

# Why the 4 percent Withdrawal Rule is Useless in modern day Retirement?

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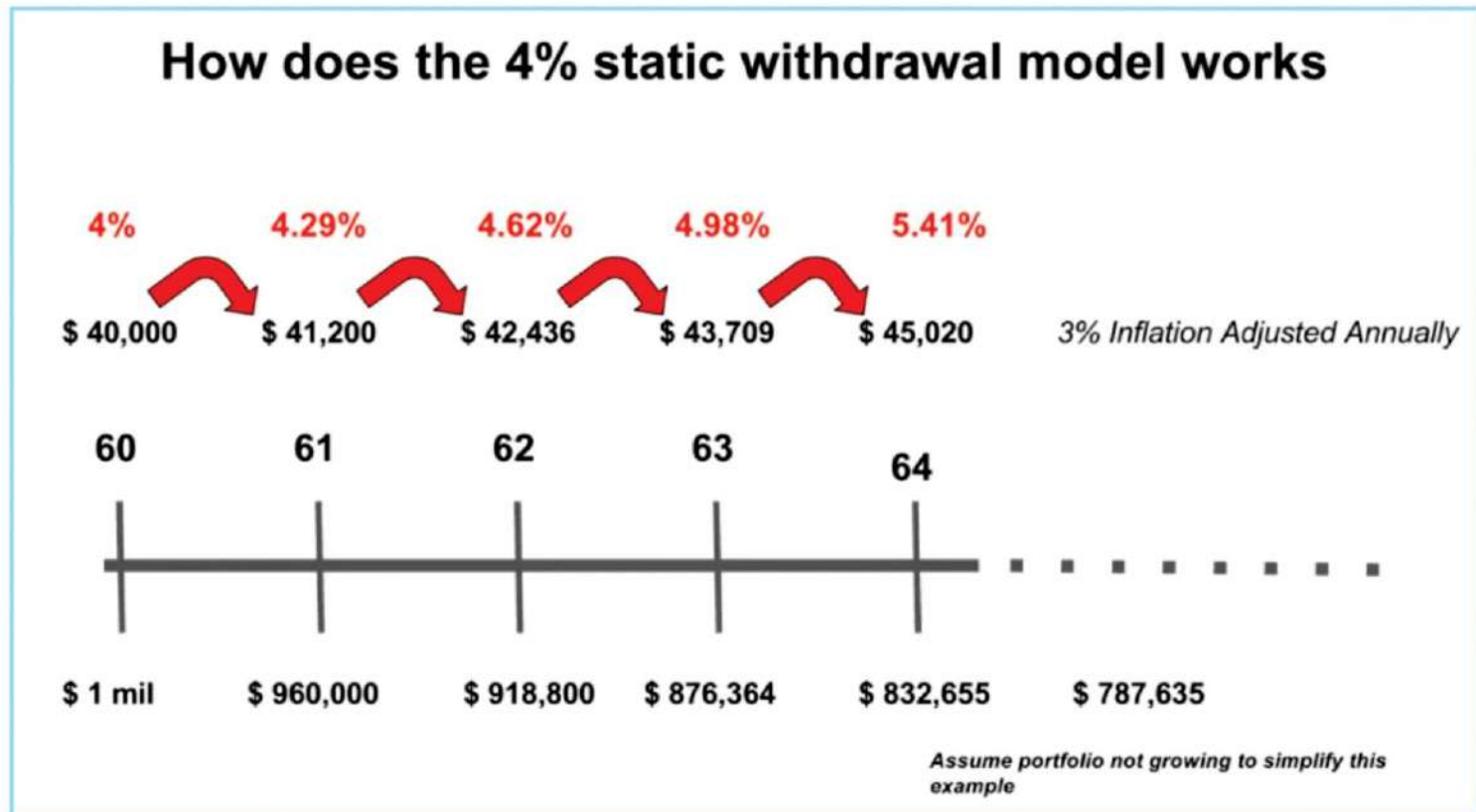
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## Retirement Portfolio: Accumulation & Distribution

- When people talk about retirement planning or how much money they need to retire, the focus is always on the asset accumulation stage. There is a stage where you convert income into assets.
- The other equally important stage is when you convert asset into sustainable income stream for retirement and this is called the withdrawal or the de-accumulation stage, it is about how to manage your withdrawal in retirement so it can sustain you for as long as you need.

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# How does the 4% static withdrawal model works



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## How does the 4% static withdrawal model works

- A static model of the 4 percent rule means that at retirement year you can withdraw 4 percent of your retirement assets or any other asset which is dedicated for retirement purposes. And then in the subsequent years you can ignore whatever happens in your portfolio whether the market goes up or go down and you continue to blindly withdraw the same amount of retirement expenses needed, before you can see that your retirement expense withdrawal from your retirement nest egg will naturally start from 4 percent but it will naturally grow over time because to adjust your retirement expenses up and the second thing is because your retirement nest egg or portfolio actually goes down it gets depleted and reduce gradually but surely.

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## How does the 4% static withdrawal model works

- If you withdraw a starting amount that start with four percent of your retirement portfolio and your portfolio fluctuates up and down and amount of withdrawing is growing with inflation whether or not your portfolio is growing or not, you run out of money before running out of life.
- A static model is not realistic because in real world retirees or even you're not a retiree when your portfolio goes down and you feel less wealthy. You should lower your expense and spending, to keep it a realistic percentage of your remaining portfolio or assets. That's how you will work.
- You should always be dynamic instead of static.

