

How Best to Fund Cash Needs in Retirement

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EKS ASSOCIATES

Fee-Only Comprehensive Financial Life Planning

Princeton Adult School

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How Best to Fund Cash Needs in Retirement

Syllabus

- ✓ Introduction to Class
- ✓ Preparing for Retirement
 - ✓ Expenses
- ✓ Sources of Income
- ✓ Three Determinants of Success
- ✓ Investment of Portfolio
- ✓ Tax Characteristics
 - ✓ Withdrawal Strategies

Preparing For Retirement

Assumptions Needed

- Age at Retirement
- Life Expectancy
- Expenses
- Income
- Asset Allocation
- Rate of Return
- Tax Impact

Preparing For Retirement

Cash Flow | Base Facts (All Years) (Only Show Future Values)

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The Cash Flow report illustrates your income, savings, expenses, and resulting net cash flow on an annual basis.

Cash Flow

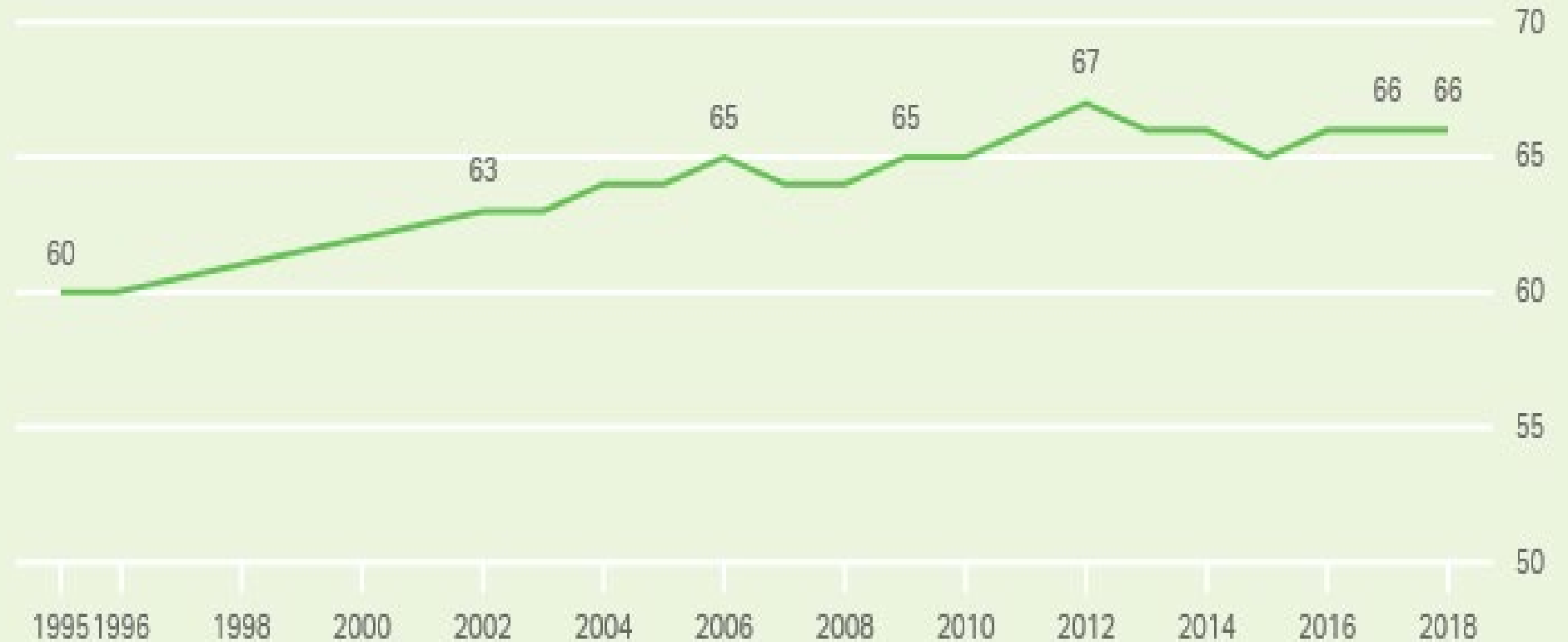
 Bob - Retirement / Mary - Retirement - 2028

Year	Age	Income Flows	Planned Distributions	Total Inflows	Total Expenses	Total Outflows	Net Cash Flow	Portfolio Growth	Other Portfolio Activity	Total Portfolio Assets
2025	62/62	\$176,000	\$0	\$176,000	\$120,000	\$120,000	\$56,000	\$119,900	\$0	\$2,175,900
2026	63/63	\$180,200	\$0	\$180,200	\$124,800	\$124,800	\$55,400	\$127,087	\$0	\$2,358,387
2027	64/64	\$184,526	\$0	\$184,526	\$129,792	\$129,792	\$54,734	\$134,707	\$0	\$2,547,828
 2028	65/65	\$36,000	\$0	\$36,000	\$134,984	\$134,984	(\$98,984)	\$142,783	\$0	\$2,591,627
2029	66/66	\$36,000	\$0	\$36,000	\$140,383	\$140,383	(\$104,383)	\$151,342	\$0	\$2,638,586
2030	67/67	\$81,245	\$0	\$81,245	\$145,998	\$145,998	(\$64,753)	\$158,183	\$0	\$2,732,016

Age at Retirement

When Do You Expect to Retire?

■ % Nonretirees

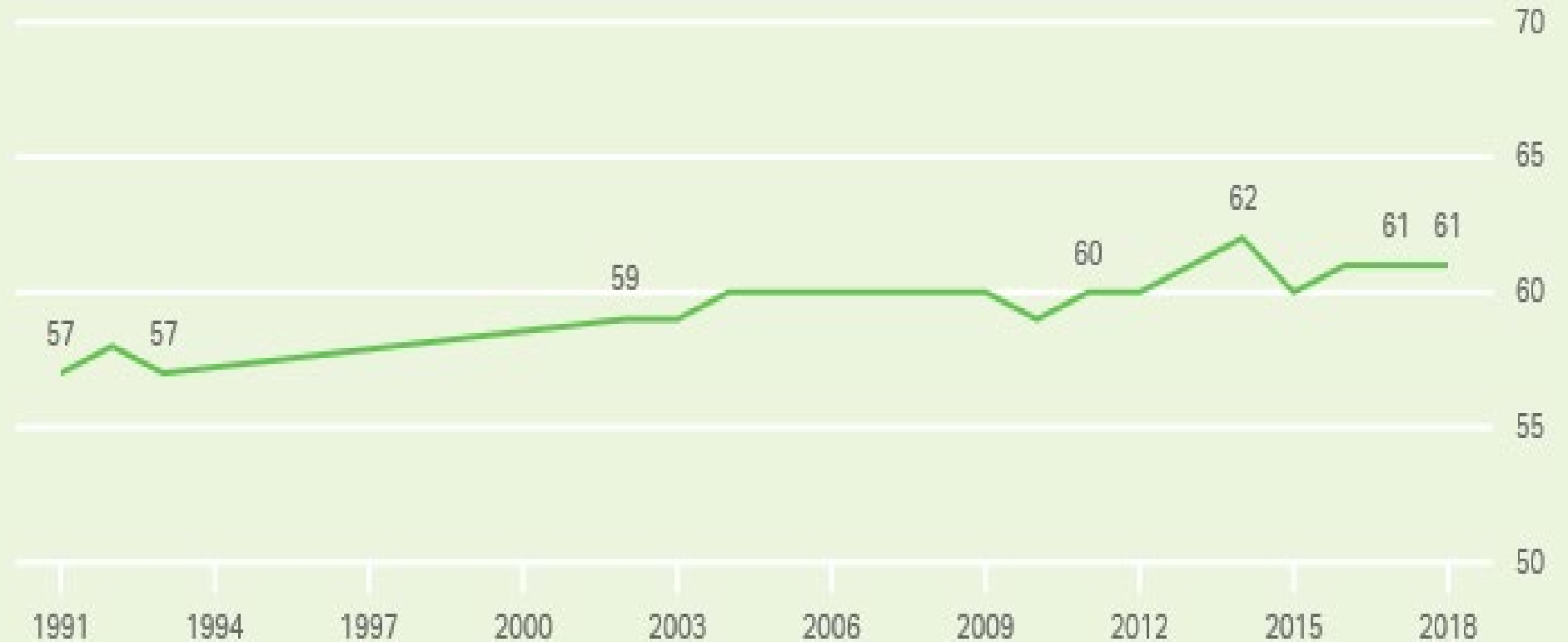


GALLUP

Age at Retirement

Average Age of Retirement

■ % Retirees



GALLUP

Case Studies – Base Fact Scenarios

- Bob and Mary Smith – Age 62
- Life expectancy to age 90
- Retirement at age 65
- Social Security at age 67
- Bob salary \$70,000 / year
- Mary salary \$70,000 / year
- Bob Pension \$36,000 / year
- Salary inflating at 3% / year
- SS income of \$24,000 / year each
- SS inflating at 2.5% / year
- Living expenses of \$120,000 /yr
- Inflation at 4%
- Brokerage \$ = \$1,200,000
- Retirement \$ = \$800,000
- ROR on investments = 6%

