

SPECIAL REPORT

April 3, 2010

Telling You What Wall Street Doesn't Want You To Know

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This report isn't just for those of you already in retirement – it is also some of the most important information you can have in planning properly for retirement as one of, if not “the”, most vexing questions for an early retiree is *“How much can I safely withdraw per year from my retirement assets?”*.

With more and more companies today coming out with new drugs and technology to keep us alive longer, if not someday indefinitely, it is becoming more commonplace for me to visit with investors that still have a very long life span in front of them and miscalculating could result in an involuntary return to the workforce, or the estate planning headache of distributing a large net worth.

According to a March 10, 2004 Wall Street Journal article, today many retirement planners are advising a conservative 3.5 percent withdrawal rate. This means that someone who has painstakingly built a \$1 million retirement nest egg should withdraw only \$35,000 a year and live the lifestyle this would permit—clearly not the dream retirement they envisioned. This in turn is leading people who are still working and saving for retirement to ask, *“Will I ever be able to retire?”*

According to the Journal article, during the bull market years of the 1980's and 90's financial experts would say that a retiree could safely withdraw five to six percent a year without eroding the principal investment. Therefore, a retiree starting with a \$1 million portfolio that needs an income of \$50,000 to \$60,000 a year would end up with \$1 Million going to their estate. As you may have realized by now, the markets don't always go up, which is why withdrawing larger amounts may have been a little optimistic in a decade or two where returns are more normalized in the mid to low single digits. For example, if we are in a period where historically returns have averaged around 3.7 percent a year but the retiree is withdrawing an average of 6 percent, or \$60,000, annually; the portfolio can be maintained for approximately 26 years before exhausting the entire balance. This can be disastrous these days as many people enjoy retirements that last 30 or even 40 years, which underscores the need for both a **solid accumulation** and **wealth-building strategy** and a **sustainable withdrawal rate**.

The Sustainable Withdrawal Rate

Everyone's situation is different; no single withdrawal rate is right for everyone. People without heirs may wish to withdraw more aggressively than those looking to pass assets on to future generations. Moreover, the more a portfolio is responsible for retirement income, that is, the less a retiree receives from Social Security and pensions, the more conservative the withdrawal rate must be to ensure that retirement savings last 30 years or longer.

There Have Only Been A Few Studies

Since WallStreet is more concerned with your accumulation and investing of capital there has not been a great deal of research in the spending of accumulated wealth. So, the question that we want to address is simply *“If I invested my whole retirement account in the market how much could I withdraw per year and still not run out of money?”*

The Bengen Study.

The Wall Street Journal columnist Jonathan Clements reported on a study by San Diego based financial planner William Bengen. Bengen looked at year-by-year returns since 1925 for a 50/50 stock/bond portfolio. He assumed half the

portfolio was in the S&P 500 and half in intermediate term government bonds. Using a 30 year holding period, he calculated that a 4.1% withdrawal rate would allow you to survive the worst market declines.

The Harvard Study.

In 1973, Harvard University did a study to determine how much they could safely withdraw from their endowment fund without eroding the principal. Assuming a portfolio of 50% stocks and 50% bonds and cash, Harvard's analysts calculated they could withdraw 4% the first year and then adjust the subsequent year's withdrawals for inflation. For example, if there was 10% inflation, the second year's withdrawal would be 4.4% of the initial (i.e., first year) asset value.

The Trinity Study.

In what has become known as the Trinity Study, three professors from Trinity University in San Antonio, Texas, studied actual historical stock and bond returns to determine sustainable withdrawal rates. The study, first published in 1998 in the Association of American Individual Investors Journal, has gained renewed significance in light of recent turbulent economy. *(Philip L. Cooley, Carl M. Hubbard and Daniel T. Walz are professors of finance in the Department of Business Administration, Trinity University, San Antonio, Texas).*

Using data from 1926 to 1995, the professors looked at five possible portfolio compositions, from 100 percent stocks to 100 percent bonds - the three other portfolios were: 75 percent stocks/25 percent bonds, 50/50 stocks and bonds, and 25/75 stocks and bonds - and evaluated the impact of fixed annual withdrawals ranging from three percent to 12 percent. Stocks were represented by the S&P 500, while long-term high grade domestic bonds were used for the bond portfolios.

