# Episode 195: The 4% Rule and Beyond: Retirement Strategies with Bill Bengen

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Retirement income, 4% rule, Bill Bengen, inflation, market valuation, safe withdrawal rate, asset allocation, rebalancing, rising equity glide path, financial planning, retirement strategy, baby boomers, investment risk, portfolio management, retirement income plan.

**SPEAKERS**
Briana Corbin, Bill Bengen, Wade Pfau, Speaker 1, Alex Murguia

**Briana Corbin** 00:00
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**Briana Corbin** 00:38
Wade's copy of bingens 2006 book is falling apart. And no, that's not just a metaphor for outdated retirement strategies. Today, the legendary Bill Bingen joins the show to reveal what's changed, what stayed the same, and why his new book, a richer retirement might have you rethinking that 4% rule.

**Wade Pfau** 00:58
Hi everyone. Welcome to retire with style. I'm Wade. I'm here with my co host, Alex, and we're joined by a very special guest today, actually one of the key thought leaders in the whole retirement income space, William bengan. He is an MIT aerospace engineer turned financial planner turned retirement researcher. He's the individual that really modernize the whole world of retirement income planning in the financial planning profession, by pointing out the idea that market volatility matters when you're taking distributions from the portfolio. He's done a lot of research over the years. His original article that created something that we'll be talking about, the 4% rule concept, came out in 1994 he wrote a book in 2006 I've used that book quite a bit, so much that actually the pages are following out. And that book's now 19 years old, but so you don't need it anymore, because there's now an updated and much expanded, a richer retirement supercharging the 4% rule to spend more and enjoy more in retirement. And William bengan is here with us today to talk about a richer retirement. His new book available at leading retail book retailers, Amazon, or wherever else you might want to have a look. Welcome to the show, Bill,

**Bill Bengen** 02:10
thanks for inviting me. I'm looking forward to it.

**Wade Pfau** 02:13
Wade, yeah, great. And to get started, it just going back to the early 1990s because this was one of the things that sometimes I've tried to write about that era, but I wasn't really around doing retirement research or research at that time. So it's the early 1990s people are asking you about retirement spending. You kind of survey what's out there. What led to the idea to actually, and what kind of research did you do that really countered some of the ideas out there about just assuming average rates of return and whatnot.

**Bill Bengen** 02:47
You're correct. I had a lot of baby boomer clients on with baby boomer, and they were all just beginning to think about retirement, and they all knew that they faced something that no one prior had faced, whether they could have as long as 20 or 30 years or more in retirement. That was not the case, as you know, let's say, seven or eight years ago, where people perhaps would retire at 65 and then live 10 years and wasn't much concerned about spending your money then. But for the baby boomers, it was clearly an issue, and I did my best to locate information about the topic. I would have loved if someone else had done the work, and I was just able to use it to my clients, but I couldn't find anything. I think it's because the whole issue is so new, pretty much. So I decided to fire up my Lotus 123, and get a book of returns and inflation numbers and get to work try to figure out what, what was all about.

**Alex Murguia** 03:44
Well, well, Bill, I'd like to thank you as an advisor. I'd like to thank you for doing the work

**Alex Murguia** 03:53
You've saved me countless hours. I'm teasing.  On the shoulders of giants, as they say,

**Wade Pfau** 04:00
okay, and that approach, if you could expand a little bit more in terms of, I think it, what you might have been reading in the popular media at the time was, say, the s and p5 100 averages 7% after inflation. So 7% is a safe withdrawal rate. And then that's, that's kind of the starting base where you said, Wait a minute, that doesn't sound right.

**Bill Bengen** 04:23
Yeah, that turned it up not to stand up to scrutiny because of the effects of bear markets early in retirement, which can deplete your portfolio at the same time you're drawing money from it, and really reduce withdrawal rate. So it's what they call sequence returns depends upon what your luck is like when you retire. If you get a bunch of good years to start retirement, you're probably in clover, but if you hit an early bear market, you may have to pull in your horns a little bit.

