Retirement Income System

A Decision Architecture for a Secure & Fulfilling Retirement

Retirement success is less about how large your portfolio is and more about intelligently converting it into sustainable income.

4 CORE PRINCIPLES

1. Start with purpose
Define what retirement is supposed to accomplish.

2. Cover the essentials
Secure basic expenses with reliable income.

3. Make your wealth last
Manage withdrawals, taxes, risk, and longevity.

4. Simplify
Reduce complexity and automate what you can.

THE RETIREMENT INCOME SYSTEM

PURPOSE — Clarify your retirement objectives.
→ **NEEDS WANTS WISHES** — Prioritize spending into three categories.
→ **ANNUAL SPENDING** — Build a realistic spending plan.
→ **RELIABLE INCOME** — Social Security, pensions, annuities.
→ **PORTFOLIO WITHDRAWAL RATE** — (Spending − Reliable Income) ÷ (Portfolio − Contingency Fund)

CONTINGENCY RESERVE — Protect against unexpected expenses.
← **RMD / ROTH MANAGEMENT** — Plan RMDs, Roth conversions, and tax-smart moves.
← **DYNAMIC SPENDING GUARDRAILS** — Adjust spending with portfolio performance within set limits.
← **INVESTMENT ALLOCATION** — Diversify while maintaining growth to fight inflation.
← **TAX STRATEGY** — Optimize after-tax returns across accounts.

ESTATE & COGNITIVE PROTECTION — Documents, beneficiaries, POAs, and organized records.

AUTOMATION & SIMPLIFICATION — Automate withdrawals/RMDs, consolidate, reduce complexity.

NEEDS • WANTS • WISHES

NEEDS (Protect First)
Housing, food, utilities, transportation, health care.

WANTS (Adjustable)
Travel, dining, entertainment, hobbies, lifestyle choices.

WISHES (Fund Last)
Gifts, family support, charitable giving, inheritance.

In tough times:
Wishes → Wants → Discretionary → Protect Needs

WITHDRAWAL RATE MATTERS MOST

A small reduction can greatly extend portfolio longevity.

Initial Withdrawal Rate	Years Portfolio Lasts (Illustration)
5.0%	29 years
4.5%	34 years
4.0%	41 years
3.5%	50+ years

3.5%–4% is a starting range for 30+ year retirements.

RELIABLE INCOME = INCOME FLOOR

Cover essentials with dependable income to avoid forced sales.

Social Security · Pensions · Annuities

Build your income floor first, then plan portfolio withdrawals.

LONGEVITY & SEQUENCE RISK

Living too long can be a bigger risk than poor returns.

Market drops early in retirement can be dangerous when you're withdrawing.

Plan for 30+ years and protect against early market declines.

DYNAMIC SPENDING

Let spending move with portfolio performance within guardrails.

Portfolio +10%	Spending can rise up to +5%
Portfolio −10%	Spending can fall up to −2.5%

Reduces the need for severe cuts later and preserves wealth.

TAX-EFFICIENT WITHDRAWAL ORDER

Start with: Taxable → Tax-deferred → Roth

Illustration: ~14% less cumulative taxes through age 100 vs. proportional withdrawals.

ROTH CONVERSIONS

Convert during low-income years to reduce future taxes and RMDs.

Watch IRMAA, future brackets, spouse taxes, and legacy goals.

RMD STRATEGY

- Begins at age 73 (75 if born 1960+)
- Automate and plan ahead
- Use RMDs to rebalance
- Consider QCDs for charity

ANNUITIES = LONGEVITY INSURANCE

Trade liquidity & inheritance for guaranteed lifetime income.

Less Liquidity → Lifetime Income → Potentially More Lifetime Security

May improve outcomes at older ages, but not a guarantee.

CASH & CONTINGENCY

Two different buckets.

Spending Fund
~12 months of planned portfolio withdrawals in cash or money market.

Contingency Fund
For unexpected expenses (health, repairs, assessments). Exclude from withdrawal rate calculation.

Enough cash to avoid forced selling, not so much that you lose growth.

DEBT MANAGEMENT

Eliminate high-interest debt.

In retirement, saving 1%–3% on interest can be more valuable than chasing returns.

HOME EQUITY IS AN ASSET

Use home equity strategically.

Downsize · HELOC · Reverse Mortgage

Housing can reduce expenses, provide liquidity, or income.

ESTATE & DOCUMENTS

- Will & Trusts
- Beneficiary Designations
- Account Titling
- Financial Power of Attorney
- Health Care Directives
- Organized Records

Protect your wishes and your ability to act before it's too late.

SIMPLIFY TO SUCCEED

- Consolidate accounts
- Automate withdrawals & RMDs
- Create clear rules
- Review periodically, not constantly

THE GOLDEN PRINCIPLE

Protect the floor, make the middle flexible, and let the portfolio serve your life— not the other way around.

Floor (Needs) → Middle (Wants) → Top (Wishes)

REMEMBER

- These are frameworks, not guarantees.
- Many factors affect outcomes.
- Review, adapt, and stay flexible.
- Your plan should fit your life.