Payout periods were in five-year intervals, from 15 to 30 years. In the study, the professors considered a portfolio successful if it ended a particular withdrawal period with a positive value.

The study produced a number of conclusions, including:

- Withdrawal periods longer than 15 years dramatically reduced the probability of success at withdrawal rates exceeding 5%.
- **Bonds increase the success rate** for lower to midlevel withdrawal rates, but most retirees would benefit with **at least a 50% allocation to stocks.**
- Retirees who desire inflation-adjusted withdrawals must anticipate a substantially reduced withdrawal rate from the initial portfolio.
- Stock-dominated portfolios using a 3% to 4% withdrawal rate may create rich heirs at the expense of the retiree's current standard of living.
- For a payout of 15 years or less, a withdrawal rate of 8% to 9% from a stock-dominated portfolio appears sustainable.
- The study concluded that 4% to 6% of a retiree's starting portfolio is a safe withdrawal rate range. **Withdrawal rates above 5% increase the probability that a portfolio will be exhausted during the retiree's lifetime.**
- Even if a portfolio can sustain a 5% or 6% withdrawal rate, retirees can benefit by giving themselves as

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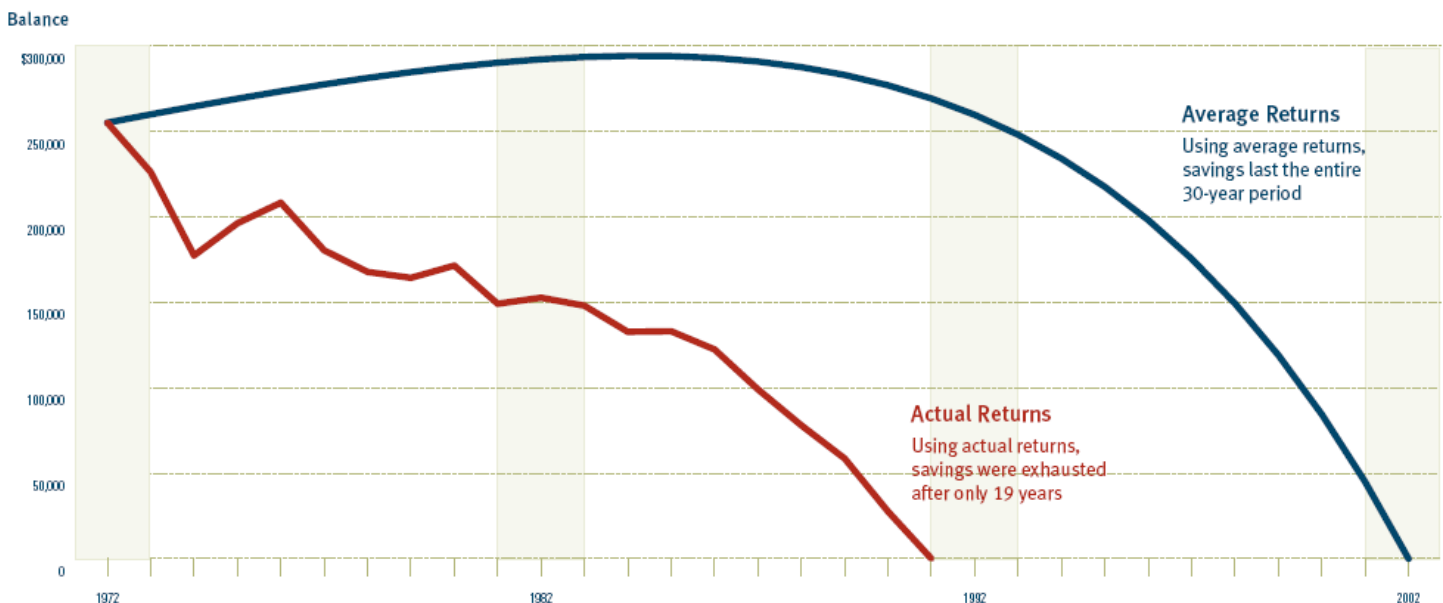
much financial flexibility as possible. This way, if a withdrawal rate reduction is necessary, the retiree's standard of living is not compromised significantly. To give yourself financial flexibility, experts agree, first and foremost **remain as debt-free** as possible. Without a large overhead each month, it's easier to cut back when necessary. Some retirees may want to consider moving to a smaller home to reduce both mortgage and maintenance costs.

