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

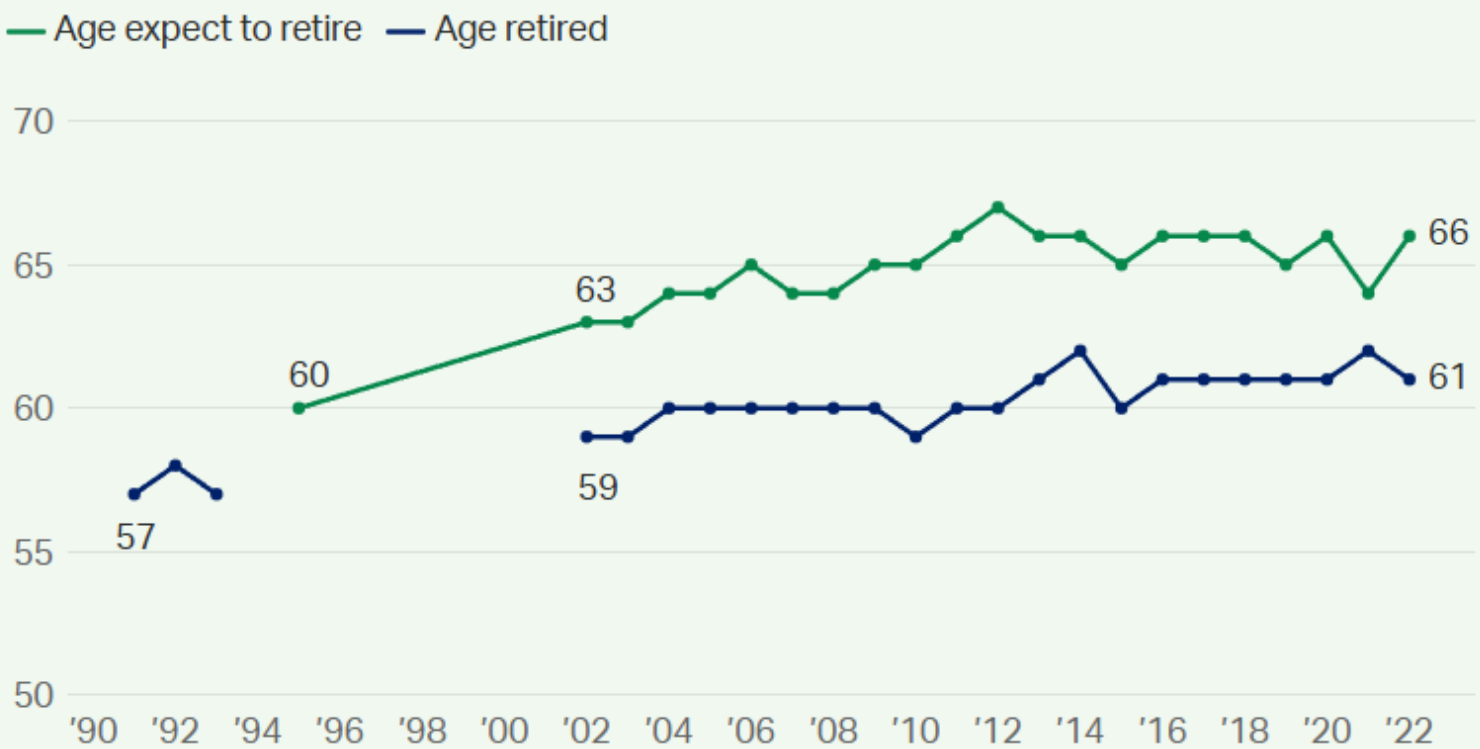
Bob - Retirement / Mary - Retirement - 2028

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

Average Expected Retirement Age for U.S. Nonretirees and Average Retirement Age for U.S. Retirees

Asked of nonretirees: At what age do you expect to retire?

Asked of retirees: At what age did you retire?



