## What's the Correct Amount to Withdraw from Your Retirement Funds Each Year?

Rules of thumb and guidelines abound in every investment arena – you'll always hear about specific percentages you should save, spend or invest based on where you are in life. They're made to draw attention to specific investment needs everyone has, and for that reason, it's good to have them.

A popular one is that no one should spend more than 4 percent annually of the value of their nest egg in any given year. Another is that retirees only need 70-80 percent of their last working year's income to maintain their standard of living.

The reality is that everyone's retirement goals are different and should be planned based on specific needs, not general rules of thumb. This is why retirement plans should be made with the aid of experts in tax, estate and investment issues. A good starting point would be a meeting with a CERTIFIED FINANCIAL PLANNER™ professional who could go over your personal situation and define particular percentages that can be withdrawn from your overall retirement nest egg while you continue to work or relax.

What's the downside of not planning? Wachovia's recent fourth annual Retirement Survey showed that many retirees enter their post-working years with no idea – or limitations – on how much of their nest egg they'll spend on an annual basis. The financial firm reported that 28 percent of surveyed retirees with average total savings of $375,000 withdraw 10 percent or more of their retirement savings annually to pay for expenses. Further, only one-third (38 percent) pegged their withdrawal rate at 5 percent or less. Only about half (47 percent) said they had a written withdrawal strategy, and only 28 percent said they have a written budget for spending their savings.

Here are the major ways to determine an appropriate withdrawal amount withdraw each year in retirement:

**Define a vision of retirement and revisit it every year:** Anyone who has worked with a good investment manager or financial planner has addressed the kind of retirement they envision. Incorporating part-time work into the retirement picture might make other financial goals more affordable. A person who manages his or her finances or works with an expert needs to revisit those goals annually to assess the feasibility of affording a particular lifestyle in retirement.

**Track working-life expenses for 3-6 months:** This is where that vision of retirement becomes real. Understanding what an individual spends on lattes and late-night carryout may motivate an investor to shift his behavior from spending to saving**.**

**Create a worst-case health scenario:** For many retirees, increasing healthcare expenses and the cost of end-of-life-care account for significant spending. As a result, many retirees may pay for expensive experimental treatments to fight disease or long-term assisted living or nursing home care. According to AARP, annual nursing home costs will be at more than $100,000 a year in the next two decades compared to their current annual range of $45,000-$60,000. While public aid picks up medical expenses for those who exhaust their assets in most states, most of us desire more than minimal standards of care.

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**Shift into a retirement investment strategy in stages:** With a clear majority of investors having inadequate retirement funds in place near or at retirement age, it may seem silly to talk about investing post-retirement. But the younger an investor is, the more valuable the conversation. Good advisers can help build more balanced portfolios that fit the exact needs of the investor as retirement nears.

**See how long you can put off taking Social Security:** The Wachovia study also reported that the majority of respondents planned to start taking Social Security benefits at age 62, the earliest point possible. Another 17 percent reported taking Social Security benefits at age 65. Only 9 percent reported delaying Social Security benefits past age 65. Even though no one will get rich off of Social Security, delaying taking those payments will result in larger payments later, but get advice to see if that decision is right for you.

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*July 2008 — This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by Linda Grant, Sound Financial Solutions, Inc., a local member of FPA.*