## ♦Retirement

The universal recommendation is to take no more than 4% a year from your IRA. Generally you take the value of the IRA at 30 December of each year and multiply this figure by 4%. Some exceptions:

◊If you are 70 ½, you have a Required Minimum Distribution (RMD). This may be more than 4% because the IRS wants you to pay taxes and the tables are designed to empty your account by the age you should statistically pass away.

◊If you just withdraw the dividends received- you do not touch the principle so you may deduct the dividends.

At the National Conference for Professional Development in Washington DC in August 0f 2008, I attended as many sessions on retirement planning as possible including:

►Retirement Plan Business: An Analysis of Business Models and their Risks!
►Creating Exit Strategies for Retirement Plan Assets
►Ibbotson Study: Enhancing Your Retirement Income Strategy
►Making Your IRA Last Multiple Lifetimes
►Putting Money in Motion for Beneficiaries, 30 Years Without a Paycheck
►Investment and Risk Management for Retirees.

We can do Monte Carlo simulations at the office. Basically, these studies are designed to predict when a retiree will run out of money using various combinations of stock and bond combinations.

The more assets invested in stocks, historically the longer the money lasts. I believe that a better alternative may be living off of dividends. In this plan, principal is not usually liquidated to pay retiree checks. This has been called the rising dividend model. Thus, the retiree gets pay raises as dividends increase. Of course, dividends may decrease- they are not guaranteed and must be authorized by the company's board of directors.

The bottom line is you must take out a reasonable amount from your IRA if it is to last your lifetime!

People are living longer so most studies assume someone (husband or wife) will live 30 years after retirement start. So if you start at 59 ½ they are looking at 89 ½. Assuming a 6% initial withdrawal rate inflated annually with 20% stocks and 80% bonds, you will fail 83% of the time to reach the 30th year paycheck since the money will not last. If you have a combination of 40% stocks and 60% bonds you can have a 58% failure, 60% stocks and 40% bonds gets you a 45% failure rate, 80% stocks and 20% bonds gets a 39% failure rate for your money to last 30 years. This was the result from the research presented in the "Putting Money in Motion for Beneficiaries, 30 Years Without a Paycheck" (class listed above). This is why the universal suggested withdrawal rate is 4% a year from a stock and bond portfolio.