**Wade Pfau** 04:55
Okay, and that's the origin of this idea of the 4% rule. I know you've. Talk about in the book. So originally, with that initial research, it was more like 4.2 instead of four. That's right, lender you added small cap stocks, and it was more like the 4.5% rule in the new book. It's the 4.7% rule, and there's a set of assumptions that go with that. So what I think helpful just at the beginning to kind of walk through, what are the assumptions, or what are those key elements that lead to any one of these numbers that we just I just mentioned,

**Bill Bengen** 05:30
yeah, I've identified eight of them. There may be more, but these are the ones that I'm aware of now, beginning with first a withdrawal scheme, which is just a mathematical rule you use to determine how much money you take out each year. It could be something like Social Security, where you start with a certain percentage of the portfolio the first year and then just give yourself a cost of living adjustment for succeeding years. But there are a lot of options. You could take out a fixed percentage. You could take out a fixed dollar amount. You can take more earlier, take more later, infinite varieties. So that's an important thing to define. The second will be the planning horizon, which shouldn't be confused with your life expectancy. The portfolio planning horizon is basically the length of time over which you want to be assured that you're going to be able to draw income from your portfolio. And for that reason, I recommend people start with a life expectancy and add 30 40% at least. So if you have a 30 year life expectancy, you'll probably plan for 40 year retirement. That gives you a margin of safety, because we're pretty tough pending the day of death. Type of account, whether you draw from a taxable account or a tax deferred account like an IRA, makes a big difference. Taxable accounts, of course, have to pay taxes on their accumulated capital appreciation and their interest and dividends, and ultimately, that results in a lower draw rate, although if you look at a net net, if you look at an IRA, and when you remove money, you're going to have to pay taxes on it. You already pay taxes as you go with a taxable account, they're probably pretty close to the net net after in both cases, the fourth element would be, if you want to leave money to heirs. If you want to have a non zero balance here account 50,000 100,000 whatever you want. That's going to affect the withdrawal rate substantially. Element five, asset allocation, probably the most complex topic, because there's so many variations. You don't have a fixed variation. Can you vary it during retirement in a way you and Michael kitse has developed that rising equity glide path concept, which I find very useful. So you have to define your asset allocation and important to have a significant percentage of stocks in your portfolio or also won't have enough to generate meaningful withdrawals. The sixth element would be how often you rebalance your portfolio, which means how often you bring the portfolio back to its original percentage allocations for each asset a year appears to be optimal, although it varies from retiree to retiree. The seventh element next to last, here is, do Are you satisfied with obtaining returns that are essentially index returns, as you would, let's say, from a passive managed fund, or are you going to try and beat the market? Good luck on that. But there are some people that have been successful, and obviously, if you can earn superior returns, you will also raise your withdrawal rate significantly. And the last one is withdrawal timing, which probably is minor compared to all the others. If you take your money out all at the beginning of the year, you'll have one withdrawal rate. If you take it all out at the end of the year, you'll have a much higher withdrawal rate. Most people are somewhere in between. They take out money evenly during retirement, monthly, quarterly, whatever that may be. And my research is based upon the concept of evenly spaced withdrawals.

**Wade Pfau** 09:13
Okay, yeah, so to review that, just so that 4% 4.7% number that we're talking about. It's your withdrawals, adjust for inflation throughout retirement. It's planning for a 30 year retirement money coming from a tax advantaged account. So if any taxes are due, it'd be out of the distribution, but not not a taxable brokerage account, no legacy intentions, asset allocation, 55% stocks, 40% intermediate term government bonds, 5% treasuries. And then the stocks are divided equally between five different asset class categories, large cap, mid, mid cap, small, micro, and then International. You rebalance annually. You don't assume high. Higher than the

market or lower than the market index. Returns and withdrawals are spaced throughout the year, and you do also talk about, and I think this is where the conversation will be headed next in terms of all this. But like the inflation scenario, or the inflation environment and the market valuation environment, and specifically that 4.7% distribution rate you kind of indicate is in a high inflation if you're starting retirement, in a high inflation environment, in a high stock market valuation environment. And I want to impact that a little bit with you, because I think as I was reading the book, to me, the biggest change I saw in the book was kind of this realization you had, inflation may be the most important variable out there when it comes to understanding sustainable spending rates, more so than perhaps something like stock market valuation levels.

**Bill Bengen** 10:53
I have to agree with that that conclusion surprised me, and up until the point where I concluded that it was best to treat inflation first. I was very puzzled about how to advise people on how much withdraw from their accounts. But when you put the inflation first and sort all your data by inflation regime, all of a sudden the patterns emerge that can be used then to determine your withdrawal rate. What?

