1 Define the retirement objective

Retirement planning aligns future cash-flow needs with available and projected resources. The goal is **lifetime financial security**: sustaining desired living standards, covering health-care outlays, and preserving flexibility for unforeseen events. A sound plan forecasts expenses, layers income streams, and tests resilience under adverse markets, inflation spikes, and longevity extremes. (Fidelity, DOL)

2 Target age and lifestyle mapping

Begin with a vision statement: target retirement age, geographic base, daily activities, travel frequency, part-time work interest. These qualitative choices drive quantitative inputs—housing costs, taxes, health-insurance premiums, discretionary spending. Documenting lifestyle assumptions first prevents model output from dictating life choices. (UNM Human Resources)

3 Baseline budget in today's dollars

Separate **essential outlays** (housing, food, utilities, health premiums) from **discretionary** (travel, hobbies, gifts). Inflate essentials by core CPI; inflate medical by CPI + 2 %. For back-of-envelope estimates, multiply current gross income by 75 %–85 %; refine later with a line-item worksheet.

4 Expected income streams

- **Social Security** or national pension—indexed to wages or CPI.
- **Defined-benefit pensions**—project monthly benefit; note survivor option costs.

- **Annuities**—immediate or deferred, single or joint life.
- **Part-time work**—hours × wage × expected years.
- **Rental or business cash-flow**—net of maintenance.
 Chart start age, inflation indexing method, and whether income ceases at second-to-die. (DOL)

5 Bridge-years funding and the gap

Subtract annual guaranteed income from expense projections to reveal the withdrawal gap. Sequence the withdrawal order: taxable assets first (highest basis lots last), then tax-deferred, then Roth. This order maximises after-tax longevity and can keep Medicare surcharges and tax brackets lower in early retirement years.

6 Safe withdrawal rate and dynamic guards

A 4 % initial withdrawal rate, adjusted by CPI, survived most 30-year U.S. histories. Yet low yields and high valuations call for dynamic rules:

- **Guardrails**—increase withdrawals 10 % if portfolio grows 20 % above initial real value; cut 10 % if it falls 20 % below.
- **Ceiling/floor**—cap raises at 5 % and cuts at –5 %.
- **Back-testing** across Monte Carlo paths lifts success probability above 90 % even with today's yields. (Vanguard)

7 Longevity hedges

Delay Social Security to age 70 when feasible; each deferral year adds roughly 8 % to the baseline benefit. Layer deferred-income annuities starting at age 80–85 for mortality credits that private portfolios cannot replicate. These hedges lower the required market return for plan solvency. (DOL)

8 Healthcare and long-term care

Model Medicare Parts B & D premiums, Medigap or Advantage plan costs, plus out-of-pocket dental, vision, and hearing. Base-case: inflate at CPI + 2 %. For long-term care, assume either dedicated savings bucket or insurance with a daily benefit indexed at 3 % simple. Include potential State partnership benefits where applicable. (DOL, DOL)

9 Tax-efficient drawdown

Convert portions of traditional IRA/401(k) to Roth in low-income bridge years (post-retirement, pre-RMD). Target top of the 12 % or 22 % marginal bracket. Manage capital-gain realisations to harvest 0 % bracket space. Consider qualified charitable distributions after age 70 ½ to satisfy RMDs tax-free.

10 Required minimum distributions (RMDs)

Beginning at age 73, IRS rules mandate taxable draws from tax-deferred accounts. Estimate RMD tables in the plan to avoid liquidity shock. Excess RMD not needed for spending can fund a taxable account or back-door Roth for heirs. (DOL)

11 Investment portfolio design during accumulation

1. **Time horizon**—allocate majority to equities (> 80 %) before age 45, gradually glide to 55 % by age 60.

2. **Diversification**—global equity allocation 30 %–40 %; bond sleeve split among investment-grade core, TIPS, and short-term reserves.

3. **Rebalancing**—annual or tolerance-band triggers (±5 %).

4. **Low cost**—expense ratios below 0.15 % across the portfolio preserve compounding.

12 Investment strategy during decumulation

Maintain a liquidity bucket: 12–24 months of withdrawals in short-term bonds or Treasury bills. Keep 3–5 years in intermediate bonds to fund medium-term needs and mitigate sequence risk. Equities remain 40 %–60 % for growth and inflation hedge. Refill the liquidity bucket annually from portfolio gains or on schedule.

13 Inflation defence tactics

Include TIPS ladders, I-Bonds (U.S.), or inflation-indexed annuities. Real-asset allocation—global commodities, infrastructure, and real-estate investment trusts—can constitute 5 %–10 % of the total portfolio. Periodic re-assessment ensures the inflation basket matches updated risk assessments. ([Vanguard Corporate])

14 Behavioral safeguards

Pre-commit to trading blackout periods (e.g., 30 days after a 10 % market decline). Use automatic withdrawal systems to avoid market-timing temptations. Track goal-probability, not relative performance, on the dashboard.

15 Estate integration

Align beneficiary designations, joint titling, and payable-on-death instructions with the plan. Organise a consolidated inventory of financial accounts, insurance policies, digital credentials, and professional contacts; review annually. ([Vanguard])

16 Checklist timeline (ages 50–72)

- **50**—Eligibility for catch-up contributions.

- **55**—Penalty-free 401(k) withdrawals if separated from service.
- **59 ½**—No early-withdrawal penalty on IRAs.
- **62**—Earliest Social Security claim (reduced benefit).
- **65**—Medicare enrolment window opens.
- **70**—Delayed-retirement credits max out.
- **73**—RMDs commence. (DOL)

17 Stress-testing the plan

Run 1 000+ Monte Carlo paths incorporating variable equity returns, bond yields, inflation, and longevity. Target ≥ 85 % success probability; below that, adjust levers—save more, retire later, spend less, tilt equities higher, or annuitise. Sequence-of-returns stress scenarios: 30 % equity drawdown in year 1, below-average bond returns for five years.

18 Actionable next steps for users

1. Complete a retirement-budget worksheet.
2. Pull latest Social Security statement.
3. Inventory all retirement accounts and their fees.
4. Draft an IPS summarising target mix and withdrawal policy.
5. Schedule annual review date and set automated reminders. (Virginia Retirement System)