Case Study- Different Retirement Ages

- Three Scenarios
 - Base Facts (Age 65)
 - Retire at Age 60
 - Retire at Age 68

LONGEVITY RISK

Planning for Too Short a Life Expectancy

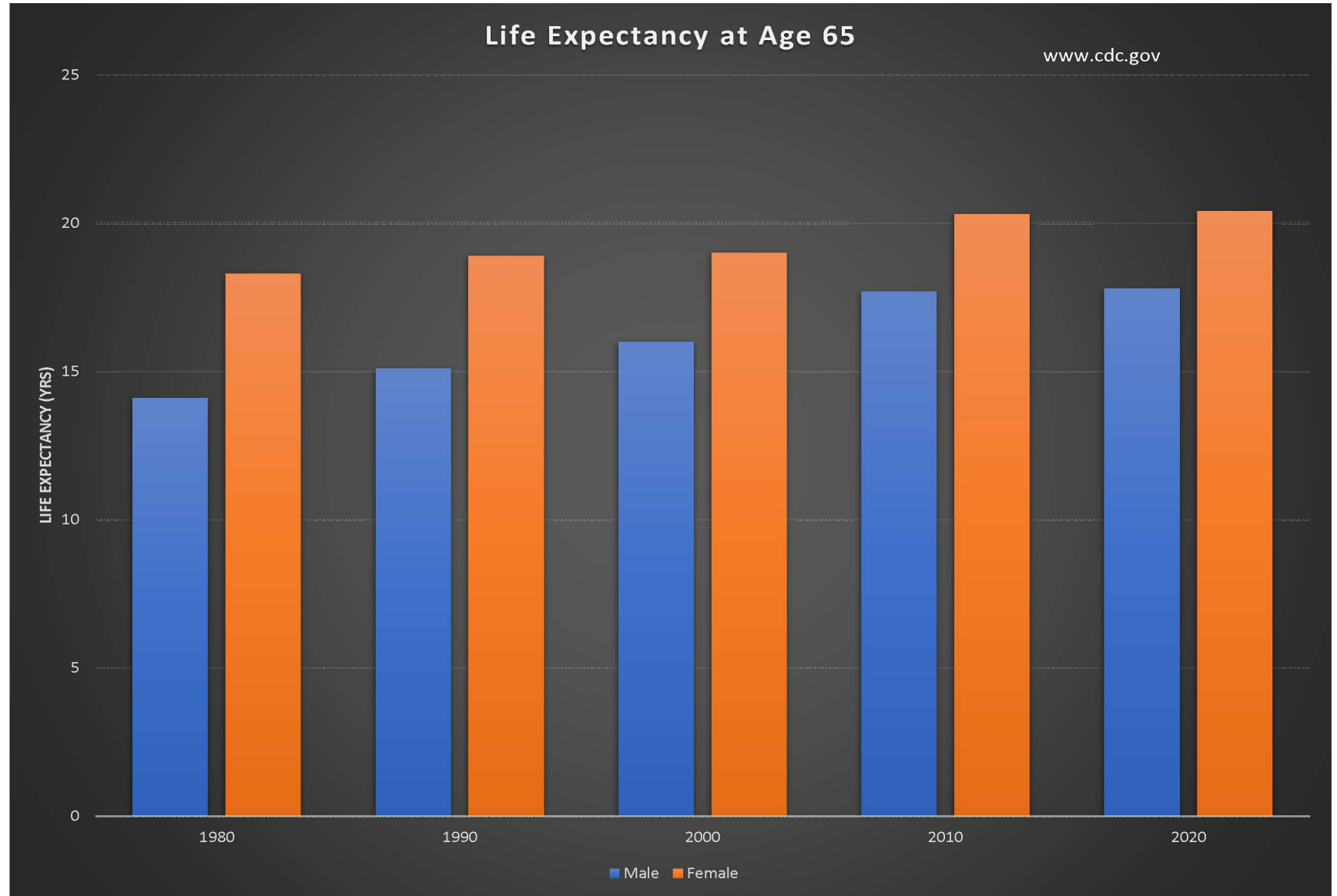
- May run out of money
- Forced to sell assets
- Forced to downsize
- Too conservative an asset allocation
- Too aggressive an asset allocation

LONGEVITY RISK

Planning for Too Long a Life Expectancy

- May forego spending
- May sell assets needlessly
- May forego gifting to children
- May incur higher estate taxes

Life Expectancy



Case Study – Life Expectancy

- Three Scenarios
 - Base Facts Age 90
 - Life expectancy to age 80
 - Life expectancy to age 100

Expenses

Calculating Your Needs

Total Living Expenses	\$120,000
Total Cash Inflows:	
Pension Income	<u>36,000</u>
Total Need	\$ 84,000

Retirement Cash Flow Projection

Living Expenses

Expected changes in retirement

- Mortgage Payoff
- Home Sale / Purchase
- Medical / Long-Term Care Expenses
- Travel Expenses
- Life Insurance Premiums
- Educational Expenses

Retirement Cash Flow Projection

Unanticipated

- Expenses previously covered by employer
 - Medical Coverage
 - Life Insurance Premiums
 - Estimated Quarterly Tax Payments
(no more automatic withdrawals)
 - Continuing Care Communities / Assisted Living / Home Health Aids

Case Study- Different Expenses

- Three Scenarios
 - Base Facts - \$ 120,000 / year
 - Living expenses \$100,000 / year
 - Living expenses \$140,000 / year

Inflation

How Does Inflation Work?

Inflation represents the rate at which the cost of goods and services increase over a period of time.

Demand-Pull



When demand for goods/service exceeds production capacity.

