



# *the* Plan

## Withdrawal Rates by W. Devin Wolf, CFP®

In the latest edition of *The Plan*, Jamie mentioned the 4% rule of thumb for withdrawal rates. To delve a bit deeper, the 4% rule hails from the 1994 Trinity Study which looked at past returns for a “moderate” investment portfolio. This study determined that an initial withdrawal rate of 4%, annually adjusted for inflation, will have an 85% success rate over a 30 year time horizon. In other words, a million dollar portfolio can successfully support initial withdrawals of \$40,000 per year.

While the 4% rule provides a good starting point, your actual withdrawal rate should be a function of your goals, time horizon, risk tolerance, and a healthy dose of reality. I have performed my own Monte Carlo Analysis and enclosed tables from the analysis to help illustrate these principles. This analysis uses more conservative return assumptions to reflect the current lower interest rate environment.

**Goals-** The goal of the retiree should always be the primary consideration. Some retirees want to pass their wealth on, others just want to make sure they don’t run out of money, and others want to spend their last dollar with their last breath. Only when the goals of the retiree are understood can the appropriate level of risk be taken.

**Time Horizon-** A 4% withdrawal rate for someone retiring at age 60 who is planning to live to 100 (a 40 year time horizon) results in failure too often to be confident in retirement. On the flip side, a 4% withdrawal rate for a retiree with a 10 year time horizon will be successful, but may result in more money at the time of death than is ideal for the retiree’s goals.

**Risk Level-** Understanding your time horizon and goals can help you decide how much risk is needed to accomplish the desired result, but you also need to make sure to remain consistent with your personal risk tolerance. Let’s use the enclosed tables to illustrate a retiree with a 30 year time horizon. Assuming 4% withdrawals and a goal to pass wealth on to their heirs the retiree would be best served by an aggressive portfolio (Median portfolio after thirty years of \$459k compared to \$0 with a conservative portfolio). However, if portfolio fluctuations keep them up at night and they risk not sticking to the plan they would be better off reducing the risk of the portfolio as well as the withdrawal rate.

To achieve an 85% chance of success with a conservative portfolio the withdrawal rate would need to be reduced to 3.42%.

**Reality-** It is rare to find retirees who withdraw the same amount adjusted for inflation each year. Some years require higher expenditures for vacations, home improvements, etc. By avoiding high withdrawals during bear markets and keeping a watchful eye on your financial plan, we can increase your chances of success and maximize lifetime withdrawals.

In conclusion, there is no one-size-fits-all solution. Customizing your withdrawal rate to your unique situation will increase the odds of accomplishing your goals.

### Fun With The Candidates

by James B. Twining, CFP

**Sanders** likes to Socialize  
**Cruz** the right will tantalize  
**Webb** would like to equalize  
**Huckabee:** evangelize

**Hillary** equivocates  
While the **Donald** bloviates  
VP **Biden** contemplates  
**Perry** stumbled in debates

**Rand Paul’s** for the Constitution  
**Jindal’s** sort of highfalutin  
**Kasich** likes redistribution  
**Santorum** needs your contribution

**O’Malley** wants more new taxation  
**Carly** wants a Trump castration  
**Bush** is known for his relation  
**Carson** for a separation

**Walker** won a State election  
**Marco** speaks with great inflection  
**Chafee** knows about rejection  
**Christie** has a big midsection

So right or left or in between  
Rich or poor, or fat or lean  
Is there a hopeful whom you like?  
Or should they all go take a hike?

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# on a Personal note

## Devin and Stephanie

In mid-September, we boarded an early morning flight to Disneyland with the **WHOLE** family (aunts, uncles, cousins, grandparents, etc.) After literal months of “Can we go to Disneyland yet?!” the kids (re: anyone under the age of 95) were SO excited that it was **FINALLY** time. We had to wake the little kids up around 4 am to make our Seattle flight and when we went downstairs to wake up Graedon (4), he immediately sprang out of bed, grabbed his favorite stuffed animal, and sprinted up the stairs (he was going to **RUN** to Disneyland in his PJs if he had to!) Even with all the hype (this was a much-anticipated family Christmas gift from Jeanne and Jamie) the trip did not disappoint. We hit Disneyland like a freight-train and didn’t stop for three days. Seriously. Even the youngest of the kids (Elodie-2) was up from 6 am to 10 pm every single day and we all had the time of our lives. From lunches with princesses and Goofy, to the lights parade, fireworks show, and riding **EVERY** ride imaginable (even if it meant padding their shoes to make them tall enough- Finley :) we soaked up the fun and magic and also got to spend quality time with some family members who live in CA! We all made memories we’ll never forget...except the little kids...they’ll probably forget a lot of this so I guess we’ll have to go again!



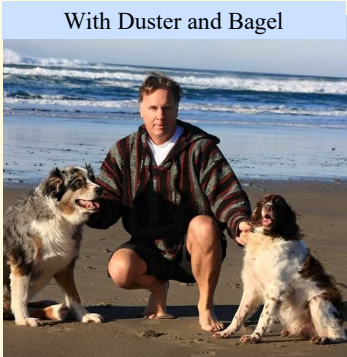
## Jamie and Jeanne

When I was a boy, my mother worked at a pet store and she had a habit of adopting the sick pets and bringing them home. We became pet hoarders! At one point we had two cats with a litter of kittens, two guinea pigs, four ducks, a rat, a minah bird and two alligators. We never had dogs.

That changed after Jeanne and I settled in Whatcom County. We got a dog, and for 32 years we have normally had two dogs at a time. This summer our last dog Duster passed away at age 14.

As you know, we’ve been travelling quite a bit and that is tough with dogs. Cats are more independent and do better when their humans are away. Also, my sister Jane is a “cat lady” and she will gladly take care of them while we are gone. So we have a new kitten and another one on the way.

With Duster and Bagel



Baggy!



This is Bagheera, AKA Baggy. She is three months old, and already quite a character. Her favorite activities include:

- ◆ climbing curtains to the top
- ◆ hiding under the bed covers
- ◆ shredding ankles
- ◆ attacking anything that moves
- ◆ following us around the house

She’s loads of fun. Our furniture was lousy anyway. :)

## Dave and Bonnie

Fall has been a total football frenzy for sure at our house. This is my second year coaching James’ 4th and 5th grade football team. We haven’t exactly been burning down the scoreboard, but we at least have as good a record as the Seahawks this year.

The main thing is that we are having a bunch of fun and have had some really great experiences. I have 8 assistant coaches and they are all great guys who really love our boys!



James—Grade 5



Apparently my daughter was exercising her political ambitions at celebrity day during spirit week at her school. She pretty much “*Trumped*” all of the other people’s outfits.

“The Donald”



## Nate and Lisa

It finally happened; our first trip to the Emergency Room with one of our children. Surprisingly, it wasn’t our oldest, Finley, who made the trip but instead Annalise that gets that distinction (and frankly I’m surprised it took this long). Of course, Finley *caused* the injury, but what else are older sisters for if not to toughen the younger ones up?

Fortunately, Annalise only had a dislocated elbow, often called “Nursemaid’s Elbow,” and it was a relatively quick (but not painless) fix. Of course, like all injuries to children, it happened later in the day when the doctor’s office was closed, hence the trip to the emergency room. After many tears from both Finley and Annalise, her elbow was popped back into place and it was nothing that an ice cold popsicle couldn’t remedy. Everyone at St. Joseph’s was fantastic, and I will say that it was one of the easiest Emergency Room visits I’ve ever had. Of course, I haven’t seen the bill yet...