Get the data

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

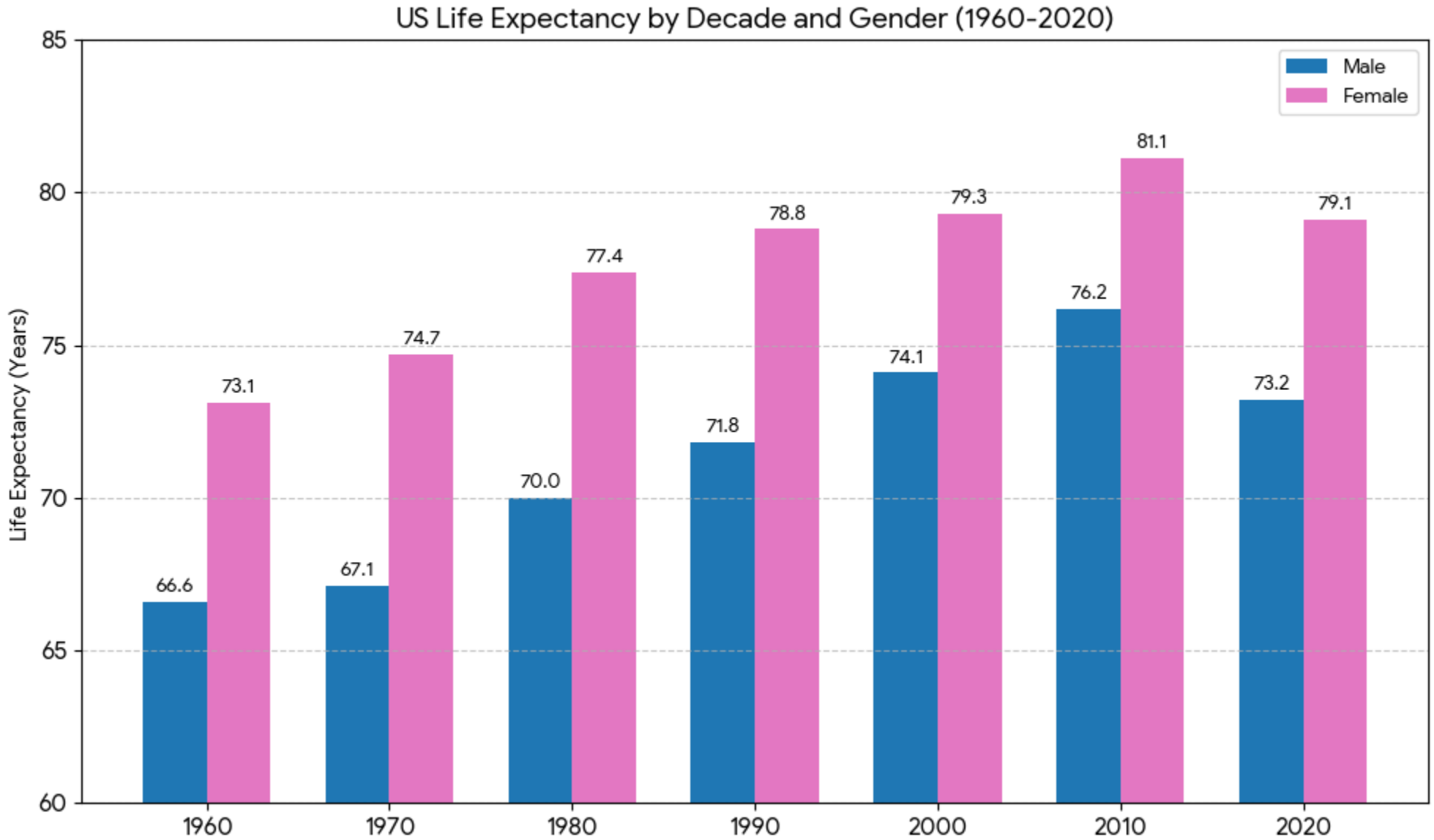
Planning for Too Short a Life Expectancy

- 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


US Life Expectancy by Decade and Gender (1960-2020)
Life Expectancy (Years)
85
80
75
70
65
60
Male
Female
66.6
73.1
67.1
74.7
70.0
77.4
71.8
78.8
74.1
79.3
76.2
81.1
73.2
79.1
1960
1970
1980
1990
2000
2010
2020

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	36,000
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.