Cost-Push

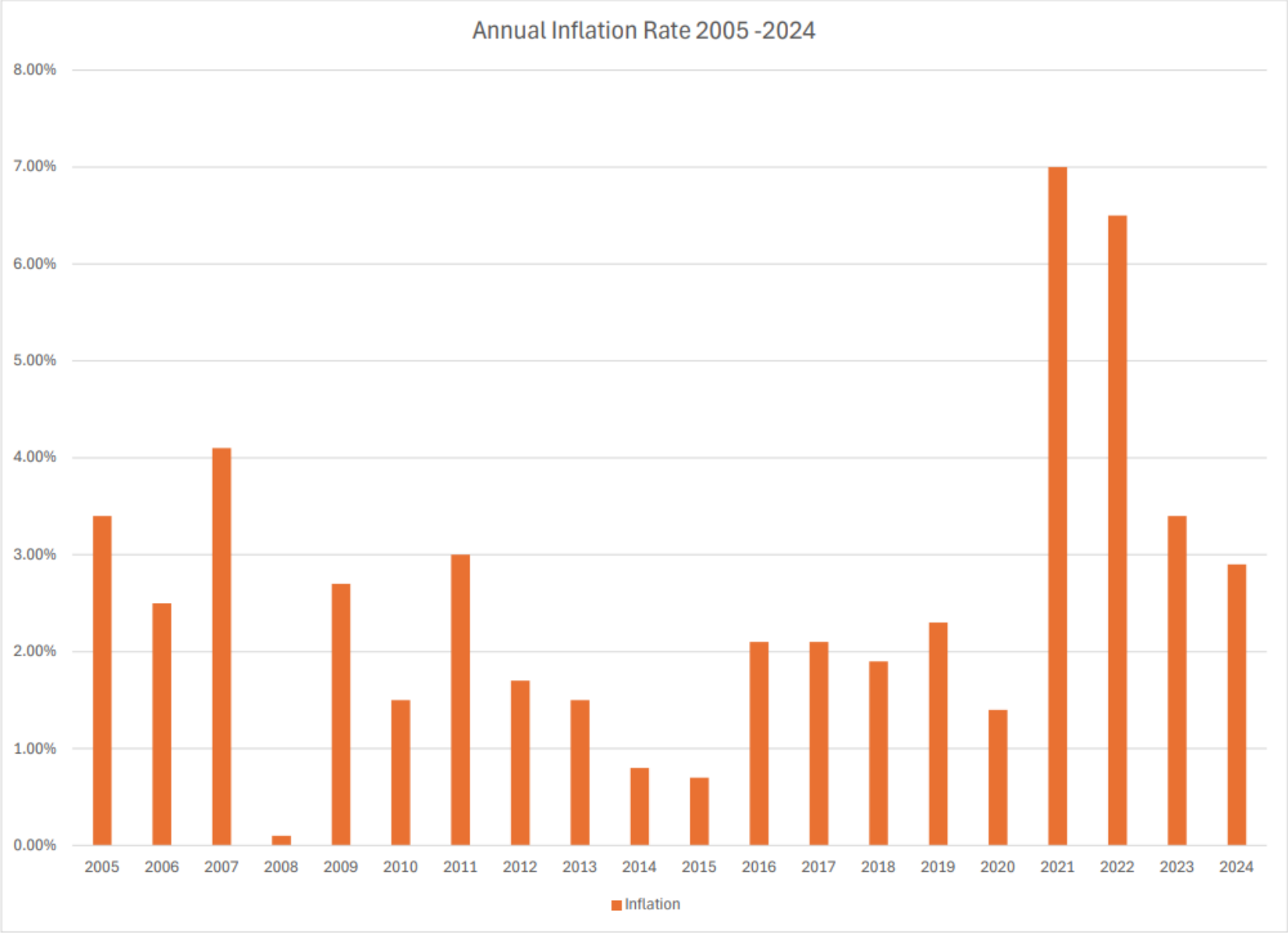


When production costs increase prices.

Built-In



When prices rise, wages rise too, in order to maintain living costs.



Case Study – Different Inflation rates

- Three Scenarios
 - Base Facts – 4%
 - Inflation rate – 3%
 - Inflation rate – 5%

Sources of Income

- Earned Income
 - Salary (Full or Part-time) – W-2
 - Self Employment (Consulting) -1099
- Social Security Income
- Pension Income
- Annuities (Annuitization and GMIB)

Social Security Income

(A Little Perspective)

1935	Social Security Created
1940	First Social Security Check Issued
58 (m) 62 (f)	Life Expectancy at Birth in 1930
77.1(m) 82.0 (f)	Life Expectancy at Birth in 2024

Social Security Retirement Benefits

Veterans in the Revolutionary War and Civil War were the first beneficiaries of Retirement and Disability Type benefits.

Social Security started in 1935 as part of the New Deal - FDR

Social Security Retirement Benefits

Normal/ Full Retirement Age (NRA) Based on Year of Birth

1937 and Prior: 65 years

1938: 65 and 2 months

1939: 65 and 4 months

1940: 65 and 6 months

1941: 65 and 8 months

1942: 65 and 10 months

1943: 54 – 66 years

Social Security Retirement Benefits

Normal Retirement Age (NRA) based on Year of Birth

1955: 66 and 2 months

1956: 66 and 4 months

1957: 66 and 6 months

1958: 66 and 8 months

1959: 66 and 10 months

1960: 67 years

FOR NOW

Social Security Retirement Benefits: To Collect or Not To Collect?

You may collect Social Security retirement benefits at:

- Normal Retirement Age
- Prior to Normal Retirement Age
- After Normal Retirement Age

What is the difference?

Social Security Retirement Benefits:

To Collect or Not To Collect?

Normal Retirement Age (NRA): Certain value based on your age and income history (beyond this class)

Collection Prior to NRA: Reduced by $\frac{5}{9}^{\text{th}}$ of 1% per month for 36 months. If more than 36 months, then the benefit is further reduced $\frac{5}{12}$ of 1% per month.

Example: NRA at 66	\$2,500 / month
Collect at 62	\$1,875 / month

Social Security Retirement Benefits: To Collect or Not To Collect?

Collection after NRA: 8% credit per year

Example: NRA at 66	\$2,500/month
Collect at 67	\$2,700/month
Collect at 68	\$2,916/month
Collect at 69	\$3,149/month
Collect at 70	\$3,401/month

Numbers above do not include COLA increase.

Social Security Retirement Benefits: To Collect or Not To Collect?

Strategy	Age	Current
Early	62	\$22,500
Full Retirement Age	66	\$30,000
Delay to Age 70	70	\$40,812

Social Security Retirement Benefits:

Calculating Breakeven

Benefit at Age	Benefit	Breakeven in Years vs. Waiting to FRA	Breakeven in Years vs. Waiting to Age 70
62	\$22,500	Age 78	Age 80
66 (Full Retirement Age)	\$30,000	N/A	Age 81
Delay to Age 70	\$40,812	N/A	N/A

Does not take into consideration cost of living adjustment on monthly benefits

To Collect or Not To Collect?

It Depends.

- Life Expectancy
- Family Health History
- Individual Risk Level
- Need from Portfolio Prior to Collecting

Can I Earn Income and Still Collect Social Security?

Earned income at Full Retirement Age (FRA) or after FRA will not
impact your
Social Security Retirement Benefit received

Can I Earn Income and Still Collect Social Security?

Earned income prior to FRA will reduce the level of your Social Security Retirement Benefit

EARNINGS TEST

Reduction of benefit \$1 for every \$2 earned above **\$23,400** in 2025 in years prior to NRA (\$1,950 / month).

In the year you reach NRA, the reduction changes to \$1 for every \$3 earned above **\$62,160** for only those months prior to NRA.

Can I Earn Income and Still Collect Social Security?

Normal Retirement Age = 66

	<u>Age 66</u>	<u>Age 64</u>
Earned Income	\$27,400	\$27,400
Social Security	\$30,000	\$28,000 *
Pension	<u>\$20,000</u>	<u>\$20,000</u>
Total Income	\$77,400	\$75,400

$$*30,000 - ((27,400 - 23,400)/2) = 28,000$$

Case Study – Social Security

- Three Scenarios
 - Base Facts – Age 67 (Full Retirement Age)
 - Social Security at age 65
 - Social Security at age 70
 - Social Security at age 70 – life expectancy age 100

Pension Benefits

- A sum of money paid regularly as a retirement benefit or by way of patronage.
- Most people working today under the age of 50 are not likely to be covered by a pension.

Pension Decisions

- Collect Early or at Retirement Age
- Survivor Options
- Lump Sum or Annuity Payments

Pension Decisions: Collect Early or At Retirement Age

- Determine your priorities
- Current needs analysis
- Life Expectancy

Pension Decisions: Survivor Options

- Single Life
- Joint and Survivor – 100% or 50%
- Period Certain

Pension Decisions

Lump Sum

- Increased flexibility
- Access to your money / Liquid
- Retain decision-making of your own money
- Possible higher market risk, depending on portfolio allocation
- Risk of outliving your money
- Interest rate risk

Annuity Payment

- Guaranteed stream of income for a certain period
- Reinvestment risk
- Not flexible

Case Study – Pension Decisions

- Three Scenarios
 - Base Facts – Monthly
 - Lump Sum
 - $\frac{1}{2}$ Monthly and $\frac{1}{2}$ Lump sum

Case Study – Pension Decisions

Assumptions

All Scenarios

- Social Security total \$54,000 / year
- Living expenses \$120,000 + income taxes
- \$650,000 of taxable brokerage assets
- \$650,000 of IRA assets
- Inflation of 4%

Case Study – Pension Decisions

Assumptions

Monthly Pension

- Monthly pension income of \$94,000 / year

Case Study – Pension Decisions

Assumptions

Lump Sum

- Lump Sum rollover of \$1,585,000 instead of monthly pension

Case Study – Pension Decisions

Assumptions

½ Pension ½ Lump Sum

- Monthly pension of \$47,000
- Lump Sum rollover of \$792,500

What is an Annuity?