What Is The Magic Number

Most investors who plan for retirement eventually confront the question of how much money they should plan to withdraw annually from their investment portfolio. The dilemma is that if they withdraw too much, they prematurely exhaust the portfolio, but if they withdraw too little, they unnecessarily lower their standard of living.

Main stream financial planners, counselors, analysts, and writers stand ready to advise investors on their dilemma, but their advice varies greatly, ranging from investing in common stocks and spending the dividend yield (roughly 1.7%), all the way up to 10%, which allows for the invasion of principal. Of course, most of this mainstream advice makes assumptions based on the market advancing at a fixed rate every year in a straight line appreciation. This type of thinking will have a lot of parents moving back in with kids if they live too long.

In a recent study by T. Rowe price this is more clearly shown. As you will see in the chart below if a retiree begins withdrawing money from a \$250,000 portfolio under real market conditions – they will exhaust the portfolio long before the anticipated date using “average market returns”. In the example, the study assumes starting with a \$250,000 portfolio and an initial 7.4% withdrawal rate increased by 3% each year for inflation. Withdrawals are made at the start of each year. Taxes on any investments and required minimum distributions for tax-deferred assets are not considered in this illustration. Portfolio performance is based on historical returns of a portfolio composed of 60% Standard & Poor’s 500 Stock Index, 30% intermediate government bonds, and 10% 30-day Treasury bills. The S&P 500 Stock Index tracks the stocks of 500 U.S. companies.



As you can see running out of money 10 years before you planned on it can be a bit troubling. Therefore, highly risk-averse investors should generally gravitate toward the low end of the range if they are concerned about outliving their

portfolio. Moreover, the larger the percentage of a retiree's total income provided by the portfolio, the more risk-averse the retiree needs to be. In addition, some retirees who wish to bequeath a large estate to their heirs, again argues for a lower withdrawal rate. In contrast, a more aggressive investor without heirs might wish to plan a financial future based on a high withdrawal rate.

It is because of these highly personal behavioral traits, circumstances, and goals that there is no clear single withdrawal rate which appears appropriate for every investor.

Therefore, what can be done to help an investor in **planning** for a withdrawal rate? The word planning is emphasized because of the great uncertainties in the stock and bond markets. Mid-course corrections likely will be required, with the actual dollar amounts withdrawn adjusted downward or upward relative to the plan. The investor needs to keep in mind that selection of a withdrawal rate is not a matter of contract but rather a matter of planning. Thus, the question addressed here is: What is a reasonable withdrawal rate from a portfolio for purposes of planning retirement income? Or stated differently, what withdrawal rate is likely to be sustainable during a specified number of years?

To help in the selection of a withdrawal rate we must look at the historical success of various withdrawal rates from portfolios of stocks and bonds. If a withdrawal rate proves too high based on historical year-to-year returns, then it seems likely that the rate will not be sustainable during future periods. Conversely, historically sustainable withdrawal rates are more likely to have a high probability of success in the future.

Using Historical Experience as a Guide

As we have seen, the main stream financial advice that you receive in planning for retirement will take the approach to examining withdrawal rates based on present value analysis and historical average rates of return from the financial markets. However, as we have shown above, an analytical approach such as this can provide useful insights, but it ignores the critical short-term variations in rates of return. For a retiree withdrawing assets from a portfolio, these short-term variations can have an amazing impact on the ultimate outcome that is not reflected using long-term averages. This impact is especially significant for portfolios consisting of common stocks, since their returns are highly variable.