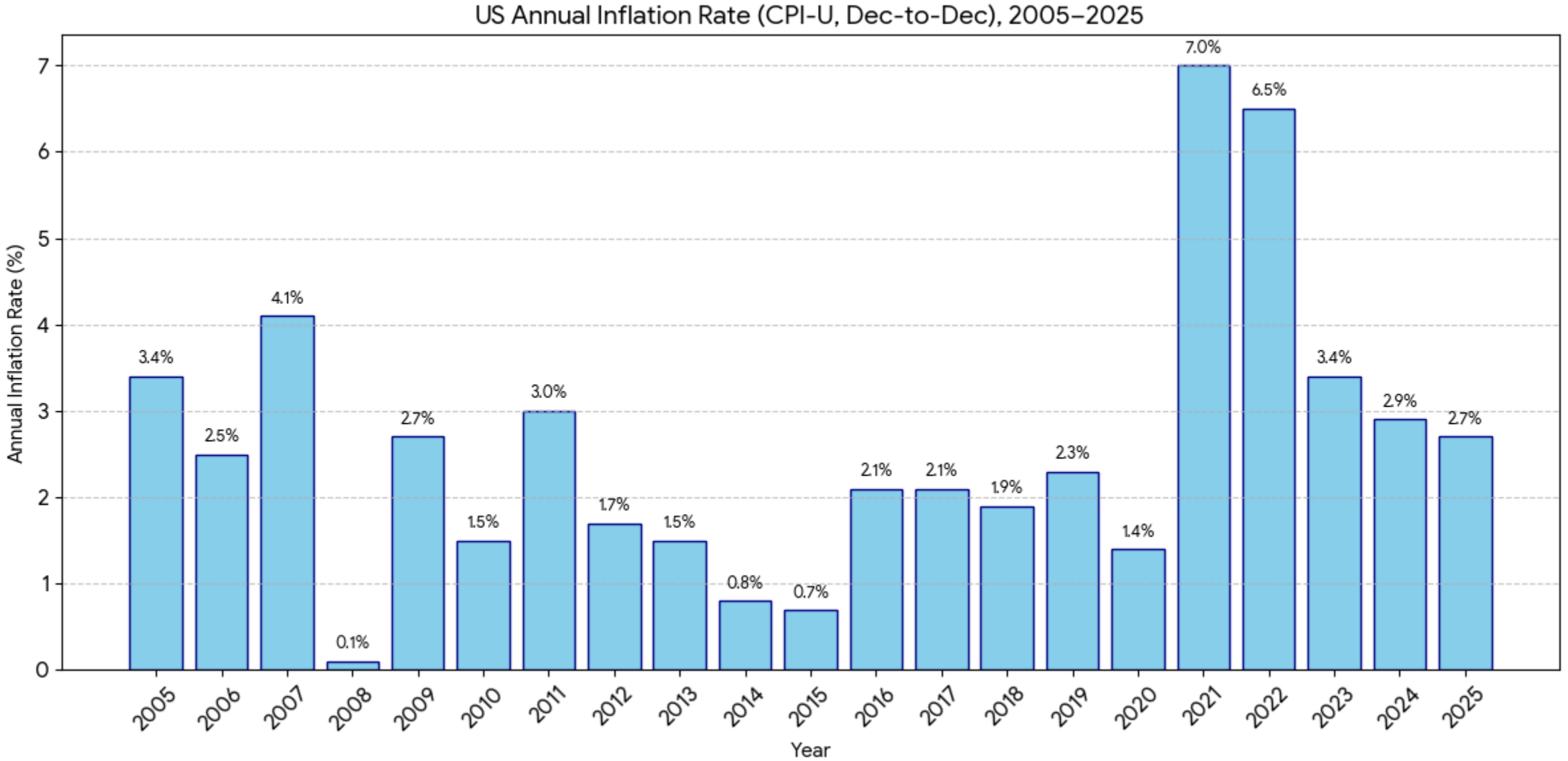
Cost-Push

When production costs increase prices.

Built-In

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

Investopedia


US Annual Inflation Rate (CPI-U, Dec-to-Dec), 2005–2025
Annual Inflation Rate (%)
Year
0
1
2
3
4
5
6
7
3.4%
2.5%
4.1%
0.1%
2.7%
1.5%
3.0%
1.7%
1.5%
0.8%
0.7%
2.1%
2.1%
1.9%
2.3%
1.4%
7.0%
6.5%
3.4%
2.9%
2.7%
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025

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 2025

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 5/9th of 1% per month for 36 months. If more than 36 months, then the benefit is further reduced 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 **$24,480** in 2026 in years prior to NRA ($2,040 / month).

In the year you reach NRA, the reduction changes to $1 for every $3 earned above **$65,160** for only those months prior to NRA.

Can I Earn Income and Still Collect Social Security?

Normal Retirement Age = 66

	Age 66	**Age 64**
Earned Income	$27,480	$27,480
Social Security	$30,000	$28,000 *
Pension	$20,520	$20,520
Total Income	$78,000	$76,000

*30,000 – ((27,480 – 24,480)/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
  - ½ Monthly and ½ 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?