**Alex Murguia** 11:19
What kind of patterns for, like the for the everyday listener. Because one of the things I when I'm listening to to waiting yourself speak, in my head, I'm thinking, okay, inflation matters. Is there a a line of demarcation with regards to inflation where it doesn't matter? Maybe it matters. Okay, this, at this level, it really matters.

**Bill Bengen** 11:41
Well, certainly high inflation, which I define as 5% or above. But then there's the other side, deflation, which we're not likely to have anytime soon, but that can have a very beneficial effect, as it did in the 1930s when people were faced with a 90% stock market decline, but they still could take out five and three quarter percent because deflation for 10, 345, years in a row allowed them to reduce their withdrawals, which partly offset the huge declines in stock.

**Wade Pfau** 12:12
Yeah, bonds did quite well during the Great Depression. I wrote down a quote from your book because I thought this was really powerful. High inflation is the retirees, great enemy, perhaps more so than the feared stock bear market. Bear markets are painful, but a recovery always follows them. Sustained inflation is even more painful because it elevates withdrawals permanently. That quote really helped me, because I've always struggled with the idea of, if we're talking about real rates of return, you've taken inflation out of them. So how can inflation matter? But it's really it makes sense now that whatever, suppose you get a real return of zero. Well, if you if your portfolio stayed flat, if inflation's zero, you have the same current withdrawal rate in the following year. If inflation was 10% your current withdrawal rate goes up by 10% and that really can get you in a downward spiral.

**Bill Bengen** 13:02
Yeah, it's locked in. I mean, it's not likely to be a deflationary event to succeed that, you know, more inflation, maybe more subdued inflation, but it's painful, very painful.

**Wade Pfau** 13:15

And that was a big part of those 1960 era retirements that gave us that universal safe Max, the lowest spending number was that high inflation coupled with high stock market valuations,

**Bill Bengen** 13:28
I think in those days, through the end of the 70s, portfolios lost about 75% of their real value, partly because of inflation, partly because of the negative stock market action.

**Wade Pfau** 13:42
Okay, now in that regard, so inflation now we'd probably, I'm comfortable saying it would be in your moderate category. That's the expected kind of inflation of two and a half to 5% and you create tables showing how, in that moderate inflation environment, how the withdrawal rate relates to the price earnings, cyclically adjusted price earnings ratio, which is the ratio of the stock price to the real earnings averaged over the previous 10 years. That's been an interesting variable in past research, because there is that relationship. Higher valuations tend to lead to lower stock returns and lower sustainable spending rates. But these days, those Cape ratios are a lot higher than they were. One thing you note in the book, we don't really know what the withdrawal rate's going to be after about 1995 at this point, because you need the data. We are getting pretty far into some of the retirements shortly after that, but in that historical data where we know the 30 year sustainable spending rates, those tables that you create don't really go above a price earnings ratio of 24 and right now we're 38 or 39 How do you think about that issue of. Being outside of the range of historical data.

**Bill Bengen** 15:02
Sure, I realized that was a problem, because that's where we are right now, and you couldn't use my research unless you had some kind of a applicable Shiller cape. What I did do is I went back to the research. I went extended portfolios, 2000 2015 so they each have at least 10 years of real data, which is usually sufficient to determine the bond the sustainability of the portfolio. And when I did that, I was able to create a curve which showed the effect of higher, much, very high, Shiller capes on withdrawal rates. And the nice conclusion is that a very large increase in Shiller Cape does not mean you get a commensurately large increase withdrawal rates. It may be very small. It's like asymptotic almost reaches a floor, and that's really good news. So the cape goes to 100 you know, I'm not gonna lose sleep over it.

**Wade Pfau** 15:58
Yeah, so maybe just take a little bit of a haircut. But that's kind of been the issue we've struggled with ever since it was the late 1990s and Robert Shiller came out with that research pointing out that inverse relationship between market returns and the cape ratio. Since then, the cape ratio has just been going higher and higher. That was a

**Bill Bengen** 16:16
great insight, too. That connection between Cape and withdrawal rates. It just turned out by itself to be insufficient to be able to use it as a tool, you know, to get at those particular high withdrawal rates you'd like to so it needed that extra thing that turned out to be inflation.