The Trinity Study showed that *“an alternative approach to understanding withdrawal rates is to examine historical year-to-year experience. A sustainable withdrawal rate (as a percentage of initial portfolio value) is one that does not exhaust a portfolio of stocks and bonds despite the annual dollar withdrawals during a specified number of years (the payout period). The portfolio success rate, a useful concept for identifying sustainable withdrawal rates, is measured by the percentage of all past payout periods supported by the portfolio despite annual withdrawals. Presumably, a withdrawal rate that has worked well over the long-term past is likely to work well in the future.”*

The study measured the impact of withdrawal rates on portfolio values using the following approach:

- Annual withdrawal rates ranged from 3% to 12%. This wide range contains withdrawal rates of interest to most investors and will clearly show their impact on the portfolio success rate.
- The payout periods examined were 15 years, 20 years, 25 years, and 30 years. These payout periods are consistent with the life expectancy of most retirees.
- The portfolio allocations examined were: 100% stocks; 75% stocks/25% bonds; 50% stocks/50% bonds; 25% stocks/75% bonds; 100% bonds. The Standard & Poor's 500 index was used to represent stocks, and long-term, high-grade corporate bonds were used to represent bonds. (All stock, bond, and inflation

data were from "Stocks, Bonds, Bills, and Inflation, 1996 Yearbook," Ibbotson Associates, 1996).

The study did not adjust for taxes or transaction costs. An investor's own experience would differ depending on how much of his assets were in tax-deferred accounts, and the extent to which transaction costs could be held to a minimum using low-cost index funds.

Historical annual return data was used to calculate ending portfolio values after annual dollar withdrawals; the annual dollar withdrawals are based on a first-year withdrawal rate that is a percentage of the initial portfolio value. For example, for a 100% stock portfolio with a 15-year payout and a 3% initial withdrawal rate, the amount remaining after the payout period was determined at the end of the first 15-year period (1926 to 1940), the second 15-year period (1927 to 1941), etc. The portfolio success rate in the study is the percentage of all past payout periods supported by the portfolio (where the ending value exceeds \$0).

The Proof Is In The Success Rate

The study showed that the portfolio success rate responds to the variously expressed problem of an investor running out of money during the retirement years. If an investor's portfolio outlives the investor's planned payout period, then it is counted a success.

Cooley, Hubbard and Walz stated; *"Table 1, [presented below] presents 200 portfolio success rates resulting from different combinations of 10 withdrawal rates, five portfolio allocations, and four payout periods, all based on annual stock and bond returns from 1926 to 1995. The first entry in the table indicates that a 100% stock portfolio supported 100% of all 15-year periods in which annual withdrawals were made based on an initial withdrawal of 3% of portfolio value. The portfolio success rate drops to 98% for a 5% initial withdrawal rate, reflecting the failure of the all-stock portfolio during one of 56 15-year periods (1929 to 1943). Not surprisingly, as the withdrawal rate rises, the portfolio success rate declines.*

Continuing with the all-stock portfolio and holding the withdrawal rate constant shows that portfolio success rate usually declines with increases in the length of the payout period—also not too surprising. Because the portfolio success rate declines with increases in withdrawal rates and usually with increases in payout period, the numbers in Table 1 for the all-stock portfolio generally decline proceeding from the upper-left corner to the lower-right corner. The numbers imply that young retirees who anticipate long payout periods should plan on lower withdrawal rates than their older counterparts.

Table 1 also shows the impact of asset allocation on portfolio success rates: there is a general decline in portfolio success rates caused by increases in the percentage of bonds. In contrast to stocks, bonds provide little upside potential, which causes the portfolio success rate to be small or even zero for bond-dominated portfolios at high withdrawal rates. Because of the benefits of diversification, however, the presence of some bonds in the portfolio increases the portfolio success rate for low to mid-level withdrawal rates. For example, for withdrawal rates of 7% and lower, the 50% stock/50% bond portfolio has higher success rates than the portfolios with greater stock allocations for all payout periods."

If history is any guide for the future, then withdrawal rates of 3% and 4% are extremely unlikely to exhaust any portfolio of stocks and bonds during any of the payout periods shown in [Table 1](#). In those instances the success rate of the portfolio seems to be fairly assured.

From a planning perspective the question becomes where an investor should draw the line between an acceptable and an unacceptable portfolio success rate? The answer, of course, will vary from one investor to another, but it seems fairly clear that some investors will choose withdrawal rates exceeding the highly conservative 3% and 4% rates. This is where it become exceedingly important make sure that expectations are somewhat aligned with reality.

