7 Ways Trendy, But Volatile, IPO's Can Add Significant Risk To Retirement Portfolios

Plus, How IPOs Can Covertly Become Included In Portfolios, Without Investors' Knowledge Or Approval

PHILADELPHIA, PA, UNITED STATES, July 31, 2026 /EINPresswire.com/ -- The recent Initial Public Offering (IPO) of SpaceX captured the world's attention because on its opening day, the company's approximately $2 trillion capitalization, made it the largest IPO in history. The excitement regarding the company's plans for rockets to Mars, data centers in space, an ever faster-growing Starlink business, and more, generated frenzied excitement for purchasing the company's IPO shares. The fact that the SpaceX lost about $5 billion during its previous year, with virtually no indication when the company will turn the profit corner, failed to damper the exuberance.

> Although owning an IPO can be exciting people who are at or near retirement should be cautious & work with their advisor to minimize the potential to derail long-term retirement investment strategies."
>
> *James Graves, Investment Advisor and Principal at Joppa Mill Advisors*

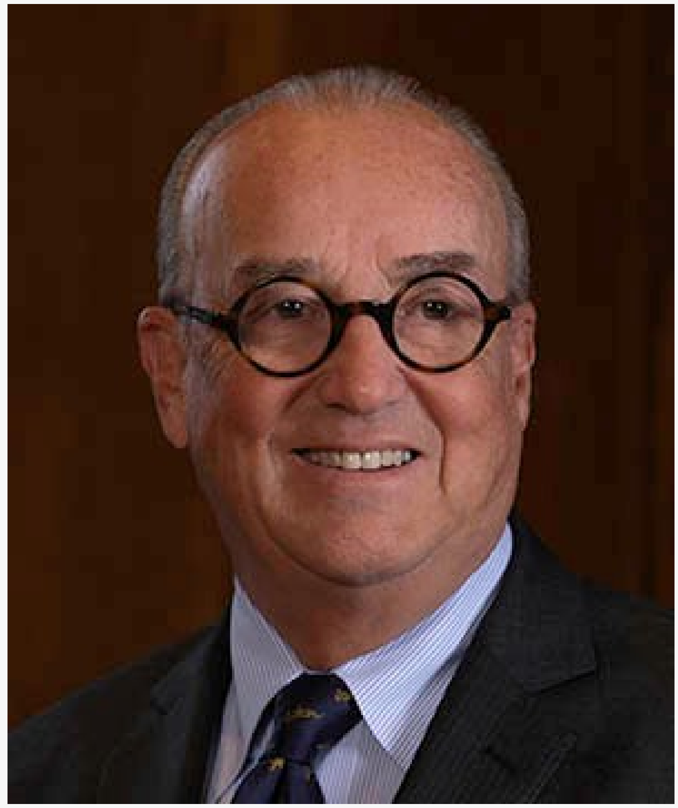
Many retirees, who recall missing out on investing in past big opportunities such as the beginnings of the internet, cloud computing, Nvidia and other investments, didn't want SpaceX - as well as other exciting IPO's in the works this year, such as OpenAI, Anthropic and others - to pass them by. Many retail investors pushed to include IPO's in portfolios.

"The fear of missing out (FOMO) on "the next big thing" can lead to pursuing high risk, impulsive actions based on emotion. However, a prudent retirement strategy should be built around long-term goals, cash-flow needs, tax exposure and risk tolerance . . . not headlines," said James W. Graves, CFP®, a nationally recognized investment thought leader, investment advisor and founder of Joppa Mill Advisors.

Graves points out that potentially volatile IPO's can significantly add to retirees' sequence of returns risk by unexpectedly reducing portfolio value early in the retirement cycle. Loss of value can negatively influence the income timeline, affecting future returns and income.

Graves has identified 7 ways IPOs like SpaceX and others can add unexpectedly high levels of risk to retirement portfolios, including:

1) IPO valuations can be based on unverified future expectations and not on sound financial facts and analysis. Once the initial excitement wears off, the true value of the company becomes apparent and the market price will move below the opening offering price, reducing the value of the holdings.


James W. Graves, CFP® investment thought leader and advisor

2) Opening valuations can also be influenced by initial investment exclusivity, driven by supply and demand. Once the supply of shares increases and/or the demand falls, the value can quickly decrease.

3) IPO volatility can be magnified when opening investors seek to cash out in order to make a quick profit, potentially lowering the price soon after the offering.

4) Retail investors often "don't know what they don't know." There are different reporting rules for public & private corporations. Therefore, important, relevant information may not be disclosed until after the company is publicly traded.

5) Retail investors often have to pay more for their investment in IPOs because they have to buy on a secondary market. Compared to institutional investors, the higher price per share paid by retail investors can reduce or eliminate their profit potential. Secondary markets are also slower to respond to order action, potentially leaving buy or sell orders in limbo while the market moves one way or other with greater fluctuations than anticipated.

6) IPO investments can also be adversely affected by a second wave of sell-off after the "lock-up" period ends. Employees and others often dump shares as soon as their contractual restriction ends. This phenomenon can reduce the value of a stock months after its IPO, increasing the share supply and decreasing share value. This phenomenon can adversely affect retirees' sequence of returns should their redemption timing be inopportune.

7) Because IPOs are often a new fund raise for companies, it can be less clear how the funds raised will be used and, more importantly, how they will be used to turn a profit, potentially affecting retirees' portfolio value.

Reuters performed an analysis of the 50 IPO's with the highest valuations during the past five years that demonstrates that investors would have been better off buying an S&P 500 index fund about three-quarters of the time. That said, Graves warns that IPO's can covertly creep into investment funds without the retiree knowing about it. He provides an example where investors can unwittingly "own" SpaceX, for example, without knowing about it. Many retirement portfolios own stock market index funds. Because two major stock market index providers — the Nasdaq and the FTSE Russell — have adopted fast entry rules that will allow SpaceX to become part of their indexes, an index fund owner can own a piece of SpaceX without even authorizing the ownership.

Said Graves, "Although owning an IPO can be exciting, people who are retired or near retirement should be cautious about doing so. Above all, they should work with their professional investment advisor to limit risk to their sequence of returns, which has the potential to derail their long-term retirement investment strategy and results."

ABOUT JAMES GRAVES, CFP®

James W. Graves, CFP® is a nationally recognized investment thought leader, investment advisor and Founder of Joppa Mill Advisors. He began his career at Bankers Trust Company as a commercial lending officer before transitioning to BTCo.'s trading desk where he was an institutional bond salesman and subsequently underwrote and traded Federal Agency bonds. Decamping from New York, Graves has held senior positions with Wilmington Trust Company, T. Rowe Price, Acadian Asset Management, Morgan Stanley and Merrill Lynch. In addition to his holding the preeminent industry designation, Certified Financial Planner®, he holds degrees from Trinity College in Hartford CT (B.A. English/Political Science) and New York University Stern School of Business (M.B.A.).

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