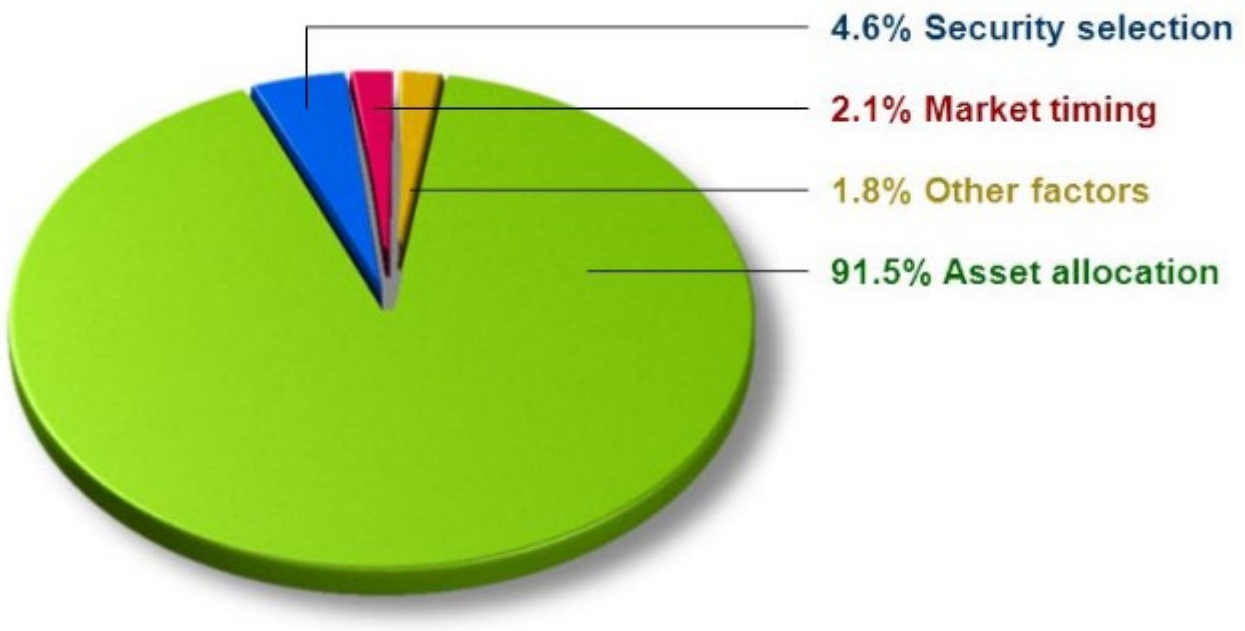
It Depends

3 DETERMINANTS OF SUCCESS

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

Only 1 of these you can control

INVESTMENT PORTFOLIO



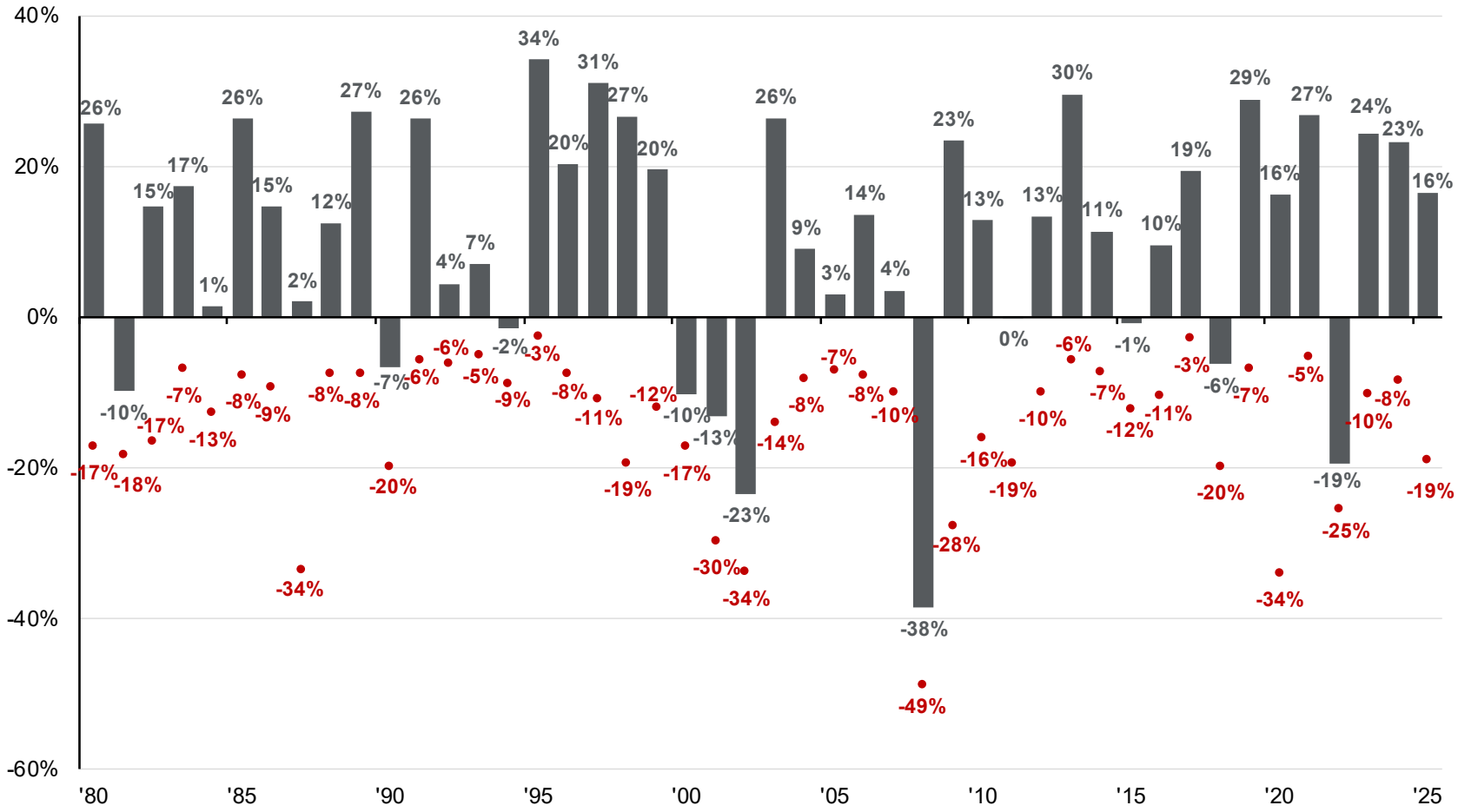
Study – Brinson, Hood and Breebower – Journal of Financial Analysts 1986

Annual returns and intra-year declines

Equities

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

Despite average intra-year drops of 14.2%, annual returns were positive in 35 of 46 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 2025, over which the average annual return was 10.7%. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of December 31, 2025.