Table 1: Portfolio Success Rates: 1926 to 1995

(Percentage of all past payout periods supported by the portfolio)

Withdrawal Rate as a % of Initial Portfolio Value:

Payout Period	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
100% Stocks										
15 Years	100	100	98	98	93	91	88	77	63	55
20 Years	100	98	96	94	92	84	73	61	47	43
25 Years	100	98	96	91	87	78	70	50	43	35
30 Years	100	98	95	90	85	78	68	54	49	34
75% Stocks/25% Bonds										
15 Years	100	100	100	100	96	95	91	79	63	46
20 Years	100	100	100	96	94	88	71	51	41	33
25 Years	100	100	98	96	91	78	57	46	33	26
30 Years	100	100	98	95	88	73	54	46	37	24
50% Stocks/50% Bonds										
15 Years	100	100	100	100	100	98	91	71	50	36
20 Years	100	100	100	100	96	88	61	41	25	10
25 Years	100	100	100	98	96	70	43	22	7	0

30 Years	100	100	100	98	90	51	37	15	0	0
25% Stocks/75% Bonds										
15 Years	100	100	100	100	100	100	91	50	21	14
20 Years	100	100	100	100	100	71	24	12	4	2
25 Years	100	100	100	100	78	22	9	0	0	0
30 Years	100	100	100	100	32	5	0	0	0	0
100% Bonds										
15 Years	100	100	100	100	100	79	43	38	14	7
20 Years	100	100	100	96	47	35	16	6	0	0
25 Years	100	100	98	52	26	7	2	0	0	0
30 Years	100	100	51	27	0	0	0	0	0	0

Note: Numbers rounded to the nearest whole percentage. The number of overlapping 15-year payout periods from 1946 to 1995, inclusively, is 36; 20-year periods, 31; 25-year periods, 26; 30-year periods, 21. Stocks are represented by Standard and Poor's 500 index, and bonds are represented by long-term, high-grade corporates. Data source: Authors' calculations based on data from Ibbotson Associates.

What About Inflation?

One big risk faced by individuals living off their portfolios is inflation. For example, an investor who plans to withdraw \$80,000, before taxes, per year from a \$1 million portfolio of stocks and bonds (a 8% withdrawal rate) is likely to experience a decline in purchasing power; if inflation averages 3% per year, then the purchasing power of the \$80,000 will be cut in half by the end of 25 years, in other words, it will take \$172,500 to live at the same level as you were 25 years earlier. That is just scary.

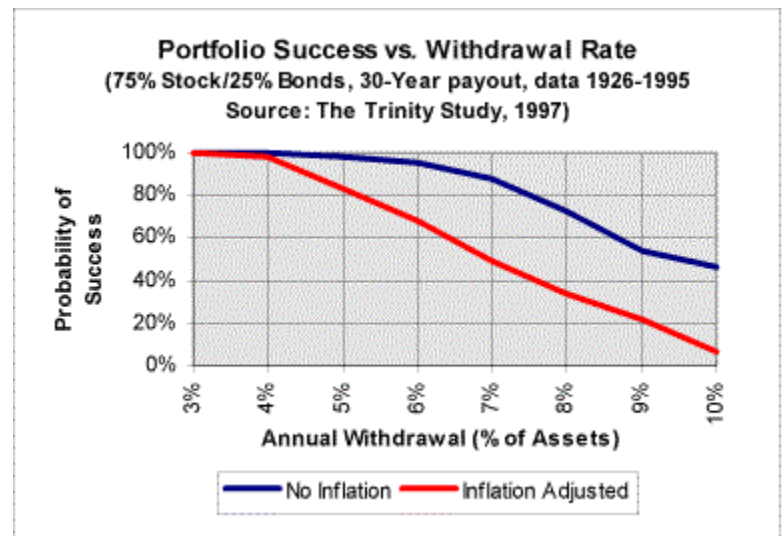
One way to plan for the impact of inflation is to adopt a withdrawal rate smaller than the rate of return on the portfolio; that allows the portfolio value to grow annually. If the withdrawal rate is then applied to the growing portfolio value, the annual amount withdrawn will increase.

The formula to determine this assumes a constant rate of return, which produces a constant growth rate for a given retention rate. However, the rate of return on a portfolio of stocks and bonds varies substantially each year. Thus, while the formula may be useful on average, it may produce grossly misleading results in many instances.

