metrohill

Making Retirement Assets Last a Lifetime

You've spent years planning and saving for retirement. But have you thought about what you'll do with those savings once you retire? Now may be a good time to look at your assets and how you can make them work to give you the retirement lifestyle you want. Here are some strategies to consider.

Taking Tax-smart Withdrawals

One strategy that may help your retirement assets last longer is to take withdrawals from any savings and investments you have in taxable accounts first. By leaving your money in tax-deferred accounts, such as your employer's plan or an individual retirement account (IRA), until later, you'll delay the taxes that will be due on withdrawals and continue to take advantage of opportunities for tax-deferred compounding.

Weighing How To Make Withdrawals

Regardless of *where* you take your money from, you should think about *how* you're going to take withdrawals. Your retirement assets need to last your lifetime. If you withdraw too much money too soon, your savings may not last as long as you need them. But you don't want to be so frugal you can't enjoy retirement. Also consider that taking a large withdrawal in a month when the investment markets are down could seriously deplete your assets. Your savings may not be able to recover sufficiently to meet your later needs.

One way to avoid depleting your invested assets is to withdraw only the earnings on those assets. For most people, though, this approach won't provide adequate income. The accompanying table illustrates another potential strategy *and* the importance of choosing a reasonable withdrawal rate.

How Long Could Your Assets Last?

You can use this chart to estimate how long your savings might last given various withdrawal percentages and rates of return. The higher your withdrawal percentage in relation to your annual investment earnings, the faster you'll deplete your savings.

% Withdrawn annually	Number of years before assets are gone				
2	50	*	*	*	*
3	33	39	52	*	*
Example: 4	25	28	33	42	*
5	20	22	24	29	36
6	16	18	19	22	25
7	14	15	16	18	20
8	12	13	14	15	16
9	11	11	12	13	14
10	10	10	10	11	12
	3%	**4%**	**5%**	**6%**	**7%**
	Average annual return on remaining assets				

The withdrawal percentages shown refer to a percentage of the initial value of the retirement assets. The table assumes payments are increased 3% annually and are taken at the beginning of each year. Actual earnings would vary from year to year. Source: SS&C Technologies, Inc.

Investigating Income Strategies

Not having employment income in retirement is a concern for many people. To address this issue, here are two options you might consider.

Buying an annuity from an insurance company. Generally, an annuity provides you with monthly payments beginning at retirement and continuing for your lifetime (or your lifetime and the lifetime of your spouse or other beneficiary).

Investing in a mutual fund, managed account, or similar investment that provides regular monthly payments. Unlike an annuity, these investments generally don't guarantee income for life. But they typically have other features that annuities generally don't have. For example, access to your money isn't limited, and many offer more investment flexibility than an annuity.

When choosing one of these options, you don't necessarily have to use all of your retirement assets. You could retain some of your assets to invest in other investments or use for other purposes.

Don't Forget Required Minimum Distributions

Generally, you must begin taking annual required minimum distributions (RMDs) from your tax-deferred accounts by April 1 of the year following the year you turn age 70½.* RMDs are typically figured by dividing your account balance as of December of the prior year by an age-based factor from the IRS's Uniform Lifetime Table.

Working out a suitable withdrawal strategy for your retirement assets can be a challenge. Talking with a professional financial advisor may be helpful.

* Roth IRAs are not subject to the required minimum distribution rules during an owner's lifetime.