



How much of your savings can you really spend each year in retirement?



RETIRE WITH CONFIDENCE®

As you prepare to retire, here is a rule of thumb to help you decide how much of your hard-earned savings you can withdraw each year without running out of money.

Every decision you make will affect the potential of your retirement savings. Let's look at the three common "risks" you'll face and how to manage them. They are: *market risk*, those ups and downs that affect the value of your portfolio; *inflation risk*, which affects your purchasing power over time; and *longevity risk*, or the number of years your assets must last.

Longevity risk is probably the most challenging risk you will face. Here's why: For a couple with average health at age 70, there is a 34% chance that one will live to age 90 and a 22% chance that one will live to age 95.*

CONSIDER THE 4% GUIDELINE

A common mistake is withdrawing too much of your savings too soon. Consider a flexible approach, assuming a 30-year retirement. In your first year, start with an amount equal to 4% of your savings, and plan to increase the amount by 3% to account for inflation in subsequent years.

For example, to determine your first-year withdrawal, multiply 4% times your total retirement savings balance. If your balance is \$500,000, your first-year withdrawal amount is \$20,000 (4% of \$500,000 = \$20,000).

This approach can help keep you from overspending during the early years while stretching your nest egg for decades in retirement.

While no financial or investment analysis can predict the future with absolute certainty, a 4% initial withdrawal amount increased annually for inflation can help most retirees avoid running out of money too early.

BASE YOUR FIRST WITHDRAWAL ON YOUR AGE AND TIME HORIZON

Age when you begin withdrawals	Initial withdrawal amount
50–59	3.0%
60–64	3.5
65–69	4.0
70–74	5.0
75–79	6.0

The 4% guideline is a starting point for those retiring at age 65 and assuming a 30-year retirement. Initial amounts change depending on how many years you plan to withdraw income from your account. But it's also flexible and can be adjusted depending on a variety of factors such as the amount of your savings, market performance, and other needs.

FACTOR OTHER INCOME SOURCES INTO YOUR WITHDRAWAL DECISION

You will likely have other sources of retirement income, such as Social Security benefits and possibly pension income. It's important to consider how they may support your spending plan and withdrawal strategy. Depending on your circumstances and the market environment, it's wise to reevaluate your spending needs on a regular basis—at least once a year.

Connect with us.

We'll help you feel confident about saving and investing for your retirement.



YOUR RETIREMENT PLAN WEBSITE

Go to rps.troweprice.com.



DEDICATED REPRESENTATIVES

Call your plan's toll-free number.



MOBILE SOLUTIONS

Visit troweprice.com/mobilesolutions to choose the option that's best for you.

WHAT YOU CAN DO NOW

Take these steps to make your retirement savings last. Visit troweprice.com/insights and browse content under the Plan & Learn tab.

Keep Your Withdrawal Plan on Track

By creating a realistic withdrawal plan, you should be better prepared for the years ahead. Just take these steps:

1. Assess your sources of income in retirement
2. Understand how much you can withdraw so that your assets will last throughout retirement
3. Select an asset allocation that is balanced between stocks and bonds

*American Academy of Actuaries and Society of Actuaries, Actuaries Longevity Illustrator, <http://www.longevityillustrator.org/> (accessed December 2022).

This material is provided for general and educational purposes only and is not intended to provide legal, tax, or investment advice. This material does not provide recommendations concerning investments, investment strategies, or account types; it is not intended to suggest that any particular investment action is appropriate for you. Please consider your own circumstances before making an investment decision.

©2023 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc. RETIRE WITH CONFIDENCE is a trademark of T. Rowe Price Group, Inc.

T. Rowe Price Retirement Plan Services, Inc.

rps.troweprice.com |