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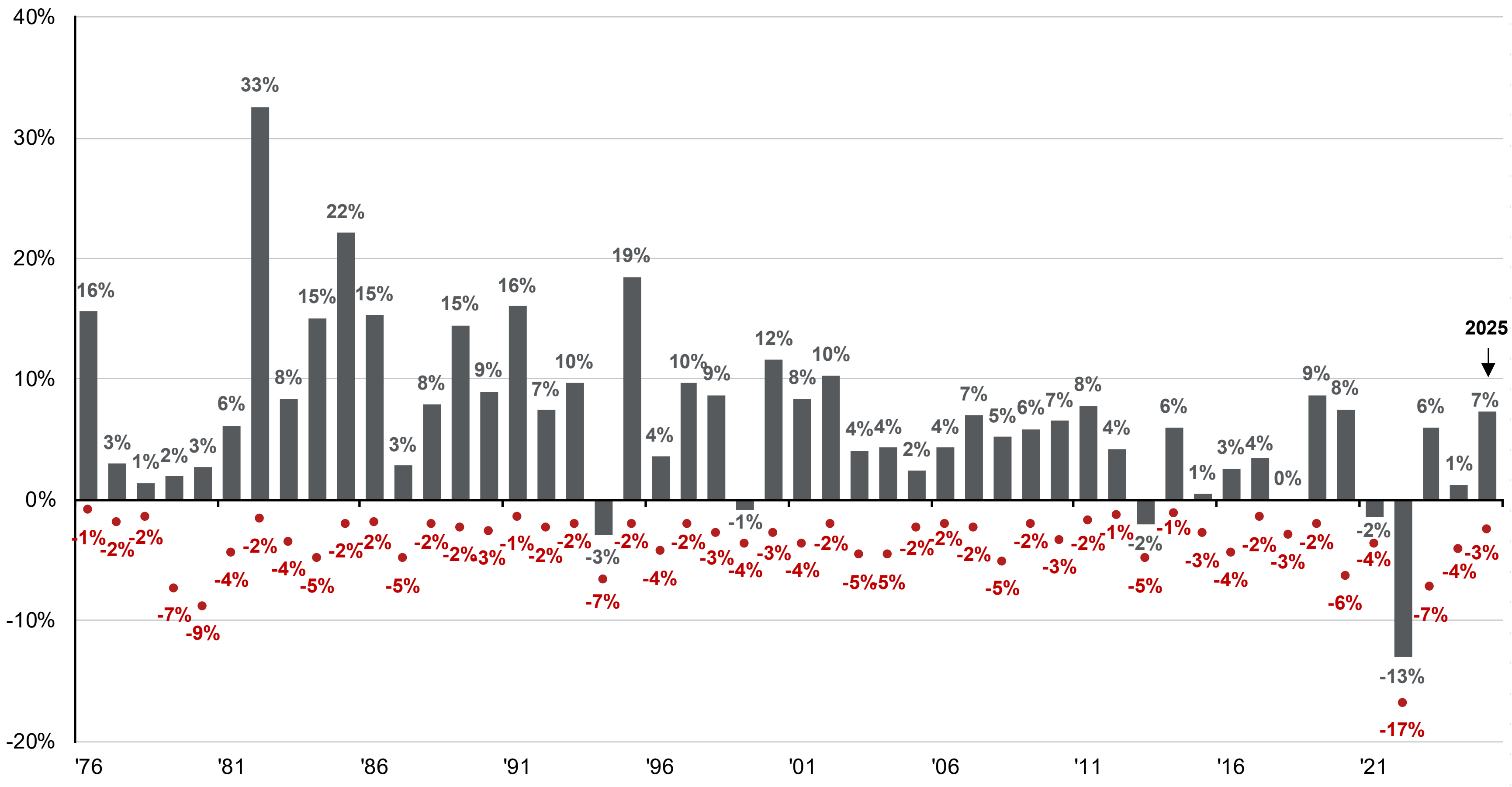
Bloomberg U.S. Agg. annual returns and intra-year declines

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 45 of 50 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 2025, 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 December 31, 2025.