“A richer understanding of sustainable withdrawal rates in the face of inflation can be obtained by analyzing past rates of return and inflation rates. To counteract the effect of inflation, the dollar withdrawal in a given year must be increased by the inflation rate for that year. Similarly, to counteract the effect of deflation (as occurred in 10 of the past 70 years, especially frequent from 1926 to 1932), the dollar withdrawal in a given year must be decreased by the deflation rate for that year. Thus, portfolio value changes from year to year according to market return; withdrawals change from year to year according to the inflation/deflation rate, which maintains purchasing power of the withdrawals.

Table 2 presents portfolio success rates based on the methodology used in Table 1 but with the addition of withdrawals adjusted for inflation and deflation. Immediately noticeable is the dramatic decline in many of the portfolio success rates, especially for mid-level and high withdrawal rates. Despite the adjustment, however, withdrawal rates of 3% to 4% continue to produce high portfolio success rates for stock-dominated portfolios. Even the 5% withdrawal rate produces reasonably high portfolio success rates for all payout periods, but the 6% and 7% rates perform reasonably well only for short payout periods. All withdrawal rates above 7% perform poorly for all payout periods.

Adjusting withdrawals for inflation substantially reduces near-term withdrawals in favor of much larger ones in later years. Whether such adjustments are justifiable depends on investor preferences. Each investor must judge individually which of the possible patterns of consumption produces the most benefit. Because of health considerations, some investors might prefer a consumption pattern tilted toward the early years of retirement. Others might derive more utility from the increased financial security that postponed consumption produces.



A second issue revolves around the inflation/deflation calculation itself. Table 2 presents portfolio success rates that reflect withdrawals adjusted for changes in the Consumer Price Index (CPI). Many economists believe, however, that inflation as measured by the CPI overstates the actual increase in cost of living by 1.0 to 1.5 percentage points per year. If so, then the portfolio success rates in Table 2 are biased downward, especially those for the longer payout periods. Planning for CPI-adjusted withdrawals places great demands on the portfolio and requires the investor to reduce the withdrawal rate, perhaps more than necessary. As a result, the investor may forgo more current consumption for future consumption than is necessary to maintain a given standard of living.”

As you can see in the chart to right the inclusion of inflation in the retirement planning process significantly impacts the results of the retirement planning process. Furthermore, the higher the withdrawal rate becomes from the portfolio the more impact it has on the success rate of the portfolio when combined with the negative effects of inflation.

Table 2. Inflation-Adjusted Portfolio Success Rates: 1926 to 1995

(Percentage of all past payout periods supported by the portfolio after adjusting withdrawals for inflation)

Withdrawal Rate as a % of Initial Portfolio Value:

Payout Period	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
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100% Stocks

15 Years	100	100	100	91	79	70	63	55	43	34
20 Years	100	100	88	75	63	53	43	33	29	24
25 Years	100	100	87	70	59	46	35	30	26	20
30 Years	100	95	85	68	59	41	34	34	27	15

75% Stocks/25% Bonds

15 Years	100	100	100	95	82	68	64	46	36	27
20 Years	100	100	90	75	61	51	37	27	20	12
25 Years	100	100	85	65	50	37	30	22	7	2
30 Years	100	98	83	68	49	34	22	7	2	0

50% Stocks/50% Bonds

15 Years	100	100	100	93	79	64	50	32	23	13
20 Years	100	100	90	75	55	33	22	10	0	0
25 Years	100	100	80	57	37	20	7	0	0	0
30 Years	100	95	76	51	17	5	0	0	0	0

25% Stocks/75% Bonds

15 Years	100	100	100	89	70	50	32	18	13	7
20 Years	100	100	82	47	31	16	8	4	0	0
25 Years	100	93	48	24	15	4	2	0	0	0
30 Years	100	71	27	20	5	0	0	0	0	0
100% Bonds										
15 Years	100	100	100	71	39	21	18	16	14	9
20 Years	100	90	47	20	14	12	10	2	0	0
25 Years	100	46	17	15	11	2	0	0	0	0
30 Years	80	20	17	12	0	0	0	0	0	0

Note: Numbers rounded to the nearest whole percentage. The number of overlapping 15-year payout periods from 1926 to 1995, inclusively, is 56; 20-year periods, 51; 25-year periods, 46; 30-year periods, 41. Stocks are represented by Standard and Poor's 500 index, and bonds are represented by long-term, high-grade corporates, and inflation (deflation) rates are based on the Consumer Price Index (CPI).