**Wade Pfau** 16:37
Gotcha, yeah, and that's the saving grace of like, say, the retiree from the year 2000 they retired at the highest peak for the cape ratio. But because they had low inflation, probably the 4% rule is going to end up being fine. We're almost at the end of 30 years, or five more years, I guess,

**Alex Murguia** 16:54
just to reiterate, just because just some folks may be listening in it the key here, and I'm going to reiterate it. The key here is, effectively inflation is the key, because regardless of the valuation, it's just not enough to kind of move the needle as much as inflation. Because once you start taking, once that train takes off, you're going to be adjusting that amount, that nominal amount for inflation, year after year after year after year. Hence, there's that creep. If that creep never occurs, you can baseline it, and you should be okay, you know. And I say that in air quotes, that a correct regurgitation.

**Bill Bengen** 17:34
Yeah, I think so. You know, as Wade indicated earlier, that stock market bear markets can be damaging, but because there's a recovery following these markets, you may not throw you off plan. If you look at it from a long term point of view, short term, it'll look awful. You may have a withdrawal rate of 11% when you start out at five but if it's a normal stock market recovery, it'll come back within four or five

**Alex Murguia** 17:56
years. Yeah. And if you have, let's say, a zero market return over the next five years, but inflation is 7% you're actually getting hit. You're increasing withdrawals every year. 7% 7% 7% Now mind you, yes, in reality, people may adjust accordingly, but per the rules, that's going to get you

**Bill Bengen** 18:15
exactly and that's why the worst case scenario, the 4.7% rule, was based upon the person who retired in October of 1968 because they were followed by two huge bear markets and then a decade of high inflation, and it was just devastating.

**Briana Corbin** 18:32
Hey, there, just popping back in to let you know that we're going live on YouTube with Bill Bingen this Thursday, September 11, at 1pm Eastern. It's your chance to ask the creator of the 4% rule your questions live and in real time. Just search retire with style on YouTube or check the show notes for the link. Make sure to subscribe so you don't miss it. We'll see you there.

**Wade Pfau** 18:56
Now, in terms of the ways people might misinterpret things, even though you kind of mentioned that it's your universal safe Max is 4.7 you don't necessarily think that's the rate people should be using all the time, even with those eight elements that we talked about being the same, because we're not necessarily in a high inflation environment. We are in a high stock market valuation environment, but not high inflation environment. So what is a reasonable withdrawal rate today in terms of with otherwise using those same basic elements we discussed?

**Bill Bengen** 19:30
Yeah, it appears to me that about five and a half percent versus 4.7% should be okay. I'm always a little leery about those high Shiller capes, because we really don't have a lot of data points for silicates and high and we don't have, you know, a full 30 years for anybody with a very high solar cape. So take it with a grain of salt. By I think five and a half percent is reasonable. You can't come really compare the circumstances we face day with people didn't

know. Late 60s. You know, we're not faced hopefully with this massive inflation wave coming, and although we may get a bear market, hopefully we'll ride through that and get to the other side,

**Alex Murguia** 20:10
gotcha and Wade another thing while he was speaking, made me think, because you guys are talking about the Case Shiller and all that, but in the portfolio, you have a healthy asset allocation beyond just large cap us, that's right. And so, I mean, really, yes, the s, p is considering them, the the whatever, the the top four stocks, there is a valuation peak, if you you include those, because they're in there. But when you're talking about micro caps, as you said, small caps and the like, I don't know off the top ahead, what those valuations are, but by no means would I call them excessive as especially based on the last, I don't know, 510, years of performance.

**Bill Bengen** 20:49
Yeah, I think the only thing I would mention from what I did in my book, I think I primarily focused on a 55% stock, 40% bond, 5% cash portfolio. I've been doing some research with a 65% stock allocation, taking it to 10% of the bonds, and it significantly improves the withdrawal rate. Not across the board. There are the small number of investors who have the bid bear market earn retirement, they'll lose a little bit more than they might with a 50% 55% allocation, but the rest of the other 80% of the investors pick up almost 50 basis points on average, which is pretty significant.

**Alex Murguia** 21:27
Yeah, as a percentage, that is significant as a percentage of the distribution, yeah, may think 50 bips is nothing, but as a percent of 50 bips on 4% is over 10% is significant.