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Chart on the Go

Latest Insights | Market technicals and volatility

Learn more on our blog »

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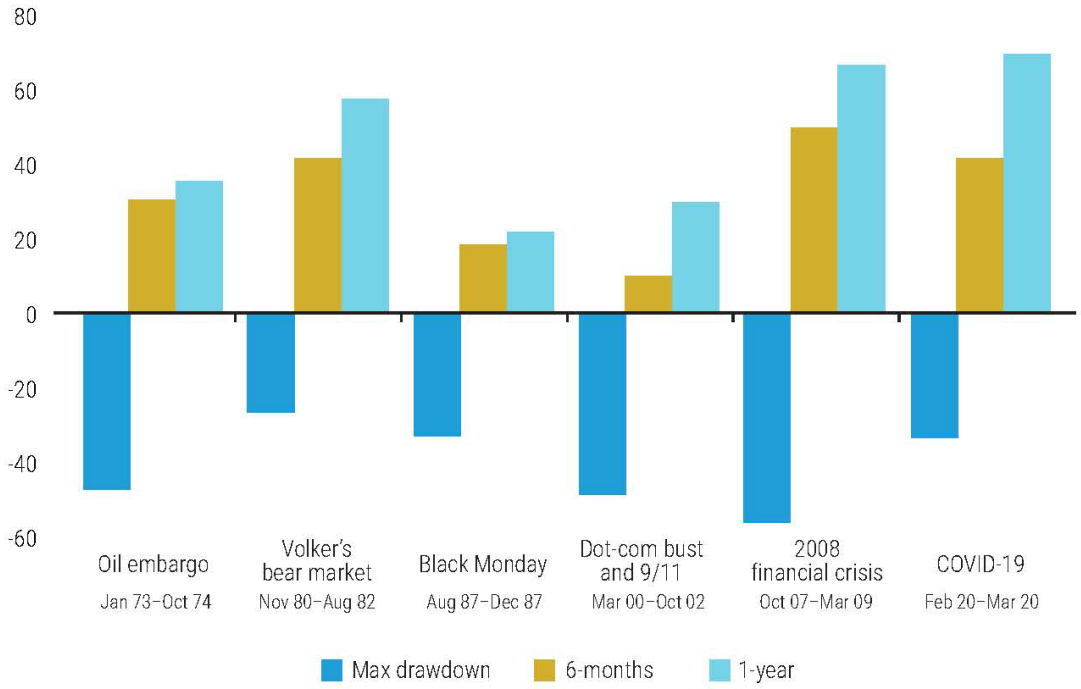
History shows that investors benefit from staying invested

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.

UEP (08/25) CTNA8306021.1

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%	0.05%
Expected Return Before Expenses			8.09%
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%	0.20%
Expected Return Before Expenses			5.33%
Less: Underlying Expense Ratio			1.00%
Net Expected Return			4.33%

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

Asset class returns

Investing Principles

2011 - 2025																
Ann.	Vol.	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Large Cap 14.1%	Small Cap 20.3%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 16.1%	Large Cap 26.3%	Large Cap 25.0%	EM Equity 34.4%
Small Cap 9.5%	EM Equity 17.5%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 1.5%	DM Equity 18.9%	Small Cap 11.5%	DM Equity 31.9%
REITs 7.8%	REITs 16.4%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	High Yield -12.7%	Small Cap 16.9%	Asset Alloc. 10.0%	Large Cap 17.9%
Asset Alloc. 7.3%	DM Equity 15.7%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Fixed Income -13.0%	Asset Alloc. 14.1%	High Yield 9.2%	Asset Alloc. 15.8%
DM Equity 7.1%	Comdty. 15.4%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Asset Alloc. -13.9%	High Yield 14.0%	EM Equity 8.1%	Comdty. 15.8%
High Yield 5.7%	Large Cap 14.7%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	DM Equity -14.0%	REITs 11.4%	Comdty. 5.4%	Small Cap 12.8%
EM Equity 4.2%	Asset Alloc. 10.1%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	EM Equity 10.3%	Cash 5.3%	High Yield 12.1%
Fixed Income 2.4%	High Yield 9.1%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -19.7%	Fixed Income 5.5%	REITs 4.9%	Fixed Income 7.3%
Cash 1.5%	Fixed Income 4.6%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	DM Equity 4.3%	Cash 4.3%
Comdty. -1.1%	Cash 0.9%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -24.9%	Comdty. -7.9%	Fixed Income 1.3%	REITs 2.3%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large Cap: S&P 500, Small Cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg U.S. Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio is for illustrative purposes only and assumes annual rebalancing with the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg U.S. Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Annualized (Ann.) return and volatility (Vol.) represents the period from 12/31/2010 to 12/31/2025. Please see the disclosure page at the end for index definitions. All data represent total return for stated period. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of December 31, 2025.

