retirement savings and college savings are the two primary reasons many American families have been sweating out the dramatic ups and downs of the stock market recently. Retirement 401(k) plans and education-savings 529 plans are often heavily invested in the stock market and could have lost 25 percent of their value this year.

Financial advisers say the values will recover and grow in the long term. And they say they have always encouraged investors to gradually move savings from stocks to safer investments, such as money market accounts, as the time approaches to retire or enroll in college.

"If you're going to put it in the stock market you have to assume you will leave it in for five years," said Susan Veligor, certified financial planner and owner of Cornerstone Financial Planning in Portland.

Those who didn't make that adjustment in time are getting a painful reminder.

College financial aid officers said there has been no flood of calls from panicked parents. But it's clear that some families are adjusting, said Andrea Cross, associate dean for financial aid at Saint Joseph's College in Standish.

Applications for low-interest student loans have increased at the school, apparently as an alternative to using savings. And, she said, "we have some families that are concerned their job situations will change as a result" of the economic turmoil.

Colleges typically reopen the financial aid process if a family's financial circumstances change.

Families who saw college savings whither in the market in recent weeks should, if possible, pay tuition with other funds for now and draw on stock-market accounts for future bills, advisers said. For those starting new college savings accounts, financial advisers strongly favor age-based funds that automatically shift to more conservative investments as students approach the end of high school.

"We recommend that people put their college savings on autopilot," said Michael Donahoe, certified financial adviser and principle of On Course Financial Group in Portland.

The experts have similar advice about retirement savings, saying investors should shift to more conservative investments as they age. But retirement can last 30 years or more, so financial advisers say a good portion of retirement money should remain in the market even at age 65.

Retirees who have adequate cash in money markets or savings accounts unaffected by the stock market will be able to draw on that money to get through the market upheaval, experts said. Those who were more exposed to the stock market decline might delay retirement rather than start withdrawing money before the market can recover.

"Anyone who's in the position of retiring in the next six months or year really has to evaluate the feasibility of that," Dietz said.

Having to pull 401(k) savings out of a bad market is especially risky if it happens at the beginning of retirement, according to the experts.

That's because the money won't be there to recover and grow in value, and the loss will be magnified over the next three decades.

"New retirees have a particularly challenging situation," Donahoe said.

The market fluctuations are clearly a concern for older workers, said Dave Tomm, president of Seasoned Workforce LLC in Rockland.

"Right now this economy really has a lot of people afraid," said Tomm, a 68-year-old who connects older job seekers with employers.

Tomm said working past 65 offers people a lot of advantages beyond the financial ones. "It keeps them healthier and happier," he said.

But some who hadn't planned on it may well be forced to keep working, or come out of retirement and find a part-time job, because of the economic turmoil.

"It's got a lot of people concerned about which way things are going," he said. "We've never seen this kind of thing in our lives, even those of us who are 68 years old."