BEACON CAPITAL MANAGEMENT℠
A Sammons Financial Company

WITHDRAWAL RATES

CAN YOU SUSTAIN A 4% RETIREMENT INCOME DISTRIBUTION IN TODAY'S ECONOMY?

For more than twenty-five years[1], financial advisors have quoted the "4% rule" as the gold standard for how much income can be safely taken from a portfolio during retirement with minimal risk of outliving their savings.

Can this rule still apply today?
Compared to the early 1990's, today's retirees are facing more uncertainty and expenses, including:

- Significantly lower interest rates
- Volatile equity markets
- Less availability of company pensions to help fund retirement
- Increasing life expectancies and healthcare costs

To identify the scientific probability of success of relying on various market investments for retirement income in today's market conditions, we have performed the following Monte Carlo simulation. This chart compares Beacon Capital Management's Vantage 2.0 portfolios against the traditional 60/40-retirement allocation and the Vanguard S&P 500 at various withdrawal rates, providing the probability of success in investment assets lasting 30 years.

Redefining risk
Testing showed that both the broad market (as measured by the Vanguard S&P 500) and traditional approach to retirement asset allocation (as measured by the 60/40 Balanced Index) would present the risk of running out of money during a 30-year retirement starting at a 3-4% distribution rate.

However, each Beacon portfolio tested at the highest level of statistical probability to sustain the 4% withdrawals over the same 30-year timeline.

VANTAGE 2.0 MONTE CARLO SIMULATIONS | SAFE WITHDRAWAL RATES

Withdrawal Rate	Vantage Conservative 2.0	Vantage Balanced 2.0	Vantage Aggressive 2.0	Vanguard S&P 500	60/40 Balanced Index*
Probability of success over 30 yr. period with a 3% annual increase					
1%	99%	99%	99%	99%	99%
2%	99%	99%	99%	99%	99%
3%	99%	99%	99%	97%	99%
4%	89%	98%	99%	89%	96%
5%	43%	89%	96%	76%	80%
6%	7%	64%	84%	59%	50%
7%	0%	28%	61%	43%	24%
8%	0%	10%	38%	25%	7%
9%	0%	2%	23%	15%	2%
10%	0%	0%	8%	8%	0%

* 60% Vanguard S&P 500 and 40% Vanguard Total Bond Index

By utilizing a next-generation approach to risk management designed to capture gains while attempting to minimize losses from market volatility, Beacon's portfolios were hypothetically able to outperform the broad market and traditional allocation approaches.

[1] "Determining Withdrawal Rates Using Historical Data" by William P. Bengen (October 1994)