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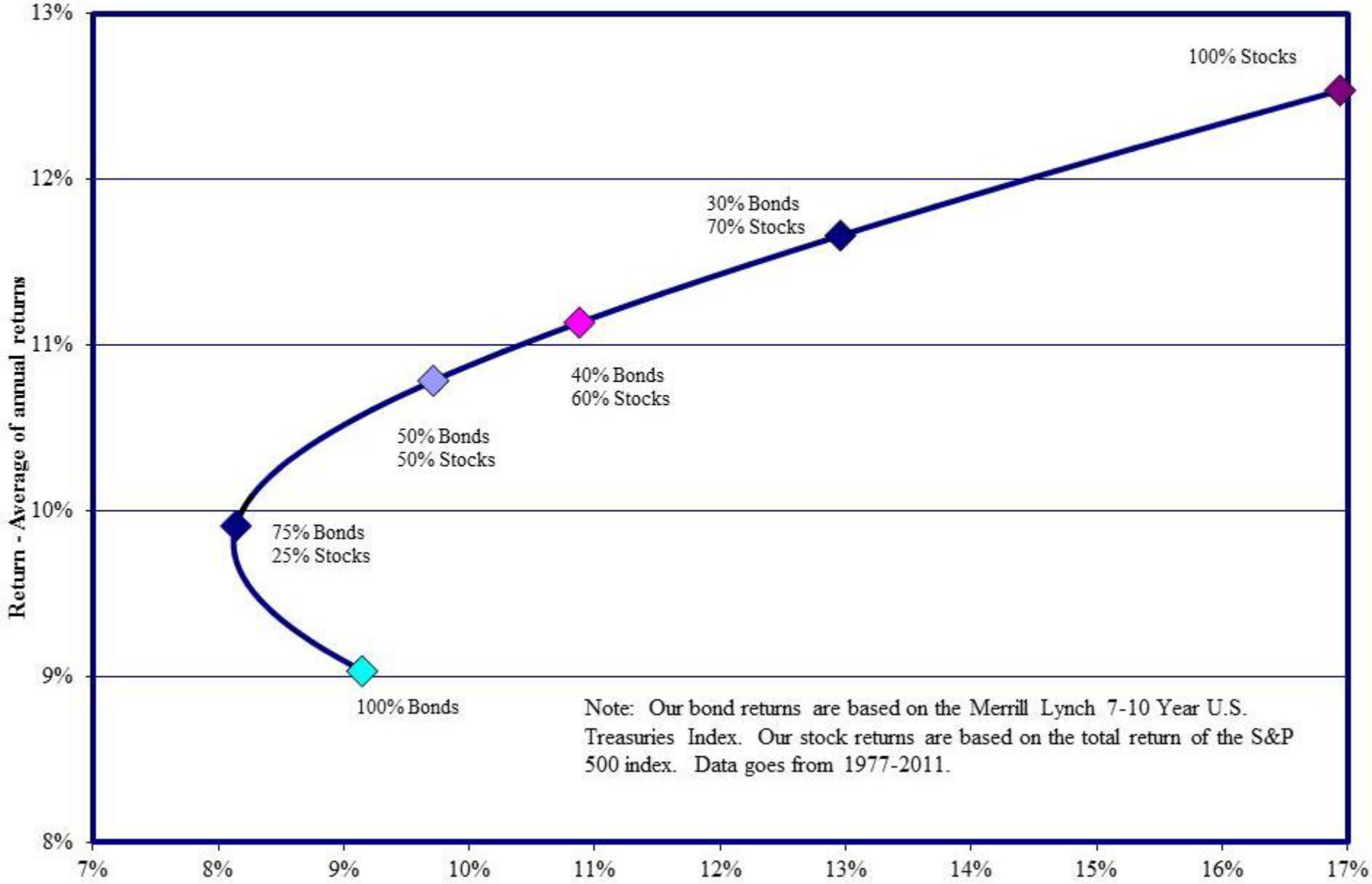
SBBI Summary Statistics of Annual Returns

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
Annuitization – Qualified	Ordinary income tax on full payment
Annuitization – Nonqualified	Pro-rata between ordinary income tax and non-taxable
Annuity Payment – Nonqualified	Ordinary income tax (1)
Annuity Payment – Qualified	Ordinary income tax on full payment
Return of Principal	Non-taxable
Pretax Retirement Accounts	Ordinary income tax
Roth Accounts	Non-taxable
Social Security	Ordinary Income (2)

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

(2) Maximum amount of social security subject to tax is 85%.

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*

2026 Marginal Tax Brackets

2026 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 $12,400	$0 to $24,800	$0 to $17,700
12%	$12,401 to $50,400	$24,801 to $100,800	$17,701 to $67,450
22%	$50,401 to $105,700	$100,801 to $211,400	$67,451 to $105,700
24%	$105,701 to $201,775	$211,401 to $403,550	$105,701 to $201,750
32%	$201,776 to $256,225	$403,551 to $512,450	$201,751 to $256,200
35%	$256,226 to $640,600	$512,451 to $768,700	$256,201 to $640,600
37%	$640,601 or more	$768,701 or more	$640,601 or more
Source: Internal Revenue Service. Tables from https://taxfoundation.org/2026-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
Total Cash Inflows:		
Pension Income	36,000	
Social Security Income	24,000	
Part-Time Income	6,000	
		$66,000
Total Shortfall or Need ($4,500 per month)	$	$54,000

