S&P CAPITAL IQ

Financial Communications

Withdrawal Rates and Your Long-Term Savings

If you are starting your withdrawal plan at a typical retirement age (62-66) and you are in good health, you may have a very good chance of living for another 20 to 30 years, statistically speaking. Making sure that your nest egg lasts that long calls for foresight and discipline so you'll not only live comfortably, but be prepared for the imponderables as well.

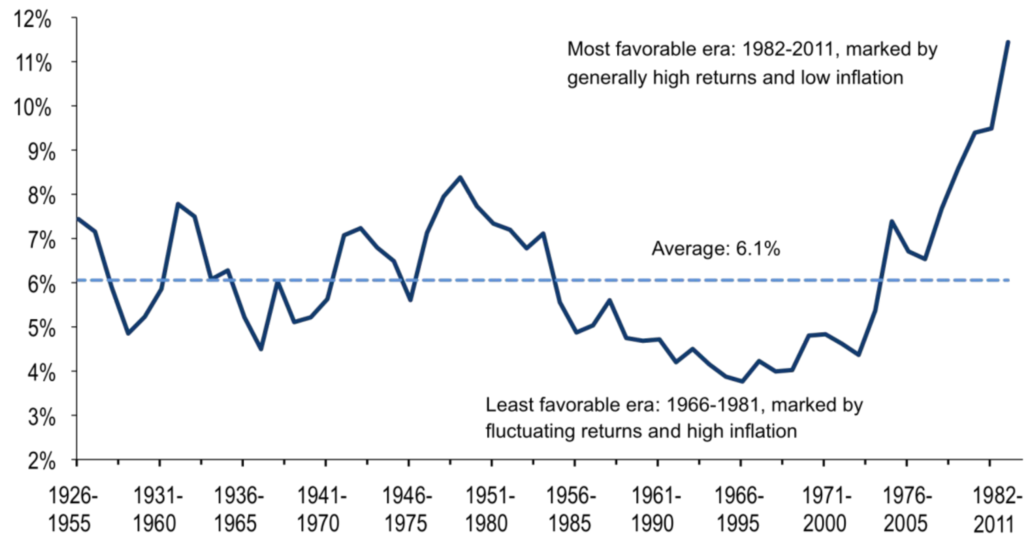
Inflation and market instability may be the principal uncertainties your withdrawal plan will face. Inflation has averaged 2.96% per year over the past 30 years.[1]

However, according to Bureau of Labor Statistics data, there were times when the rate of price increases was double or triple the average for extended periods. Likewise, market returns as measured by the S&P 500 have averaged near double digits, but there were significant stretches of loss as well.

That's why you need to set a withdrawal rate that allows you to take advantage of the good news, but also leaves you with the reserves you need to protect yourself from the bad news.

[1]*Inflation is represented by the Consumer Price Index. Data is for the 30-year period ended December 31, 2011.*

History shows that market performance and the economy have tremendous influence over how much can be safely withdrawn from a retirement portfolio each year. Over the course of the entire study period, a withdrawal rate of 4% would have effectively met its 30-year goal nine times out of 10. A withdrawal rate of 5% would have been effective nearly seven times out of 10.



Sources: S&P Capital IQ Financial Communications. Assumes investment in a portfolio composed of 60% stocks (represented by Standard & Poor's Composite Index of 500 Stocks, an unmanaged index that is generally considered representative of the U.S. stock market and cannot be invested into directly) and 40% bonds (represented by a composite of the total returns of long-term U.S. government bonds, calculated from yields published by the Federal Reserve and the Barclays Long-Term Government Bond index), rebalanced annually. Also assumes that withdrawals are adjusted for inflation. Inflation represented by the Consumer Price Index. Indexes are unmanaged and cannot be invested into directly. Past performance is not a guarantee of future results. This is a hypothetical example and is not representative of any specific situation. Your results will vary. (CS000225)