TRAILHEAD
FINANCIAL PARTNERS

Can I Afford to Retire?

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Preparing for your retirement requires lots of dreaming, And preparation especially when it comes to the financial aspects of this exciting new phase but with some consideration and a plan, we think you can live confidently with your finances in retirement. A financial planner can help fine-tune your retirement plans and add detail for taxes, investment performance, and other concerns, but you can use this worksheet as a guide to get started and consider some of the most important concepts in retirement planning: your withdrawal rate and your reliance rate.

Before we look at your withdrawal rate and reliance rate let's start with the three numbers that drive every retirement income plan: your spending, your income, and your withdrawal amounts.

3 Numbers to Consider:
Spending, Income, Withdrawal Amount

	Your Number Here	Example
First, determine how much you want to spend on a monthly or annual basis	____________________	$76,000 / year
Then, add up all your income sources in retirement, like Social Security, pensions, and annuity income	____________________	$36,000/ year
Next, subtract your income from your spending to see how much you'll need to withdraw from your accounts to make your plan work and put that number here	____________________	$76,000 - $36,000 = $40,000

Now that you have the three numbers that drive every retirement income plan, let's look at some quick ratios to see how your goal stacks up against your savings,

Withdrawal Rate

Your withdrawal rate is the ratio of how much money you withdraw from your total portfolio balance. This is one of the key factors that determines how long your money will last in retirement. In general, a person with a higher withdrawal rate will go through their money faster than a person with a lower withdrawal rate.

Historically, a 4% withdrawal rate is a standard guideline for a client retiring at age 65, with a life expectancy of 90, and taking a moderate amount of risk in their investment portfolio. Everyone's situation is unique and many factors could lead to acceptance of a different withdrawal rate... for example, the younger a person retires, the lower their recommended withdrawal rate would be and conversely, the older someone retires, a higher withdrawal rate could be acceptable. If life expectancy is considered to be less than average, a higher withdrawal rate could be acceptable, while if a longer life expectancy is assumed, a lower withdrawal rate would be desired.

Use these formulas to determine your withdrawal rate:

To solve for your withdrawal rate:

Desired withdrawal from portfolio / Total portfolio balance = Withdrawal rate

Your numbers go here: _______/__________ = ____

Example withdrawal rate: $40,000 per year / $1,000,000 = 4%

Or, to solve for a withdrawal amount:

Total portfolio balance x desired withdrawal rate = annual withdrawal amount

Your numbers go here: _________x___ = _______

Example withdrawal amount: $1,000,000 x 4% = $40,000/per year

Reliance rate

Your reliance rate is the ratio of how much you withdraw from your accounts each year compared to your total spending. The reliance rate will determine how much market fluctuations could impact your spending goals and your peace of mind when it comes to your finances in retirement. An acceptable reliance rate really depends on your risk tolerance and other factors, but in general, once a reliance rate goes over 50%, swings in the markets, account values, and economic factors will have a bigger impact on your plans.

Use this formula to determine your reliance rate:

To solve for your reliance rate:

Desired withdrawal from portfolio / Total spending

Your numbers go here: _______/_______ = ____

Example reliance rate : $40,000 / $76,000 = 52%

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