**Bill Bengen** 21:38
Yeah, it is. So I'm probably going to be switching to that as my favorite portfolio, but I'm going to continue to look at higher stock allocations. I read a report once that suggested that 100% stocks and all parts of your life cycle, including retirement, is best. I don't know if I agree with that, but I'm going to take a look at it.

**Wade Pfau** 21:57
There are reports like that that come out every few years,

**Alex Murguia** 22:01
just because I do have a question then, and this is a way Bill question, where you guys can can ask, but it from Wade's stuff as well. You know, you I come across from that thinking that maybe sometimes we split hairs too much on the stock to bond. And by that I mean 50% versus 53% versus 47% inequities versus, you know, the the inverse being the the opposite being fixed income. But to me, it seems you could get there kind of with a nice window range of stock to equity allocations like you can, you can have a successful investment experience from withdrawal standpoint, you know, we if you're within just a certain range, as opposed to this magical number. Am I off on that?

**Bill Bengen** 22:46

Yeah, I think so, although I think you may want to tilt it to the higher end based on my research, you know, but I agree with that there's a point plateau of these charts where it doesn't make much difference to withdrawal rate, what your stock allocation is, as long as it's in that zone you mentioned.

**Wade Pfau** 23:04
Yeah, I think you showed it with the preferred allocations in the book, The between 45 and 75% stocks. Yeah, it's about the same worst case scenario. But if you're not the worst case scenario, the higher the stock allocation, the better off you are.

**Bill Bengen** 23:17
Yeah, well, some of those charts I looked at more successful retirees and 95% stocks was clearly indicated as the best allocation fixed to retirement. So that's been leading me to explore higher allocations. Okay?

**Wade Pfau** 23:35
Now when I think about kind of the stock allocations in general, I usually approach it more from a market cap weighted like a total market portfolio. I don't even know what micro cap stocks would be in that, but maybe a percentage or two international would probably be more like a third us, two thirds. But then primarily large cap. Are you comfortable? Or do you use yourself this idea of equally weighting between those different indices so that you really do get a dramatic overweighting, I think, especially in the micro cap, but between micro cap and small cap,

**Bill Bengen** 24:13
I'm comfortable with it. I think you could even probably emphasize the allocations to micro caps and small caps a little bit more. But you care, you have to be careful, because we really know. We don't never, ever know where the returns are going to come from over the next decade. You know it could, for last decade has been all large cap. US stocks will the next decade look like it? I doubt it probably be something else. So that's why the diversified portfolio is important, and keep the allocations equal, because I don't know which will perform in the future.

**Wade Pfau** 24:48
Okay, and you mentioned the rise in equity, blank path idea. Thank you. I read the book, yet you kind of mentioned myself and Michael kitsies on that. So. And I guess another kind of idea related to that is you mentioned then there's four free lunches available to investors, diversification, rebalancing, actually what we were just discussing with the tilting towards the smaller cap sizes and then the rising equity glide path. Could you talk a little bit more about that, like these four kind of ideas that you see as the best way to really help

**Bill Bengen** 25:24
sustain it. The whole focus my research is to find a way to get people safe, higher, safe withdrawal rates without taking any additional investment risk. So the free lunches satisfy that criteria, asset allocation and a frequent rebalancing, you know, kind of a standard practice in the money management industry. So that's really no surprise, rising glide path, you know, it's kind of a neat idea, and I like do more work with that to understand it better, and having an allocation slightly tilted to other higher performing assets may work out as well, without creating risk. Although the whole small cap arena, people have been talking about slightly, I have to agree

with them that small caps may not produce returns I have in the past because a lot of the best companies are going out of venture capital and private equity and never make it to the funds. And a lot of the index funds that we do use for small caps include a lot of companies that will never make money, have never made money, will never make money. So in the small cap area, you may have to change your strategy. I still think it's worthwhile. I suspect they're going to do much better in the future. But you may want to look at a revenue index fund, an actively managed fund that picks out the best companies.

