

RETIREMENT WITHDRAWAL STRATEGY

Timing is everything

Short-term market crashes, even at the beginning of retirement, are not a death-knell. However, longer stretches (9-10 years) of poor or mediocre returns at the beginning of retirement could mean a higher chance of running out of money. Why, you might ask. It's referred to as sequence of returns risk. Elongated periods of poor performance at the beginning of retirement *paired* with ongoing withdrawals can significantly reduce the longevity of a portfolio.



Risk of being overly cautious and restricting yourself to a lower standard of living than necessary

Risk of depleting portfolio before it can recover



Traditional Approach Fixed Withdrawal Rate

'Set and forget' a safe withdrawal rate between 4-6% of the portfolio. This approach has an equal likelihood of:

Maintaining the full account principal throughout retirement



That's a relief!

Leaving six times the starting account balance



Meaning you could have travelled more and lived much more comfortably!



Dynamic Approach Adjustable Withdrawal Rate



GUARDRAILS

- Ongoing monitoring of the withdrawal rate to keep it under 6%, and above 4%, of the overall portfolio balance
 - Can result in increases or decreases in the withdrawal rate depending on the performance of the portfolio
- Best for clients who are willing and able to adjust their discretionary spending from year to year**



RATCHETING

- Set increases in withdrawal rates, based on periodic reviews of the overall portfolio performance
 - Increases only happen when safe to do so (such as when the portfolio is up 50% from the initial principal), and therefore there's never a decrease in the withdrawal rate
- Best for clients who prefer to have a set floor for their spending, with the potential to give themselves "raises" over time**

It's important to keep an open dialogue with your financial advisor so that you can pro-actively review, and adjust as appropriate, your withdrawal rates over your retirement years to meet your wants and needs.

