

What is the Safe Withdrawal Rate?

A “withdrawal rate” refers to the percentage amount that you withdraw annually from your nest egg. A **safe** withdrawal rate is the amount you may withdraw from your nest egg with a strong probability that you will **not** run out of money.

First, let’s talk about the various stages of Retirement Planning. There are 3 stages: the first stage is the **“accumulation phase”** where we contribute money (and defer taxes) into retirement accounts (401K, 403B, 457 plans, traditional IRAs, SEP accounts, etc.) The second stage happens when we retire, or semi-retire and begin to withdraw funds from our retirement accounts to pay our living expenses. This is called the **“distribution phase”**. And the third stage of retirement planning is the **“legacy phase”**, where we leave money to our loved ones and/or favorite charity.

It used to be that you could withdraw 4% per year from your accounts and not run out of money. The environment is different today:

1. People are living longer than ever before.
2. Interest rates are relatively low.
3. Stock market volatility is very high.

Therefore, the safe withdrawal rate is no longer 4%, but more like 2.8% - 3%. That’s if you don’t want to run out of money before you run out of life.

If you are already withdrawing from your retirement accounts how much are you withdrawing on an annual percentage basis? Is it 4%, 5% or even more? If so, what will you do if you run out of money before you run out of life? Maybe you have a wealthy relative who will make sure you are well taken care of. Not all of us have that luxury.

Are you maximizing your Social Security benefits? Do you know that Social Security is just like an annuity? An annuity provides you with lifetime income, guaranteed, so you can stop worrying about running out of money in retirement. A fixed annuity is also not subject to market losses – so your money is safe. How

much of your retirement plans are structured to provide ***guaranteed lifetime income?*** Do you realize that you don't have to risk all of your money in the stock market? You can position a portion to be safe and guaranteed.

Please have these conversations with your family and your advisor(s). And if you would like a second opinion on what you are doing, feel free to contact me at **561-302-5760**. There is no cost and absolutely no obligation.

Sara Finkelstein, RFC®, RSSA® is the author of “Wi\$dom for Women – Discover the Challenges You Must Overcome to Live the Life and Retirement You Deserve”, available on Amazon. Since 1996, Sara has been helping retirees all over South Florida take the “what ifs” out of retirement so they can enjoy Peace of Mind and a Worry Free, “stay retired” retirement! Sara is a Registered Financial Consultant and a Registered Social Security Analyst, Helping Soon-to-Be Retirees with Professional Social Security Planning Strategies, That Will Create An Income You Cannot Outlive!! Learn more about Sara by visiting www.SignatureAdvisoryGroup.com or connect with her on LinkedIn. She can be reached at 561-302-5760.