

If You Are Trying to Create A Lifetime Income in Retirement

Sequence of Returns Are Critical

Nowhere is the sequence of returns more important than when you taking distributions in retirement. If you are trying to create a lifetime income in retirement you need consistent returns. Drawing a fixed income stream from a portfolio that is experiencing capital drawdown due to investment losses is like trying to put out a fire with gasoline. This can be catastrophic to the point where either you have to stop income until your investments return or even worse, You Run Out Of Money and have nowhere else to turn.

The below example shows pulling out 5% of 500,00 each year.

The examples show the S&P 500 Returns

Portfolio A is 1988 to 2008 in order of returns

Portfolio B is 2008 to 1988 if the returns were reversed.

Starting Principal: \$500,000

Income: 5% of first year principal

Inflation 3% Assumption

If you averaged 8.43% return over 20 years

does the sequence of the gains and losses matter?

The only difference is that the order of returns is reversed!

Sequence risk is for real and you better be aware of it!

Bottom Line: Times have changed. Volatile swings will become

the norm. It is imperative to have a stable income plan

with either guaranteed returns or a plan that can create

consistent enough returns taking into consideration your

income goals, so that you will:

Never Run Out Of Money In Retirement

Age	Annual Return	Portfolio A Year-End Value	Annual Return	Portfolio A Year-End Value
66	31.69%	\$ 633,450	-37.00%	\$ 290,000
67	-3.11%	\$ 588,000	5.49%	\$ 280,171
68	30.47%	\$ 740,641	15.84%	\$ 298,028
69	7.62%	\$ 769,760	4.91%	\$ 285,343
70	10.08%	\$ 819,214	10.88%	\$ 288,251
71	1.32%	\$ 801,047	28.68%	\$ 341,941
72	37.58%	\$ 1,072,231	-22.10%	\$ 236,523
73	22.96%	\$ 1,287,670	-11.88%	\$ 177,680
74	33.36%	\$ 1,685,569	-9.11%	\$ 129,826
75	28.58%	\$ 2,123,686	21.04%	\$ 124,523
76	21.04%	\$ 2,550,228	28.58%	\$ 126,516
77	-9.11%	\$ 2,283,299	33.36%	\$ 134,117
78	-11.88%	\$ 1,976,402	22.96%	\$ 128,119
79	-22.10%	\$ 1,502,906	37.58%	\$ 138,563
80	28.68%	\$ 1,896,126	1.32%	\$ 119,041
81	10.88%	\$ 2,063,479	10.08%	\$ 92,092
82	4.91%	\$ 2,124,679	7.62%	\$ 58,994
83	15.84%	\$ 2,419,910	30.47%	\$ 35,650
84	5.49%	\$ 2,510,204	-3.11%	\$ -
85	-37.00%	\$ 1,537,593	31.69%	\$ -
		8.43%		