Data source: Authors' calculations based on data from Ibbotson Associates.

The Trinity Study Conclusions

What is the appropriate annual withdrawal rate from a portfolio during the retirement years?

It is clear from the results of the Trinity Study that the answer depends on the mix of stocks and bonds in the portfolio, a planned payout period, and on a retiree's degree of risk aversion and preferences for consumption patterns. Nonetheless, there are some general conclusions at which the authors of the Trinity Study arrived:

- *Early retirees who anticipate long payout periods should plan on lower withdrawal rates.*
- *The presence of bonds in the portfolio increases the success rate for low to mid-level withdrawal rates. However, the presence of common stocks provides upside potential and holds the promise of higher sustainable withdrawal rates. In other words, the addition of bonds helps increase certainty but at the expense of potentially higher consumption. Most retirees would likely benefit from allocating at least 50% to common stocks.*
- *Retirees who demand CPI-adjusted withdrawals during their retirement years must accept a substantially reduced withdrawal rate from the initial portfolio. For retirees with significant fixed costs and for those who tend to spend less as they age, CPI-adjustments will likely cause a suboptimal exchange of present consumption for future consumption.*

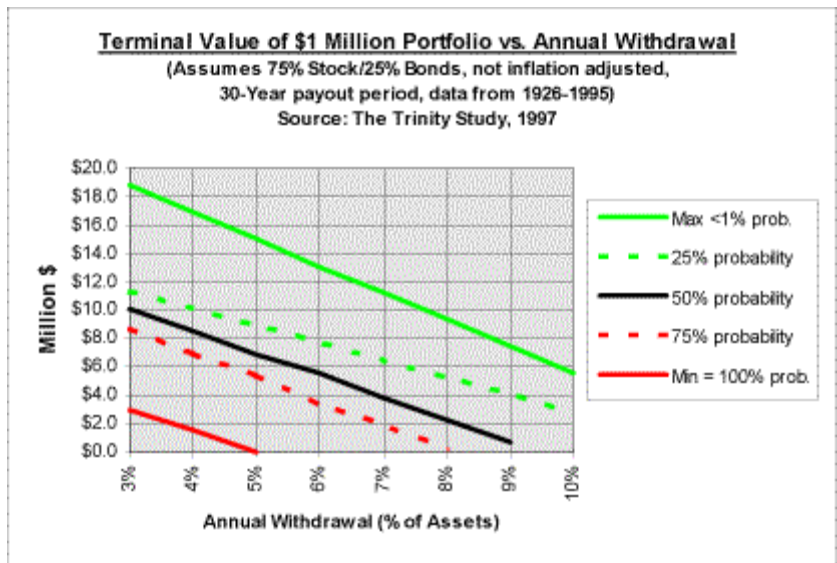
- For stock-dominated portfolios, withdrawal rates of 3% and 4% represent exceedingly conservative behavior. At these rates, retirees who wish to bequeath large estates to their heirs will likely be successful. Ironically, even those retirees who adopt higher withdrawal rates and who have little or no desire to leave large estates may end up doing so if they act reasonably prudent in protecting themselves from prematurely exhausting their portfolio.
- For short payout periods (15 years or less), withdrawal rates of 8% or 9% from stock-dominated portfolios appear to be sustainable. Since the life expectancy of most retirees exceeds 15 years, however, these withdrawal rates represent aggressive behavior in most cases. **By definition, you have a 50% chance of living beyond your actuarially determined life expectancy, so it is wise to be conservative and add a few years.**

What Should You Be Doing

The overwhelming conclusion to all these studies is that a withdrawal rate of about 4% per year is adequate not to outlive your retirement assets. However, there are several things to consider:

- ☑ The first thing to consider is that these studies are based on investment returns **before** expenses. If you're investing in anything there ARE expenses to be paid, apparent, hidden and otherwise. For example if you are in a fund charging 1.5% your "safe" withdrawal rate is $4.0\% - 1.5\% = 2.5\%$. This is why one of Streettalk Advisors primary mantras is cost efficiency. Streettalk Advisors understands that reducing the costs of portfolio management increases the chance of portfolio survivability.
- ☑ Also remember that all studies are based upon historical data which is why *"past performance does not guarantee future results."* While there is every reason to believe that investment returns in the next 70 years will be similar to the previous 70 years, there is very little chance that they will be EXACTLY the same. To say that 4.0% is a "safe" withdrawal rate may in itself be misleading because, as with all investing, there is a chance that even 4.0% may leave you broke. It all depends on "when" you start your withdrawals. For example, if you planned your portfolio to last 20 years into retirement and were drawing 4% annually during a period in the market from 1962-1982, you didn't make it as the market yielded only around 1% during that 20 year period. It may make more sense to say that the "safe" withdrawal rate going forward lies somewhere in the range of 3.25% to 4.25%. For my own planning, I'm using a somewhat narrower range of 3.5% to 4.0%.
- ☑ One aspect of these "safe" withdrawal studies is that they assume you've invested everything at the market peak. For example, if you're currently withdrawing 4.0% of assets annually and your account balance grows by 10% this year, then you will withdraw the same 4.0% of assets from your larger balance next year. Once you enter a year with a declining stock market, you would then adjust the subsequent year's withdrawals for inflation/deflation until the stock market, and your account balance, had reached a new inflation adjusted high. You could then resume making your withdrawals of 4.0% of assets of your January 1st balance as long as the stock market continued to rise.
- ☑ While a 4.0% withdrawal rate protects you against running out of money, it leaves you a very good chance of accumulating a large net worth. For someone starting with a \$1.0 million account, 75% stocks/25% bonds, a 30-year payout period and a 4% withdrawal rate, there is a 75% chance your account will be worth at least \$7.0 million at the end of 30 years.

Indeed, the authors of the Trinity study admit low "safe" withdrawal rates "cause a suboptimal exchange of present consumption for future consumption." The chart below shows the probability of attaining **at least** a given account balance after 30 years for various withdrawal rates.



While All Things Change – They Remain The Same

It is important to remember that “this time is not like last time” and that “this time is not different”, in other words, the present and the future will neither be exactly the same as history nor will it deviate far from it. WallStreet, in its every ongoing process of needing to sell new stuff to the retail investor, consistently floods the market with ideas, strategies and concepts, that portend that the future has now changed due to the advent of some technology, or some world event, and things will never be the same again.

While this is partly true, it is also mostly false. Human nature and investor psychology never deviate to far away from the mean and ultimately while investors may experience “irrational exuberance” from time to time they also experience “irrepressible pessimism”, but ultimately, things return to the middle.

What this means is that there is no magic portfolio structure that you can invest in that will generate a steady stream of annual returns until your death. If that is what you need then you should be considering annuities. Even with all of their faults they have one shining component – no matter how long you live – you will receive a check every single month.

However, for the rest of us, it will require discipline, management, annual adjustments, and a willingness to live on less while markets are declining. The biggest factor in portfolios running out of money before the planned expiration date is that when the markets decline the portfolio is losing purchasing power for future market returns. Therefore, it is critical to evaluate on an annual basis where you currently are, what you needs are going to be, and making sure that in the event of a poorly performing market environment that the principal investment is protected at all times.

Free Offer

If you want an idea of where you are, how much you will have at retirement and when that will be based on your current savings and investment plan, and what kind of retirement you will have, Streettalk Advisors will do a full analysis based on the principles of this report for you for **FREE**.

The interview and data collection process takes about an hour and the report is generally ready within 7 business days.

STREETTALKADVISORS

Call today for an appointment or [CLICK HERE](#).

STREETTALK ADVISORS

What makes us different?

It's really pretty simple. We believe that managing risk is the key to long term success.

Conserve the principal and the rest will take care of itself.

Risk = Loss

Seems like a simple concept – yet most people take way too much risk in their portfolio which is fine as long as the market goes up. The problem comes when it doesn't.

Managed Risk = Returns

By applying some simple risk management to a portfolio of assets the potential for large draw downs of capital is reduced thereby allowing the portfolio to accumulate returns over time.

Total Return Investing

We believe that portfolio should be designed for more than just capital appreciation. There are times when markets do not rise. During those periods we want income from dividends and interest to be supporting the portfolio.

If you are ready for something different the you are ready for common sense approach to investing.

Get Started Today

DISCLAIMER & CONTACT INFORMATION

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