**Alex Murguia** 26:46
Well, I would say there's, there's been a lot of i i don't know you're focused just on distributions, but there would be an argument to be made by quite a few saying that there really isn't as much of a small cap premium as previously thought, and has more to do with, like a blend of profitability within the small cap area. And if you focus on that sort of profitability and value within the small and micro, that's where the premium would be. But even if there's not a premium, I would imagine from a correlational effect of putting a portfolio together, you know, you're still going to get market rates of return, and if they happen at different times. So happen at different times, the portfolio would be better off

**Bill Bengen** 27:24
for it. Yeah, I think so. I'm not ready to give up a small cap chat.

**Speaker 1** 27:28
No, I'm just kind of giving you the you know, you're right.

**Bill Bengen** 27:32
Yeah, I think they're going to have a run here, but we'll see.

**Speaker 1** 27:37
Here we go.

**Wade Pfau** 27:39
And with the rising equity glide path idea, the the idea of increasing your stock allocation throughout retirement to help manage sequence risk. Even mentioned the the 4.7% rule becomes the 4.8% rule, yeah,

**Bill Bengen** 27:53
which is, you know, my research still understates probably the true withdrawal rate slightly, because I have only seven assets in my portfolio, and that's hardly diverse, you know, diversified portfolio in today's terms, I don't have any REITs, don't have any gold, precious metals, commodities, alternative investments, tips, all those could make meaningful contributions to a portfolio. So I'm in my own mind when I think 4.7% I'm thinking it's probably really five, you know, but we'll see No,

**Alex Murguia** 28:21
and if you throw in Otis Wagner rookie card, take it to six.

**Bill Bengen** 28:25
There we go. Yeah. Look, I've got three of those old graded Yeah,

**Speaker 1** 28:32
PSA, 10.

**Wade Pfau** 28:38
So what's like? What do you kind of see as the most important takeaways or ideas for readers of the book? And again, we are talking about a richer retirement, supercharging the 4% rule, to spend more and enjoy more.

**Bill Bengen** 28:54
Yeah, I think that rather than an immediate search for a number a withdrawal rate, it should be considered a process to develop a withdrawal plan and steps you need to follow, including identifying the eight elements and then determining where you are with respect to inflation and market valuation, and then putting them all together to find out what your withdrawal rate finally should be. So the draw rate is one of the last things that come out of this process.

**Alex Murguia** 29:25
So maybe another way of asking a similar thing, but I think it's worth positioning it this way for consumers, is sometimes people get too reductive and they they would say, Well, I get this retirement income plan anything down, I'll just take out 4% from my portfolio and call it a day. And I'm good, because look at all the research. You know, it's become like a rule of thumb to some extent. What would you say to someone that just says, Hey, yeah, I just take out 4% and and I'm good to go.

**Bill Bengen** 29:58
Well, I think you're going to be. A very rich person when you're 100 years old, probably a lot richer than you really want to be. There you go, okay? Because if the money is not going to withdrawal, that's going to portfolio growth. And you know, you have to make a decision in your mind, are you comfortable with having a huge balance in retirement account at the end, or why you're going to have regrets of not having spent more of that earlier. So that's, that's my work, is to help people find ways to spend more and do so as safely as possible.

**Wade Pfau** 30:31
Okay, now, are there still areas that you're kind of interested in researching further, if, if you're going to create a another edition of the book, what else? What else out there is on your mind in terms of things worth exploring?

**Bill Bengen** 30:44
And great question, I think my research list is longer than it's ever been after 30 years, I'm really surprised by that. I want to learn more about high stock allocations and their effect on withdrawal rates. I want to study that rising equity glide path more completely. I'd like taking a look at some of those turnover goals, games like a fixed percentage, and do a more thorough analysis of that. There are just so many topics. You know, I've got a list of them somewhere, but I'm not gonna have any shortage of work, sure, retirement. So called

**Alex Murguia** 31:19
retirement. What on that? On that vein? What's your take on, if you've thought about it, Lumpy distributions, not necessarily a steady 4% but knowing that as people get older, you know,

they're less inclined maybe to to spend as much, because they're just not doing as many things. You know, that kind of thing where it sort of is a lot of the beginning, then last, let's say, 15 years in, and then, you know, pops up at the end. How do you conceptualize that, if at all, in your research or thinking about how to arrange a research agenda around that?

**Bill Bengen** 31:56
Sure, that's what I consider withdrawal scheme, a mathematical definition of how you take money out, taking more money earlier and less later, is perfectly legitimate. And I've analyzed that, I think, in some detail in my book, and came to conclusion that it's workable, but you have to be prepared for a very significant cliff or drop in expenses in, let's say, only year 11. You're going to spend high at the first 10 years and then lower at delay. Could be 10, could be 20, could be 30% reduction expenses. That may be perfectly okay, but you need to be prepared for it.

