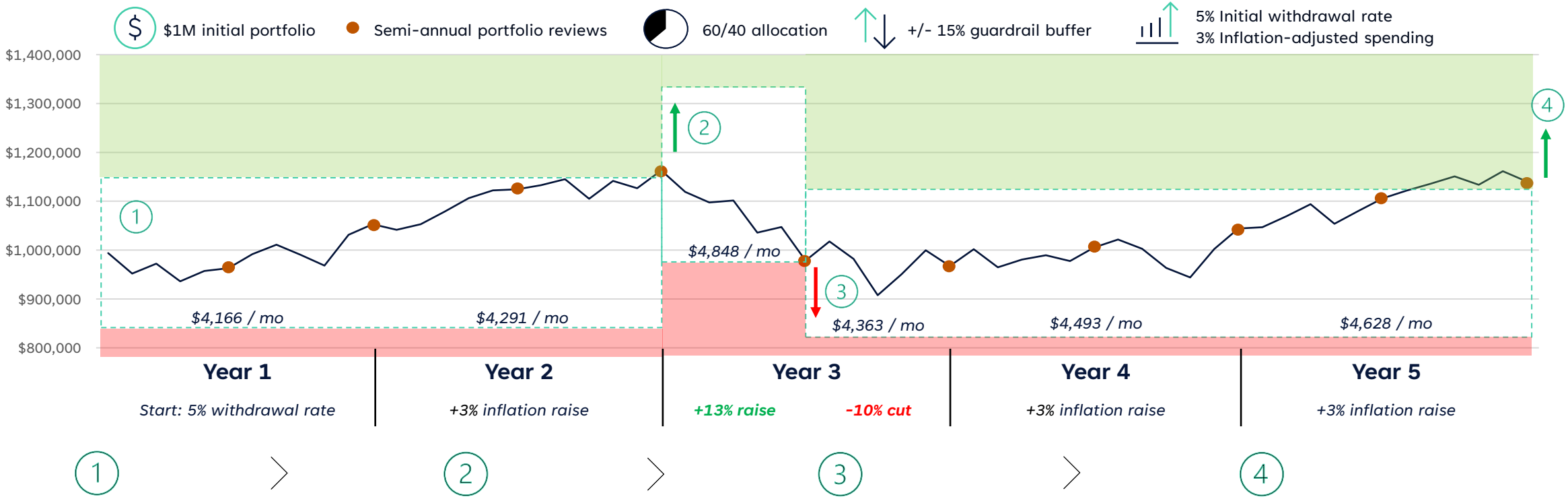
Retirement Income: Buffer Spending

Example of an on-going portfolio withdrawal methodology to help clients reliably spend down their portfolio during changing markets

Have questions?
Financial.Planning@lpl.com



1

- *Client starts with a $1M portfolio and a 5% withdrawal rate*
- *Receives an annual 3% inflation increase*
- *Portfolio stays within the initial guardrails for 2 years*

2

- *Upper guardrail is reached*
- ***Illustrated Option:** Increase spending by 10% (+3% COLA) and keep portfolio allocation the same*
- ***Alternative Option:** Keep inflation-adjusted spending the same but harvest gains from equities and re-fill the cash / bond portion of the portfolio*

3

- *Lower guardrail is reached*
- ***Illustrated Option:** Decrease spending by 10% (no COLA) and keep allocation the same*
- ***Alternative Option:** Keep inflation-adjusted spending the same but only raise cash from the bonds within the portfolio (don't sell equities)*
- *Portfolio stays within the guardrail for the next 30 months*

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- *Upper guardrail is reached*
- ***Option 1:** Client would be entitled to a 10% spending raise (+3% COLA)*
- ***Option 2:** Harvest gains from equities and replenish the cash / bonds portion of the portfolio*