Will My Savings Hold Up in Retirement?

A guide to help assess your savings, spending, and long-term financial security

ARMBRUSTER
CAPITAL MANAGEMENT

TABLE OF CONTENTS

Retirement is your reward for decades of hard work when you finally have the time to relax, travel, and enjoy the freedom of your own schedule. But for many retirees in the U.S., the question quietly lingers in the back of their minds:

Are my retirement finances really okay?

For many without a steady paycheck coming in, every expense feels a little heavier, and every market dip a little more unsettling. You might question whether your savings will last, whether rising healthcare costs will eat away at your nest egg, or whether you'll have enough to leave anything behind for your kids or grandkids.

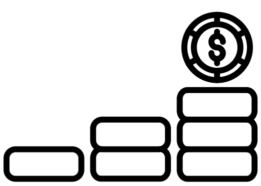
Wondering if you're financially secure in retirement doesn't mean something has gone wrong; it's simply part of adjusting to life without a regular paycheck. And while the questions can feel daunting, we like to think of them as an invitation to pause, take stock, and find more clarity about what financial security looks like in retirement.

IDENTIFY INCOME SOURCES

Key Areas to Review

Your retirement income likely comes from a mix of sources, such as:

Social Security is your guaranteed foundation, starting any time between age 62 and 70. The longer you wait to start Social Security, the higher the monthly paycheck you will receive.



Pensions, which, if available, offer a reliable stream of lifetime income. While most of us won’t have pensions, they are a valuable source of guaranteed income. For instance, if you receive $40,000/year from your pension, you would need a million-dollar portfolio to replicate that income stream.

Other sources of income can include income from rental properties, farm income, and others, so be sure to consider those as well.

PAY ATTENTION
To Your Expenses

List your annual expenses. Check how much you spend in a typical year and whether your spending habits have changed in retirement.

1. **Essential costs** include housing, food, healthcare, insurance, and utilities.

2. **Discretionary spending** such as travel, hobbies, charitable giving, gifts to children, or grandchildren, etc.

3. **Debt obligations** like credit cards, student loans, personal loans, and mortgages.

And don't forget that healthcare deserves special attention at this point in your life. Costs tend to rise as you age, and unexpected long-term care needs can quickly reshape a budget, so make sure your retirement savings are sufficient should something change.

COMPARE THE NUMBERS

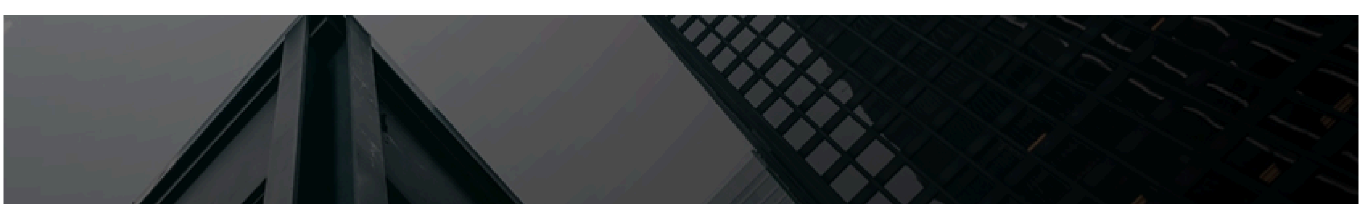
The 4% Rule

Once you have the details for your income sources and expenses, you can compare them.

If there's a shortfall, that gap will need to come from your portfolio, and the standard benchmark we like to use is known as **the 4% rule:**

Simply, if you can keep withdrawals to 4% (or less) of your portfolio annually, your assets are more likely to last throughout retirement. However, the full 4% rule says that you can spend 4% of your portfolio the year you retire and then grow that amount with inflation (around 2%-3%) each year, regardless of how your portfolio performs.

There are no "silver bullets" in the investment world, but researchers suggest using the 4% rule likely means you won't run out of money no matter how long you live.



Managing which accounts you draw your income from – and in what order – can help you use your retirement portfolio more efficiently by reducing taxes and extending the life of your assets.

If you've reached age 73, the IRS requires withdrawals from tax-deferred retirement accounts (IRAs, 401(k)s, 403(b)s) otherwise known as Required Minimum Distributions (RMDs). These withdrawals are taxable, and the penalties for missing them are steep.

Suppose you don't need the RMD money. In that case, you can donate it directly to charity through a Qualified Charitable Distribution (QCD), keeping it out of your taxable income while supporting causes that matter to you.

If you need additional money beyond your RMD to meet your living expenses, withdrawals from other accounts, such as taxable brokerage accounts or even Roth IRAs may be necessary. We generally advise using Roth IRA assets last, since their tax-free withdrawals have significant value as a long-term asset to pass on to heirs.

Handle Overspending

Sometimes the math doesn't work out, and your spending exceeds the 4% rule. The first thing to know is that it happens, even to retirees with significant savings. But once you're aware of the gap, you'll want to decide how to close it.

If spending outpaces income, consider solutions such as:

1. **Mortgage decisions.** Paying off your mortgage may or may not make sense depending on rates and tax considerations.

2. **Non-essential spending**. Review charitable giving, travel upgrades, or gifts to family.

3. **Mindset check.** You may need to adjust some long-held beliefs. (For instance, your kids can borrow for college, but you can't borrow for retirement.)

Sometimes the issue is less about overspending and more about oversimplifying. We've handled cases, for example, where retirees have been advised to chase dividend-paying stocks for "income" (which may feel comforting), but that leaves them overexposed to certain risks and results in a bigger tax burden.

