

10 Ways to Ensure Your Retirement Savings Last



A big financial challenge retirees face is ensuring their savings last the rest of their lives. It's a daunting task for those making the transition into retirement as well as for those already in retirement. While saving as much as possible during your working years is important, the decisions you make in retirement are also very important. Fortunately, there are steps you can take to improve your odds of financial success. Here are 10 of them.

1. **Withdraw a Safe Amount**—Limiting the size of withdrawals from your retirement savings is critical for ensuring your portfolio lasts throughout your lifetime. William Bengen calculated a 4% withdrawal rate, adjusted upward annually to account for inflation, as having a very high probability of ensuring a retiree will not run out of money. You may be able to sustain a higher withdrawal rate, but the risks of running out of money will increase as well. Even bumping the withdrawal rate to 5% comes with some increased risks, though going above this level significantly increases the risk of a shortfall.

2. **Allow for Variability in Your Spending**—The 4% withdrawal rate is a good benchmark for determining how much to withdraw, but it's just a benchmark. During good years for the market, you may be able to withdraw much more from your retirement savings; during bad years, much less. You will also have years when your spending is elevated (vacations, home repairs, medical bills, etc.) and years when your spending is lower. By allowing for variability in your spending, you can help to offset the blow taken from the years with bad market conditions or high spending.

3. **Be Cognizant of Longevity Risk**—Longevity risk is the probability of outliving your savings. The Social Security Administration estimates a 25% chance of a person turning 65 today living past age 90 and a 10% chance of living past age 95. (The average life expectancy is 84 for a man and 86 for a woman.) These numbers mean a person retiring today could potentially be looking at living off of his or her retirement savings for at least 25 or 30 years.

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