- An insurance product designed to protect against outliving one's assets
- A contract sold by an insurance company designed to provide payments to the holder at specified intervals, usually after retirement.
- A series of payments at regular intervals over the annuitant's life or a set period of time.

Types of Annuities

- Fixed
- Variable
- Immediate
- Deferred

How do Annuities Work?

Accumulation Phase

- Monies grow tax-deferred until withdrawn
- Can be invested in Fixed Account
- Can be invested in Equity Funds

Distribution Phase

- Can annuitize or take withdrawals as needed
- Penalty for early withdrawal (age 59 ½)
- Penalty if withdraw >10% before surrender period ends

Advantages of Annuities

- Tax-deferred growth
- Income stream that cannot be outlived
- Tax-efficient distributions (Only if payments are annuitized)
- May reduce market volatility
- May offer higher rates of return on cash products (e.g., Fixed Annuities)

Disadvantages of Annuities

- Complicated
- High annual fees
- May be surrender charges
- Guarantee only as strong as insurance company
- Hard to compare between companies
- 10% early withdrawal penalty (under 59 ½ years old)
- Limited investment choices
- No stepped-up basis at death
- Turn capital gains into ordinary income
- Restriction on investments if using certain riders

Annuities: Good or Bad?

It Depends

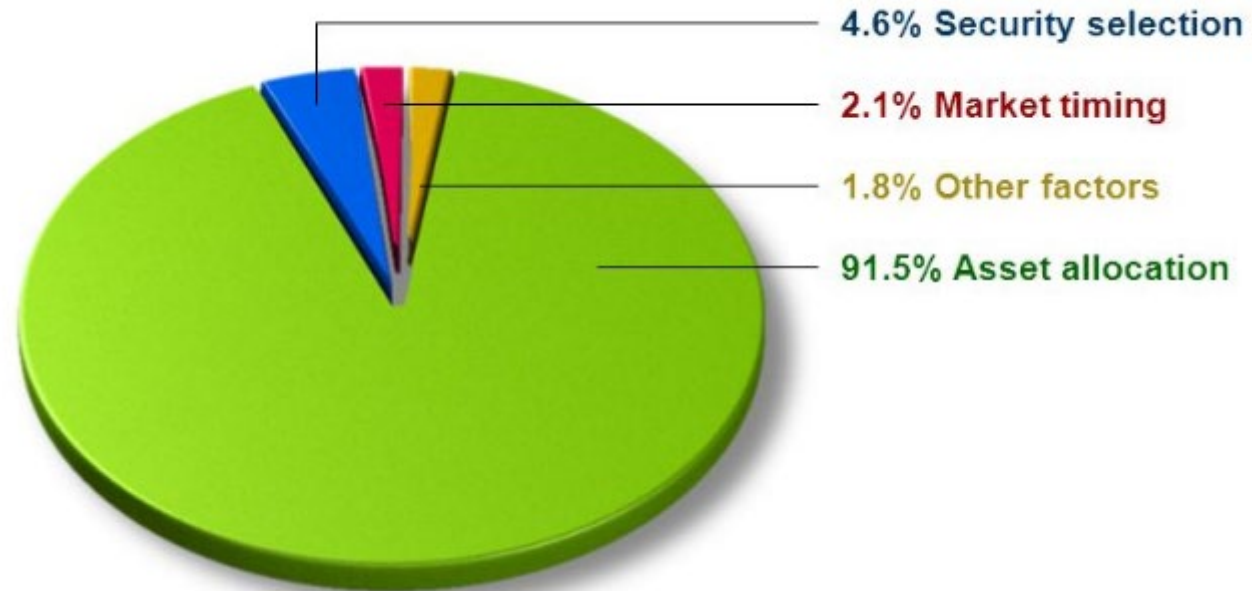
3 DETERMINANTS OF SUCCESS

- **Life expectancy**
- **Cash needs once retired**
- **Investment returns**

Only 1 of these you can control

INVESTMENT PORTFOLIO

I



Study – Brinson, Hood and Breebower – Journal of Financial Analysts 1986

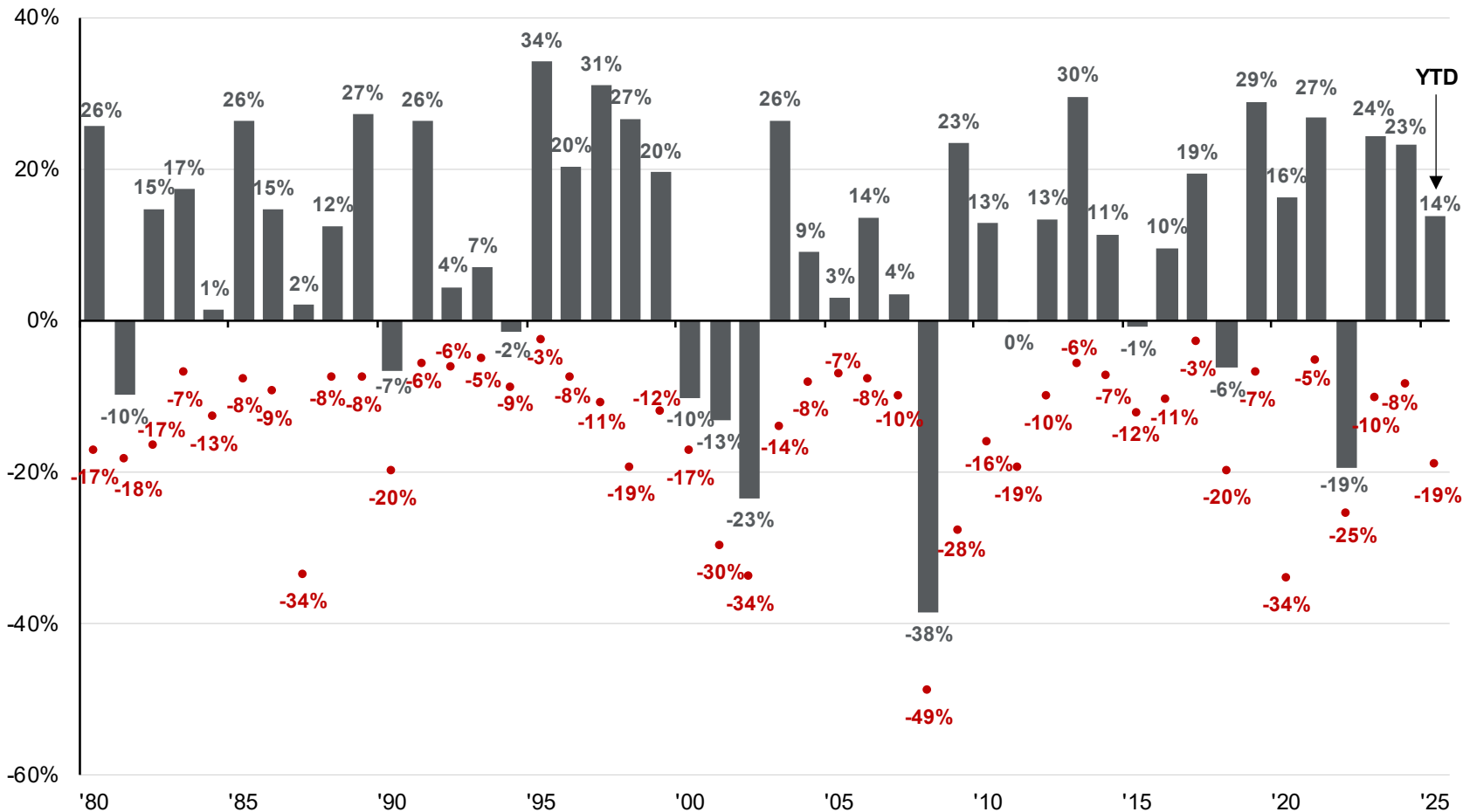


Annual returns and intra-year declines

Equities

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest peak-to-trough decline during the year. Returns shown are calendar year returns from 1980 to 2024, over which the average annual return was 10.6%. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of September 30, 2025.

