These are not your grandfather's (or Gary Brinson's) withdrawal rates

By Editorial Staff *Thu, Apr 13, 2017*

Writing in the April issue of the Journal of Financial Planning, the "Nest Egg Gurus" and Morningstar's David Blanchett show that many questions about sustainable withdrawal rates from retirement portfolios are still wide open.

For advisors, two worthwhile articles on the topic of sustainable annual withdrawal rates from total-return retirement portfolios appear in this April's Journal of Financial Planning.

In one article, Jack DeLong Jr. and John H. Robinson, creators of Nest Egg Guru planning software, write that a "spend bonds first" or a "simple guardrail" strategy (spend down stocks and bonds proportionately, but never liquidate depressed stocks) produce much more median final wealth than either "spend stocks first" or the often-used "spend down stocks and bonds proportionately and maintain a constant asset allocation" strategy.

In the second article, Morningstar's David Blanchett asserts that clients can spend 6% per year if 95% of their wealth is in guaranteed income, but only 2% if just 5% of their wealth is. He adds that targeting a 75% Monte Carlo portfolio success rate can be better than demanding a 95% success rate–especially for clients with ample guaranteed income.

Advisors who like teasing out the various variables inside the Rubik's Cube of withdrawal rate strategies should find these articles rewarding.