HALLIBURTON | Let's Talk ... About Your Financial Future

Let's Talk About...

Making Your Retirement Savings Last

Up till now, our focus has been on savings — but now let's talk about actually spending the money you've saved once you reach retirement. Developing a retirement withdrawal strategy can help ensure your savings last.

Assess Your Retirement Needs

First, think about your expected living expenses in retirement, including housing, healthcare, transportation, and leisure activities like travel. This will help you estimate the income you will need to cover these costs.

Get Support from Fidelity's Retirement Decision Guide

Fidelity's step-by-step Retirement Decision Guide can help you feel more confident and supported as you transition to retirement. The guide provides support to help you maximize your Social Security benefits, understand your health insurance options, adjust your investments, explore other ways to generate income, and more.

Understand the 4% Rule

A popular starting point for retirement savings is the 4% rule, which was developed by a financial advisor in 1994. The 4% rule suggests withdrawing 4% of your initial retirement portfolio balance in the first year of retirement and adjusting that amount based on inflation in subsequent years. The goal is to provide a sustainable income stream while preserving your savings.

Vanguard gives the following example:

- If you retired with a $500,000 portfolio and decided on an initial 4% withdrawal rate, you'd take $20,000 from your portfolio the first year of retirement.
- If the rate of inflation was 3% during that year, you'd then increase your withdrawal by $600 ($20,000 x 3%) in your second year of retirement, for a total withdrawal amount of $20,600.

However, the 4% rule is not a one-size-fits-all solution. Charles Schwab says, “The biggest mistake you can make with the 4% rule is thinking you have to follow it to the letter.” Your withdrawal rate should be dependent on your individual circumstances, including how your portfolio performs each year, tax considerations, and length of time in retirement. Additionally, there are other suggested methods for determining withdrawal rates – see Charles Schwab's article, "Beyond the 4% Rule – How Much Can You Spend in Retirement?" for additional insights.

Use Guaranteed Income for Essential Expenses

Investing comes with risks, so relying on guaranteed income sources to cover essential expenses can provide stability. Annuities, for example, offer predictable payments regardless of market conditions. Social Security and pensions can also serve as sources of guaranteed income.

Take Advantage of Fidelity Guaranteed Income Resources

- Fidelity's Social Security Benefit Calculator can help you decide when to start claiming your benefit, determine a claiming strategy, and show you how much your benefit could be.
- Log in to your Fidelity account to access the Guaranteed Income Estimator tool, which lets you estimate your monthly income should you choose a guaranteed income annuity.

Optimize Your Portfolio for Short and Long-Term Expenses

Invest in a mix of cash, bonds, and stocks based on your time horizon and risk tolerance. Liquid assets like cash and short-term bonds can cover expenses you'll have in the next few years. Longer-term bonds can help with expenses in the middle of your retirement, while stocks can support long-term growth to fund your later retirement years.

The Plan's **Retirement Portfolios** offer a ready-made mix of investments based on your planned retirement date. The asset allocation, which is professionally managed, is automatically adjusted throughout your career and for 10 years after your target retirement date. The Portfolios with the earliest date (and the Income Retirement Portfolio) have an asset mix specifically designed for those already in retirement.

Regularly Review and Adjust

Factors such as changes in your financial situation, market conditions, and life events may require modifications to your withdrawal plan. Regularly reassessing your retirement needs and consulting with a financial advisor can help you adapt your strategy as circumstances change. For more on this topic, see "Let's Talk About…Getting Ready for Your Financial Advisor First Date".

Sources:

What Is The 4% Rule For Retirement Withdrawals? (Forbes)

Making Your Savings Last through Retirement (Vanguard)

How Can I Make My Retirement Savings Last? (Fidelity)

What Should Your Retirement Portfolio Include? (Charles Schwab)

A Guide to Retirement Withdrawal Strategies (Vanguard)

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