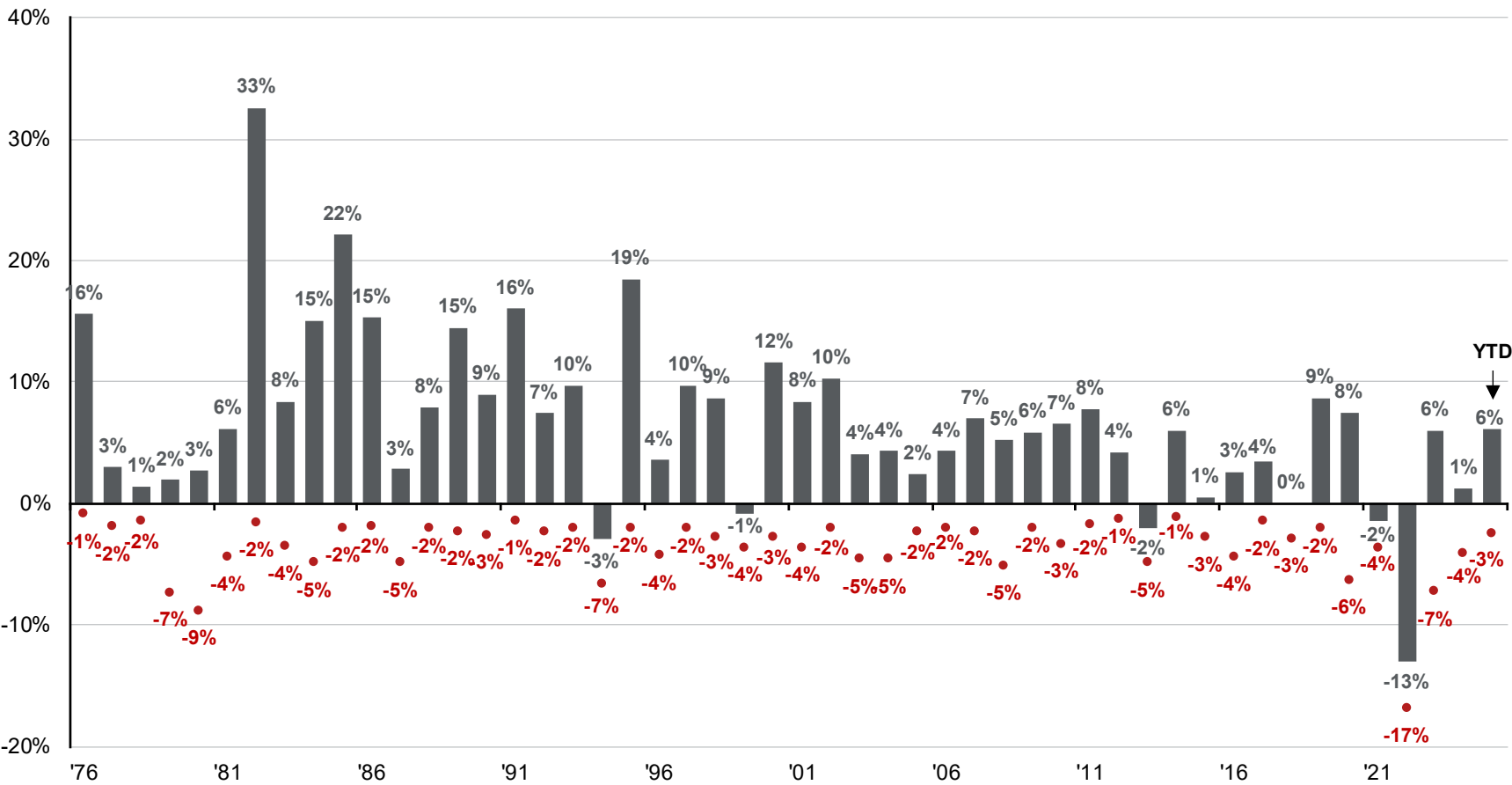


Bloomberg U.S. Agg. annual returns and intra-year declines

Fixed Income

Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

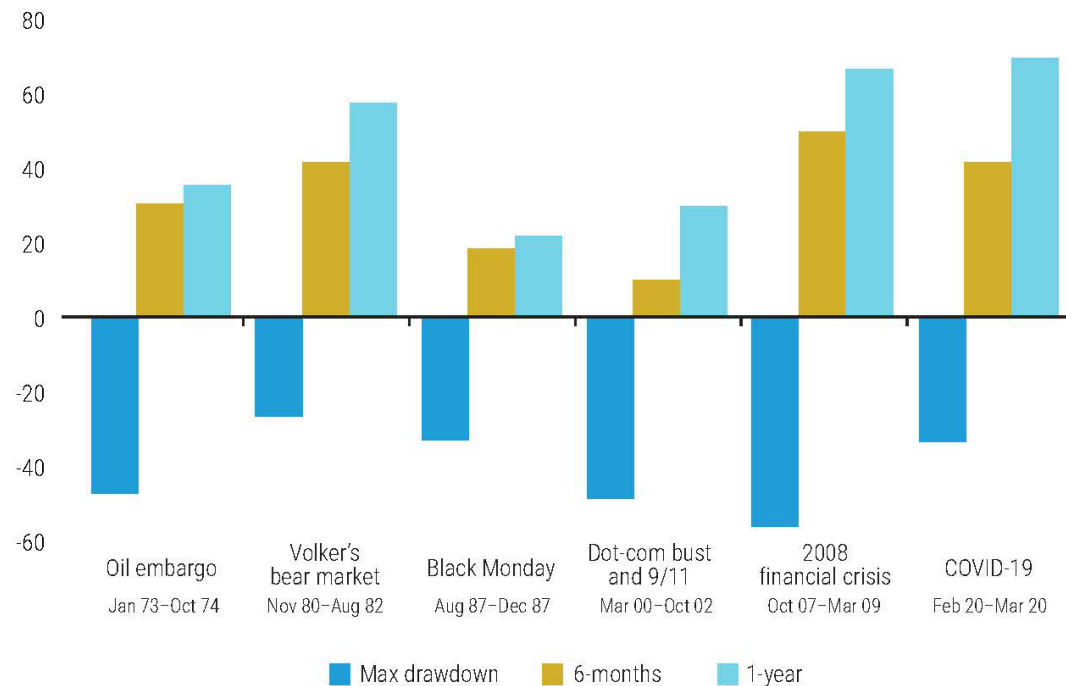
Despite average intra-year drops of 3.5%, annual returns were positive in 44 of 49 years



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.
Returns are based on total return. Intra-year drops refers to the largest market drops from a peak to a trough during the year. Returns shown are calendar year returns from 1976 to 2024, over which time period the average annual return was 6.5%. Returns from 1976 to 1989 are calculated on a monthly basis; daily data are used afterward. For illustrative purposes only. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of September 30, 2025.

History shows that investors benefit from staying invested

Total returns (%)



- Market declines can be unsettling, leading many investors to reduce their stock holdings or exit the market altogether.
- Often, investors who sell during a crisis lock in their losses and miss out on the subsequent rebound. Historically, the U.S. stock market has been remarkably resilient over the past decades, routinely recovering from sharp short-term declines to move higher over the long term. Specifically, over the past 50 years after episodes of significant declines, markets rebounded and produced double-digit positive returns over the subsequent 6 and 12 months.
- Staying invested and weathering short-term volatility will ultimately help investors participate in the market's recovery and meet their long-term financial goals.

