

The 4% Rule: Does It Still Work for Retirees Today?

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One of the most common questions I hear is, "How much can I safely withdraw from my retirement savings each year?"

Eventually, the conversation usually turns to something called the 4% rule.

The idea is simple: if you withdraw 4% of your retirement portfolio in your first year of retirement and then adjust that amount for inflation each year, your money should last approximately 30 years.

For example, if you have a \$1 million portfolio, the 4% rule suggests you could withdraw \$40,000 in your first year of retirement.

It's a straightforward concept, which is probably why it's become so popular. But like most financial rules of thumb, there's more to the story.

Where the 4% Rule Falls Short

The 4% rule was based on historical market data and certain assumptions about investment returns and retirement length. While it's a helpful starting point, retirement today looks different than it did decades ago.

People are living longer. Markets move through different cycles. Inflation can change quickly. And no two retirements are exactly alike.

The truth is that your ideal withdrawal rate depends on several factors:

- Your age when you retire
- How much income you'll receive from Social Security or pensions
- Your spending needs and lifestyle goals
- Your investment mix

- Your willingness to adjust spending when circumstances change

A one-size-fits-all rule can't account for all of those variables.

Retirement Isn't Static

One thing I've learned over the years is that retirement is a journey. Some years you may spend more because you're traveling, helping family, or making a large purchase. Other years your spending may naturally decline.

Likewise, markets don't move in straight lines. A retiree who remains flexible with withdrawals often has more options than someone who follows a rigid formula regardless of market conditions.

That's why I believe retirement income planning should be dynamic rather than automatic.

So, Does the 4% Rule Still Work?

In many cases, it can serve as a useful guideline. But I wouldn't recommend using it as your entire retirement plan.

The better question is, "What withdrawal strategy gives me the best opportunity to enjoy retirement while maintaining confidence that my money can support my goals?"

For some people, the answer may be close to 4%. For others, it could be higher or lower.

Final Thoughts

When I work with clients, I don't focus on finding one magic number. Instead, I focus on building a retirement income strategy that can adapt to changing markets, changing needs, and changing opportunities.

Retirement planning isn't about following a rule. It's about creating a plan that fits your life.

The 4% rule can be a helpful starting point, but your retirement deserves more than a rule of thumb. It deserves a strategy designed specifically for you.

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