

5 Factors to Consider When Determining Your Retirement Account Withdrawal Rate

As you plan for retirement or if you're already retired, how much you'll withdraw from retirement accounts for reliable income and to meet expenses is a nuanced decision that will likely include these 5 key factors.

Withdrawal Rate Factors:

1. Cash Flow
2. Risk Tolerance
3. Longevity
4. Health Care
5. Taxes

1. Cash Flow

Pre-retirement, looking at your current cash flow is key to forecasting how much you'll need in retirement to maintain your lifestyle. A preliminary estimate might assume that you'll spend money in retirement just as you did before you retired.

Because life isn't static, experts often advise that you evaluate your cash flow needs periodically both prior to retiring and once retired. With the help of your wealth advisor, you can adjust the amount of your withdrawals to reflect any life changes or goals. Thinking of purchasing a vacation home? Recently received an inheritance? Those factors should be incorporated in your cash flow calculation.

2. Risk Tolerance

Watching the value of retirement and brokerage accounts plummet can sting. But for some, it causes worry and sleepless nights. If that describes you, you might want to discuss dialing down the level of risk you're willing to assume in your overall portfolio with your wealth advisor—keeping in mind that in doing so, you'll also potentially forgo the higher returns typically associated with growth-oriented investments.

On the other hand, you may wish to keep your portfolio's risk level and mix of assets the same but withdraw less from your retirement accounts when markets are trending down (and inflation is trending up) to preserve assets over the long term. Conversely, when markets are on an upward swing, you could increase your withdrawal amounts if desired. Consult with your wealth advisor to determine what works best for you.

3. Longevity

Contemplating how long we will live is not something many of us feel comfortable doing. Even so, to determine the amount of your annual retirement account withdrawal, it's essential to estimate, as accurately as possible, how many years your money needs to last. According to the Centers for Disease Control, the average life expectancy in 2021 for men was 73. That figure increases to age 79 for women.¹

Consider these averages a starting point only. You'll also want to factor in the health and longevity of your nearest family members when gauging your lifespan. If your mother and father lived into their 80s, that's an indicator you may, as well. Online calculators are another helpful tool in arriving at an



accurate life expectancy estimate. Ultimately, it's a good idea to err on the side of caution and assume you'll live longer than expected.

4. Health Care

Some research on spending trends in retirement shows that those in their later years spend more on health care due both to longer life spans and ever-increasing costs. Those costs could include long-term care, which seven out of 10 people will require in their lifetime.²

Bottom line, you should plan to spend more on health care as you age.

5. Taxes

You'll also want to keep an eye on the impact of taxes on your retirement accounts. It matters which retirement account you withdraw from first. In fact, studies have found that tax-efficient retirement withdrawals can make your savings last longer.

Just as your portfolio is diversified with a mix of stocks, bonds and other investments, your retirement assets should be diversified among tax-deferred

accounts such as 401(k)s and 403(b)s, after-tax accounts like Roth IRAs and Roth 401(k)s and taxable brokerage accounts. Working with your wealth advisor, you can create a withdrawal-sequencing strategy to help minimize the taxes you'll owe on your account distributions.

Note that if you are age 73 or older and have to take a required minimum distribution from certain accounts, that becomes part of your overall withdrawal strategy.

Consult With Your Wealth Advisor

Your wealth advisor can help you determine your annual retirement account withdrawal rate and make adjustments as needed.



For more information visit: marinerwealthadvisors.com

¹ ["Life Expectancy in the U.S. Dropped."](#)

² ["Genworth Cost of Care Study."](#)

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