Source: Bloomberg L.P. Data as of August 31, 2025. Market returns represented by the S&P 500. An investment cannot be made in an index.

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Asset Class	Weighting	Expected Return	Allocated Return
Large Company (World)	40%	10.00%	4.00%
Small Company	20%	12.10%	2.42%
Intermediate Term	25%	5.10%	1.28%
Short Term	10%	3.40%	0.34%
Cash	5%	1.00%	<u>0.05%</u>
Expected Return Before Expenses			<u>8.09%</u>
Less: Underlying Expense Ratio			1.00%
Net Expected Return			7.09%

60% Stock / 40% Fixed Income and Cash

Asset Class	Weighting	Expected Return	Allocated Return
Large Company (World)	30%	10.00%	3.00%
Small Company	0%	12.10%	0.00%
Intermediate Term	25%	5.10%	1.28%
Short Term	25%	3.40%	0.85%
Cash	20%	1.00%	<u>0.20%</u>
Expected Return Before Expenses			<u>5.33%</u>
Less: Underlying Expense Ratio			<u>1.00%</u>
Net Expected Return			4.33%

30% Large Cap Stock / 70% Fixed Income and Cash

Asset class returns

2010–2024		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD
Ann.	Vol.																
Large Cap	Small Cap	RBTs	RBTs	RBTs	Small Cap	RBTs	RBTs	Small Cap	EM Equity	Cash	Large Cap	Small Cap	RBTs	Com dty.	Large Cap	Large Cap	DM Equity
13.9%	20.6%	27.9%	8.3%	19.7%	38.8%	28.0%	2.8%	21.3%	37.8%	1.8%	31.5%	20.0%	41.3%	16.1%	26.3%	25.0%	5.3%
Small Cap	EM Equity	Small Cap	Fixed Income	High Yield	Large Cap	Large Cap	Large Cap	High Yield	DM Equity	Fixed Income	RBTs	EM Equity	Large Cap	Cash	DM Equity	Small Cap	Com dty.
10.3%	17.9%	26.9%	7.8%	19.6%	32.4%	13.7%	1.4%	14.3%	25.6%	0.0%	28.7%	18.7%	28.7%	1.5%	18.9%	11.5%	4.0%
RBTs	RBTs	EM Equity	High Yield	EM Equity	DM Equity	Fixed Income	Fixed Income	Large Cap	Large Cap	RBTs	Small Cap	Large Cap	Com dty.	High Yield	Small Cap	Asset Alloc.	Large Cap
9.4%	16.8%	19.2%	3.1%	18.6%	23.3%	6.0%	0.5%	12.0%	21.8%	-4.0%	25.5%	18.4%	27.1%	-12.7%	16.9%	10.0%	2.8%
Asset Alloc.	DM Equity	Com dty.	Large Cap	DM Equity	Asset Alloc.	Asset Alloc.	Cash	Com dty.	Small Cap	High Yield	DM Equity	Asset Alloc.	Small Cap	Fixed Income	Asset Alloc.	High Yield	Small Cap
7.2%	16.5%	16.8%	2.1%	17.9%	14.9%	5.2%	0.0%	11.8%	14.6%	-4.1%	22.7%	10.6%	14.8%	-13.0%	14.1%	9.2%	2.6%
High Yield	Com dty.	Large Cap	Cash	Small Cap	High Yield	Small Cap	DM Equity	EM Equity	Asset Alloc.	Large Cap	Asset Alloc.	DM Equity	Asset Alloc.	Asset Alloc.	High Yield	EM Equity	Asset Alloc.
5.9%	16.1%	15.1%	0.1%	16.3%	7.3%	4.9%	-0.4%	11.6%	14.6%	-4.4%	19.5%	8.3%	13.5%	-13.9%	14.0%	8.1%	2.3%
DM Equity	Large Cap	High Yield	Asset Alloc.	Large Cap	RBTs	Cash	Asset Alloc.	RBTs	High Yield	Asset Alloc.	EM Equity	Fixed Income	DM Equity	DM Equity	RBTs	Com dty.	EM Equity
5.7%	15.1%	14.8%	-0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	10.4%	-5.8%	18.9%	7.5%	11.8%	-14.0%	11.4%	5.4%	1.8%
EM Equity	Asset Alloc.	Asset Alloc.	Small Cap	Asset Alloc.	Cash	High Yield	High Yield	Asset Alloc.	RBTs	Small Cap	High Yield	High Yield	High Yield	Large Cap	EM Equity	Cash	High Yield
3.4%	10.4%	13.3%	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	8.7%	-11.0%	12.6%	7.0%	1.0%	-18.1%	10.3%	5.3%	1.4%
Fixed Income	High Yield	DM Equity	DM Equity	Fixed Income	Fixed Income	EM Equity	Small Cap	Fixed Income	Fixed Income	Com dty.	Fixed Income	Cash	Cash	EM Equity	Fixed Income	RBTs	RBTs
2.4%	9.4%	8.2%	-11.7%	4.2%	-2.0%	-1.8%	-4.4%	2.6%	3.5%	-11.2%	8.7%	0.5%	0.0%	-19.7%	5.5%	4.9%	1.0%
Cash	Fixed Income	Fixed Income	Com dty.	Cash	EM Equity	DM Equity	EM Equity	DM Equity	Com dty.	DM Equity	Com dty.	Com dty.	Fixed Income	Small Cap	Cash	DM Equity	Fixed Income
1.2%	4.7%	6.5%	-13.3%	0.1%	-2.3%	-4.5%	-14.6%	1.6%	1.7%	-13.4%	7.7%	-3.1%	-1.5%	-20.4%	5.1%	4.3%	0.5%
Com dty.	Cash	Cash	EM Equity	Com dty.	Com dty.	Com dty.	Com dty.	Cash	Cash	EM Equity	Cash	RBTs	EM Equity	RBTs	Com dty.	Fixed Income	Cash
-1.0%	0.9%	0.1%	-18.2%	-1.1%	-9.5%	-17.0%	-24.7%	0.3%	0.8%	-14.2%	2.2%	-5.1%	-2.2%	-24.9%	-7.9%	1.3%	0.4%