CHECK YOUR PORTFOLIO

A Case Study

Scenario 1: $2 Million Portfolio

- Portfolio income (4% rule): $80,000/year
- Social Security (couple): ~$75,000/year
- Total annual income: $155,000
- Annual spending: $150,000

Most likely, this household is on solid ground. With expenses covered by portfolio withdrawals plus Social Security, they can maintain their lifestyle without overspending.

Scenario 2: $5 Million Portfolio

- Portfolio income (4% rule): $200,000/year
- Social Security (couple): ~$100,000/year
- Total annual income: $300,000
- Annual spending: $400,000

Even with more wealth, this family is overspending. Unless they adjust their lifestyle or increase risk, they're liable to outlive their assets.

HOW IS YOUR PORTFOLIO

Built and Managed?

As the case study demonstrates, having plenty of money saved is not the same as how you spend that money. So, it's important to check your portfolio and ask questions about how it's built and managed.

- ✓ **Asset allocation**: Do you have the right mix of growth (stocks) and stability (bonds/cash) for this stage of life?
- ✓ **Diversification**: Are you too concentrated in one type of investment (like technology stocks or real estate)?
- ✓ **Fees and expenses**: Are you paying more in fund costs than you need to? Even 1% in fees can cost hundreds of thousands over time.
- ✓ **Taxes**: Are you withdrawing in the most tax-efficient way? Drawing from brokerage accounts, IRAs, and Roth IRAs have very different tax impacts.

A well-designed portfolio takes a "total return" approach, blending income, growth, and smart withdrawals to balance stability with longevity. It's not a problem if you're asking, "Are my retirement finances okay?"

We see it as a sign of wisdom because if you're reviewing your income sources (including RMDs), aligning spending with reality, and ensuring your portfolio is built for both growth and efficiency, you can keep your retirement on solid ground and enjoy the life you've worked for.

To speak with an investment advisor from Armbruster Capital Management about your retirement finances, call (585) 381-4180 or use our contact form.

Who We Are

Armbruster Capital Management is an independent, employee-owned wealth management firm located in Pittsford, New York. We offer investment management services to high-net-worth individuals, not-for-profit institutions, and corporate clients based on tested academic and quantitative research. Founded in 2009 by our CEO, Mark Armbruster, our firm manages $1 billion in assets for hundreds of clients in 28 states

Investing with Integrity

As an SEC Registered Investment Advisor, Armbruster Capital Management assumes a fiduciary role. This means we are legally responsible for always acting in our clients' best interests and must put their interests ahead of ours.

There are no other fees for our services, and we receive no additional revenue beyond the explicit fees you pay us.

Our Approach

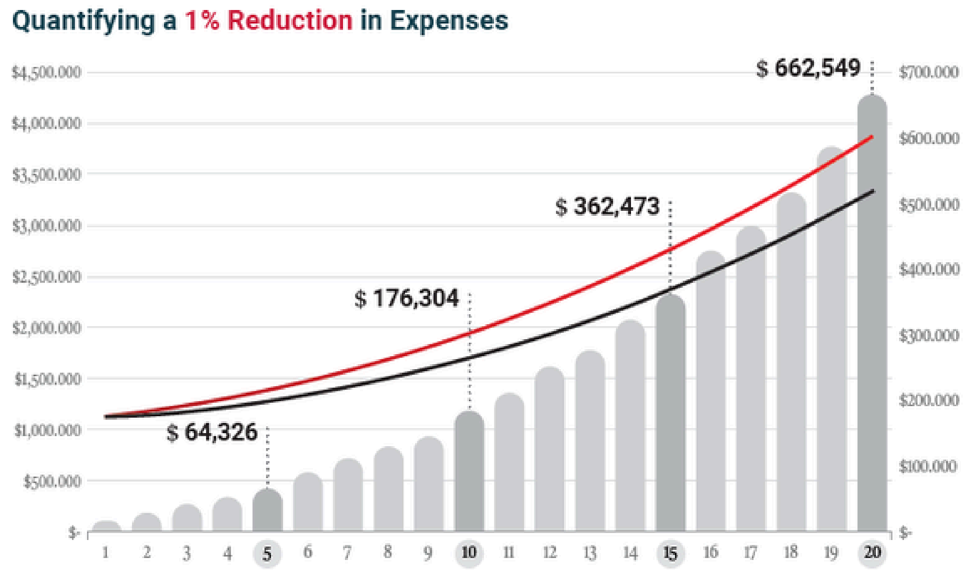
We avoid the pitfalls of market timing and active stock selection, focusing instead on broadly diversified, risk-targeted asset allocation plans. We leverage index and factor-based ETFs to capture market returns while mitigating risk and incorporating alternative investments to diversify portfolios further.

We offer a competitive fee schedule that is often half that of our competitors and we strive to use low-costs funds to implement our strategies. Additionally, we prioritize tax-efficient strategies to maximize your true net, after-tax investment returns.

THE IMPORTANCE OF COST-CONTROL

Often overlooked, management fees, underlying investment expenses, and taxes can significantly impact your returns over time. Our approach focuses on minimizing these costs to maximize your net returns.

Cumulative Opportunity Cost (RIGHT AXIS)
7% Annualized Return (LEFT AXIS)
6% Annualized Return (LEFT AXIS)



Our investment management approach is designed to deliver consistent, long-term results, helping you confidently achieve your financial goals. Most importantly, we understand that your financial situation and goals are unique, and we are committed to providing a personalized solution and service to address your specific needs.

Let us show you how Armbruster Capital Management can guide you through market fluctuations while maximizing your potential for financial success!

Personal consultations are available for those with at least $1,000,000 in investable assets or more.

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