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

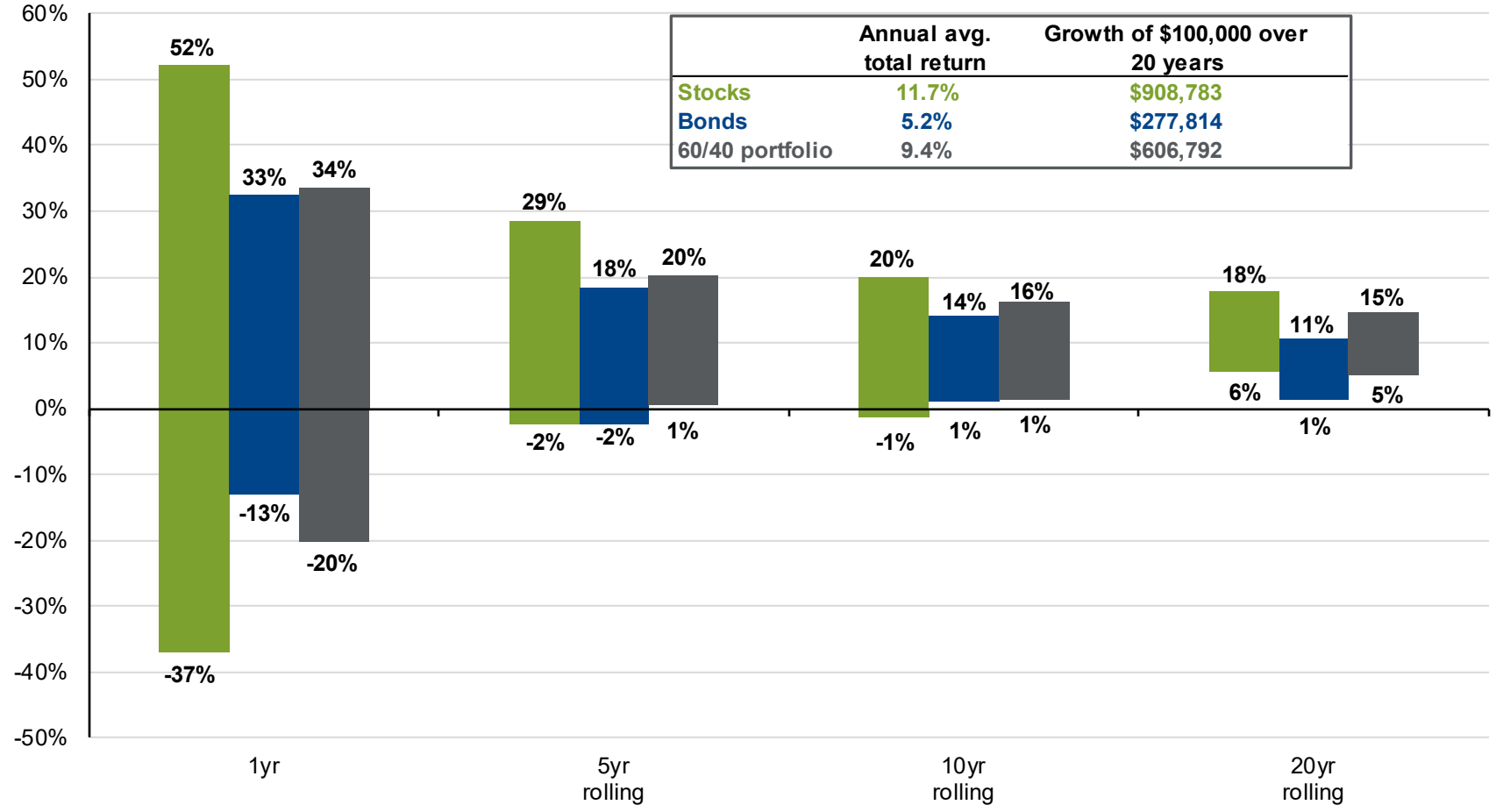
From Where Do We Fund the Shortfall?
Investment Portfolio

- 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)
- Social Security ?

Time, diversification and the volatility of returns

Range of stock, bond and blended total returns

Annual total returns, 1950 - 2025



	Annual avg. total return	Growth of $100,000 over 20 years
Stocks	11.7%	$908,783
Bonds	5.2%	$277,814
60/40 portfolio	9.4%	$606,792

Investing Principles

Source: Bloomberg, FactSet, Federal Reserve, Standard & Poor's, Strategas/Ibbotson, J.P. Morgan Asset Management.
Returns shown are based on calendar year returns from 1950 to 2025. Stocks: S&P 500; Bonds: Strategas/Ibbotson for periods prior to 1976 and the Bloomberg U.S. Aggregate thereafter. Growth of $100,000 is based on annual average total returns from 1950 to 2025.
Guide to the Markets – U.S. Data are as of December 31, 2025.

J.P.Morgan
ASSET MANAGEMENT

Laddered Maturities of Bonds

$50,000
Investment

$10,000
$10,000
$10,000
$10,000
$10,000

Case Study –Withdrawal Strategies