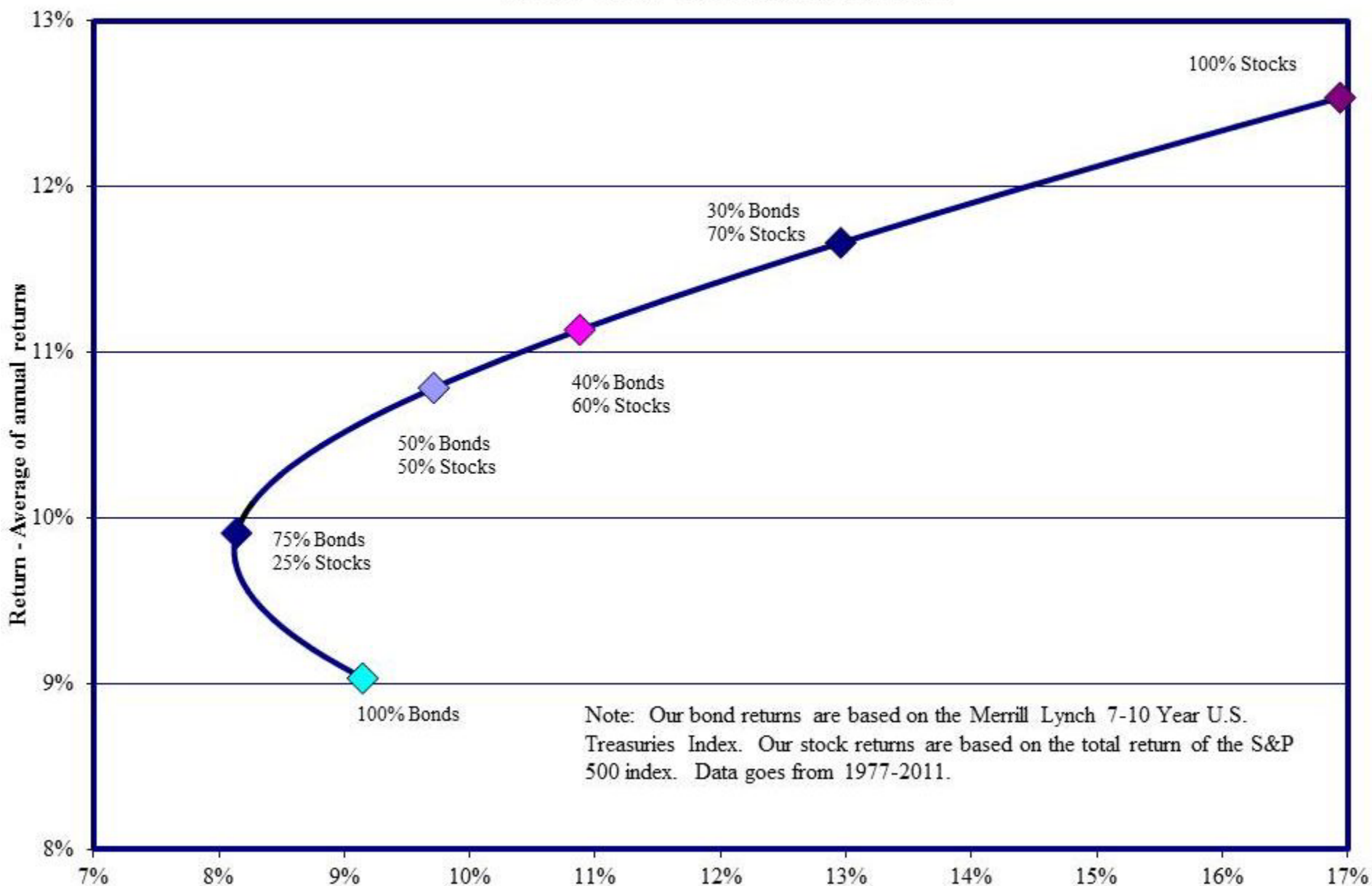
**SBBI
Summary
Statistics
of Annual
Returns**

Series	Geometric Mean (%)	Arithmetic Mean (%)	Standard Deviation (%)	Serial Correlation
Large-Company Stocks				
Total Returns	10.0	12.0	19.9	0.02
Income	4.0	4.0	1.6	0.91
Capital Appreciation	5.8	7.7	19.2	0.01
Small-Company Stocks (Total Return)	12.1	16.6	31.9	0.06
LT Corp Bonds (Total Return)	6.0	6.3	8.4	0.04
LT Gov't Bonds				
Total Returns	5.5	6.0	9.9	-0.15
Income	5.0	5.0	2.6	0.96
Capital Appreciation	0.3	0.7	8.9	-0.26
Intermediate-Term Gov't Bonds				
Total Returns	5.1	5.3	5.6	0.14
Income	4.4	4.4	2.9	0.96
Capital Appreciation	0.6	0.7	4.5	-0.17
Treasury Bills (Total Returns)	3.4	3.4	3.1	0.92
Inflation	2.9	3.0	4.1	0.64

Past Performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. Any investment cannot be made directly in an index. SOURCE: Morningstar

An Efficient Frontier

The Power of Diversification



Case Study – Expected Rate of Return

- Three Scenarios
 - Base Facts – 6%
 - Rate of return 4%
 - Rate of return 8%

Tax Characteristics

■ Interest	Depends on type of investment
■ Qualified Dividend Income	Capital Gains Tax Rate
■ Annuity Payments /	
■ Annuitization – Qualified	Ordinary income tax on full payment
■ Annuity Payment – Nonqualified	Ordinary income tax (1)
■ Annuitization – Nonqualified	Pro-rata between ordinary income tax and non-taxable
■ Return of Principal	Non-taxable
■ Distribution from Traditional	
■ Retirement Accounts	Ordinary income tax
■ Distributions from Roth Accounts	Non-taxable

(1) Ordinary income tax until all earnings are withdrawn from contract after non-taxable return of principal

Tax Efficiency In Retirement

- Tax efficiency is the attempt to minimize tax liability when given many different financial decisions.
- Tax efficiency is important during Accumulation phase of your life, as well as during retirement.
- Tax efficiency is most important during retirement
- There are opportunities where paying tax now is an appropriate strategy

Tax Efficiency In Retirement

Types of Accounts

Type of Account	Accumulation Phase	Distribution Phase
Bank Accounts	Tax Inefficient	Tax Efficient
Brokerage Accounts	Tax Inefficient	Tax Efficient (capital gains tax vs. ordinary income tax)
401(k), 403(b), 457 Plan, Solo 401(k), IRA	Tax Efficient	Tax Inefficient (taxed at ordinary tax rates)
Roth IRA	Both	Tax Efficient (no tax if held for 5 years)
Roth 401(k)	Both	Tax Efficient (no tax)

Tax-Efficient Investment Withdrawals

- Checking Account
- Savings or Money Market Account (non-IRA)
- High-Cost Basis Assets (held > 1 year) in Brokerage Account (non-IRA)
- Low-Cost Basis Assets (held > 1 year) in Brokerage Account (non-IRA)¹
- High-Cost Basis Assets (held < 1 year) in Brokerage Account (non-IRA)¹
- Low-Cost Basis Assets (held < 1 year) in Brokerage Account (non-IRA)¹
- Roth IRA
- IRA, 401(k), 403(b), and other retirement accounts

¹*Order depends on factors such as amount of unrealized gain, tax bracket, and tax rates*

2025 Marginal Tax Brackets

2025 Federal Income Tax Brackets and Rates for Single Filers, Married Couples Filing Jointly, and Heads of Households

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$17,000
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$17,001 to \$64,850
22%	\$48,476 to \$103,350	\$96,951 to \$206,700	\$64,851 to \$103,350
24%	\$103,351 to \$197,300	\$206,701 to \$394,600	\$103,351 to \$197,300
32%	\$197,301 to \$250,525	\$394,601 to \$501,050	\$197,301 to \$250,500
35%	\$250,526 to \$626,350	\$501,051 to \$751,600	\$250,501 to \$626,350
37%	\$626,351 or more	\$751,601 or more	\$626,351 or more

Source: Internal Revenue Service. Tables from <https://taxfoundation.org/2025-tax-brackets/>

Different Withdrawal Strategies

	Total Return	Income Only	Annuitization
Description	Calculate a safe withdrawal rate	Only spend interest and dividends generated by investments	Monthly payments either fixed or adjusted for COLA for life
Advantages	Keeps pace with inflation; larger amount left for heirs.	Less volatile portfolio. Not withdrawing principal from portfolio.	Cannot outlive income stream. Less stock market volatility.
Disadvantages	Larger portion allocated to stock market resulting in more portfolio volatility	Low interest/ dividend rate environment may result in more allocation to fixed income and dividend paying stocks	May not keep pace with inflation. Nothing left for heirs.

Cash Needs Once Retired

Considerations

- **Sources of Income**
 - Wages, Pensions, Social Security, Annuities
- **Expenses**
 - Fixed vs. Variable
 - Inflation
 - Change as you age
 - Unexpected expenses
 - Income Taxes

Need from Investment Portfolio

Total Living Expenses		\$120,000
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Total Cash Inflows:

Pension Income	36,000	
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Social Security Income	24,000	
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Part-Time Income	<u>6,000</u>	
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		<u>\$66,000</u>
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Total Shortfall or Need (\$4,500 per month)	\$	\$54,000
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Income

- Earned
- Investment
- Pre-Tax / Post-Tax
- Quantifiable and Determinable

Cash Flow

- Income (confusing)
- Portfolio “Principal”
- Gifts and Inheritances
- Borrowings

How do we fund the shortfall?

Cash Inflow

- Dividends
- Interest
- Distributions from retirement plans
- Annuity payments
- Return of principal

From Where Do We Fund the Shortfall?

Investment Portfolio

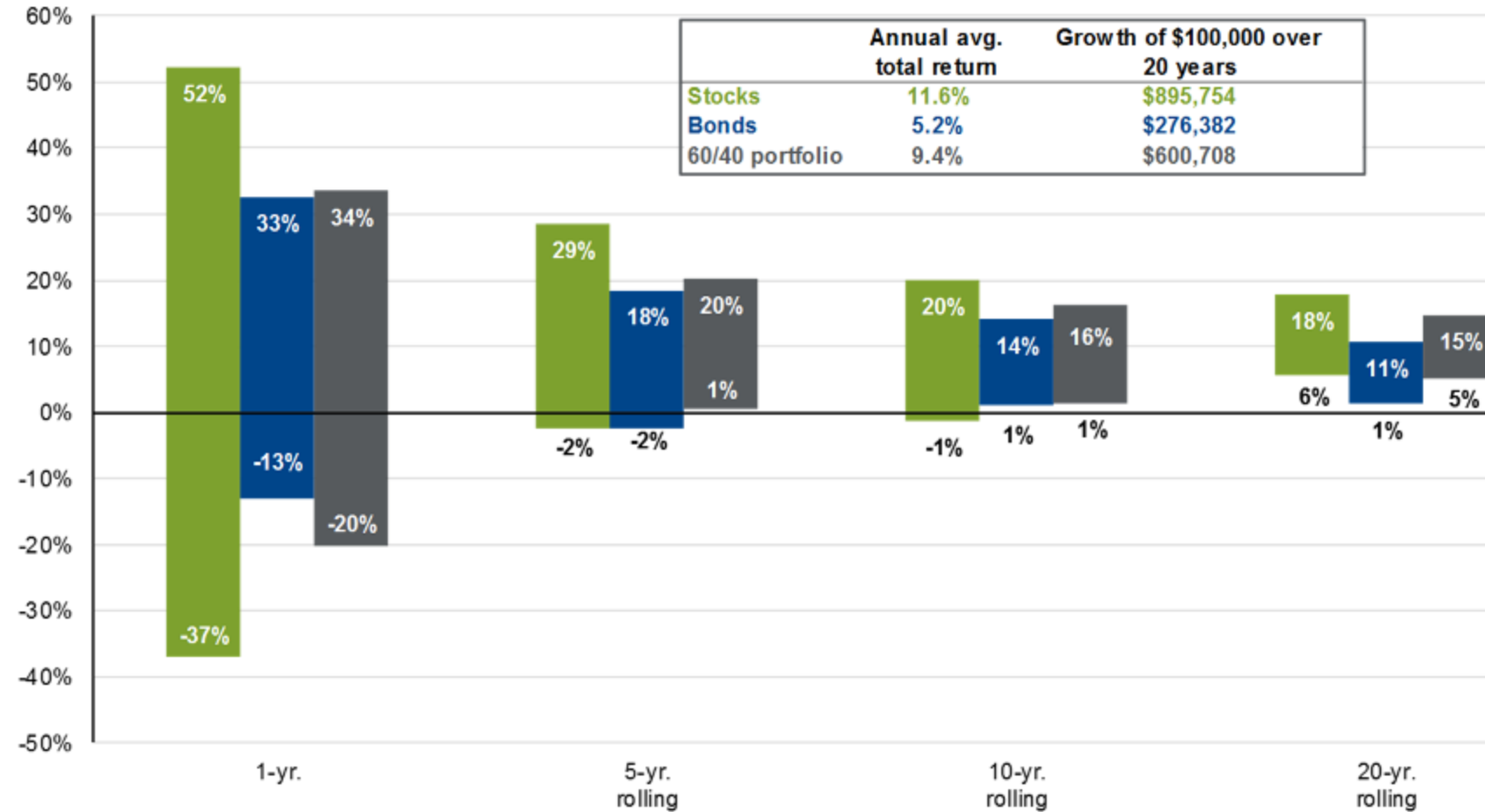
- Bank accounts (savings, checking, money market)
- Brokerage accounts
- Retirement accounts
 - IRA (Traditional, SEP, SIMPLE, KEOUGH)
 - Roth IRA
 - 401(k), 403(b), 457 Plans
 - Roth 401(k)
 - Solo 401(k)

Time, diversification and the volatility of returns

Actions ▾

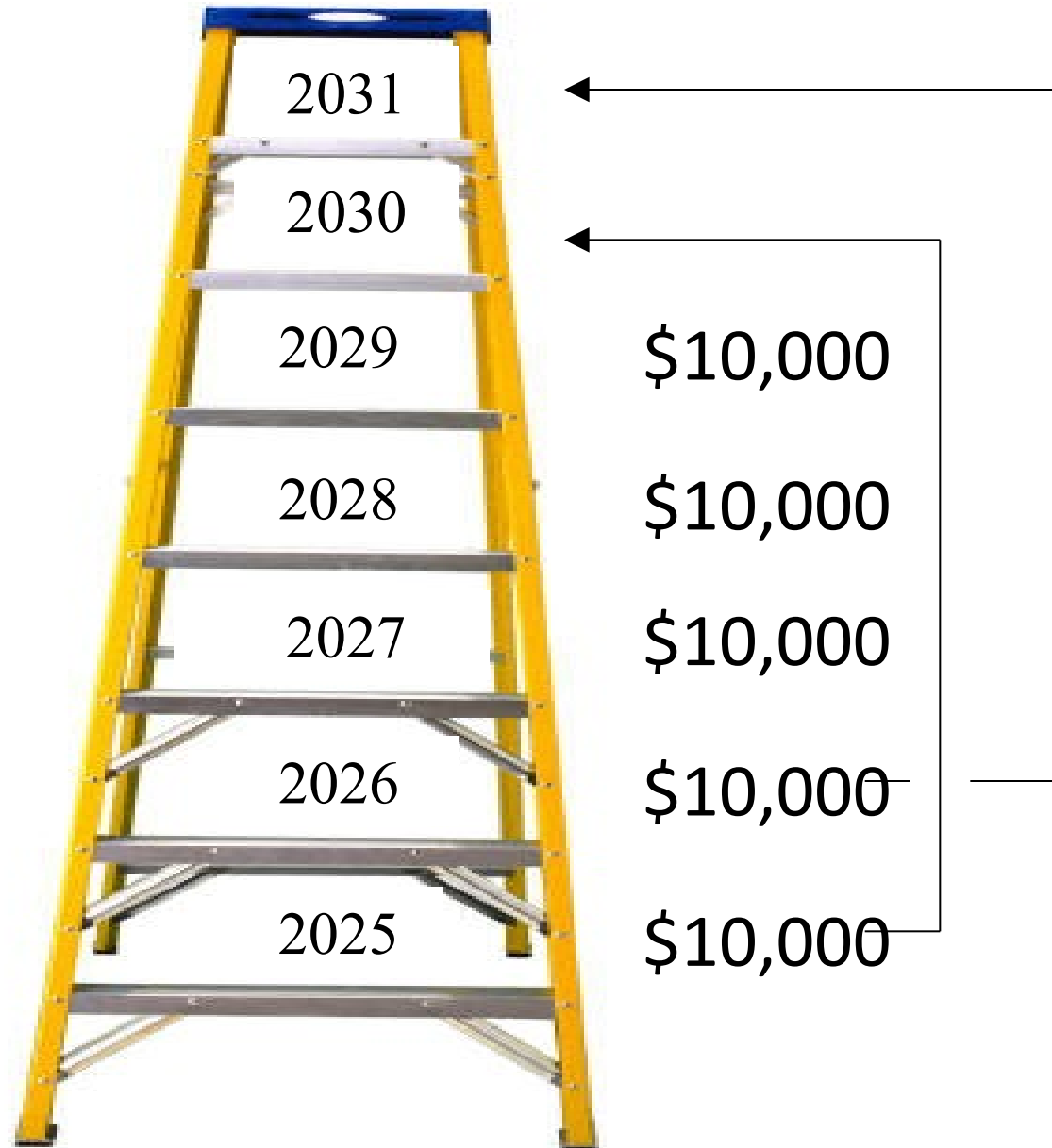
Range of stock, bond and blended total returns

Annual total returns, 1950–2024



Laddered Maturities of Bonds

\$50,000
Investment



Case Study –Withdrawal Strategies