**Wade Pfau** 32:34
Yeah, you talked about there's almost like a rule of thumb there, where, if you want to raise the withdrawal rate, say, 10% more spending in the first 10 years? Yeah. The rule of thumb was you have to then have a 20% drop after that, probably

**Bill Bengen** 32:46
pretty fair. Yeah.

**Wade Pfau** 32:50
Now most of the research you did during your working years, you subsequently did retire yourself, and now writing this book as part of retirement, did you kind of take away any lessons from the whole process of actually retiring and then revisiting the research again from the post retirement perspective compared to the pre retirement phase?

**Bill Bengen** 33:12
Well, one thing I learned I started out back in 2013 taking out where then was the 4.5% rule, and the stock market has been so strong since then that, you know, I've built up more wealth than I'm feel comfortable doing and for the need for it. Congratulations. Spending like crazy. No, it does increase. It particularly gifting to my children, you know, which is important for me. That's something my dad did, and it's nice to see young people enjoy the money while you're still alive.

**Wade Pfau** 33:47
And the new tax legislation raised those limits for the estate taxes, so that may help too.

**Bill Bengen** 33:53
Yeah, here we go.

**Wade Pfau** 33:57
So we are gonna have Bill join us again, if you're listening to this more or less live, where we're actually recording the day before this episode comes out on September 9, on September 11, 2025 we'll have a live YouTube Q A where you can ask Bill questions that you have. So we definitely are looking forward to getting many more questions, but, just for today, at least any kind of last parting thoughts in terms of, again, if folks want to read a richer retirement supercharging the 4% rule to spend more and enjoy more, I think probably the answer is, just

check your favorite book retailer. They probably have it in stock, or can get it ordered for you. And any last thoughts in that regard,

**Bill Bengen** 34:41
just that, once you develop a plan, it's like any other long range plan. It needs to be continually monitored during retirement and possibly adjusted if circumstances warrant it.

**Wade Pfau** 34:54
Yeah, that's a great point, and that's, I think, when in terms of how people might misinterpret the research. Wasn't really meant to be set it and forget it, where you develop your withdrawal strategy in year one and never revisit it again.

**Alex Murguia** 35:07
So in that, that been again then, but since we have you, what would you say someone's going through their their process and their year seven into their distribution scheme, and covid hits, and there's and I use code because it's a it's an easy kind of it's still relatively recent, and it was one of these, what now moments, as opposed to just, just carry on, Carry on, carry on. Those that that was a significant moment that gives everyone pause for reflection, or pause for like, let me take a step back and considering, you know, they've been following the rules and so forth. Something seismic like that comes where it looks like it could be, you know, fundamentally changing things. How would you what advice would you give to people during moments like this? And we kind of, we didn't have something along the lines of covid, but every two years there's something like, we had the tariff stuff in April, where it was like, oh my goodness, market drops 20% in a few days. What's going to happen now? Because we always have that. And to your point, at the beginning, markets recover, etc, etc. We get that. But when you're in the moment, it's one of those things. What advice would you give to somebody like that who's trying to follow this? This, these guardrail rules that you have?

**Bill Bengen** 36:19
Well, I think it's good to have a third party to talk to if you get nervous about things when the market's down 25, 30% it can be pretty painful and pretty worrisome. So if you can't handle that yourself, rather than damage yourself by pulling out of the market at probably the wrong time, find an advisor, a third party, somebody who can talk to you about this and perhaps calm your fears and keep you on plan. Great.

**Wade Pfau** 36:48
So thank you so much for joining us. And let me emphasize again, if you have questions that you'd like to ask the founder, the father of the 4% rule, really the father of retirement income playing as we know it. Today, we're going to be on YouTube live on September 11, 2025 in case you're watching this well into the future. At it's shoot 1pm Eastern time. You can find instructions on how to join that YouTube Live session in the show notes for this podcast. It's two days after the podcast is released. Any questions that you have, this is your opportunity. And again, Bill, thank you so much for joining us. And if people do want to keep track with your work and with all the revised findings and updates to the research that you've done, it's a richer retirement available at book retailers.

**Bill Bengen** 37:40
My pleasure, and I look forward to talking to you on the 11th All

**Wade Pfau** 37:43
right. All right. Bill,

**Speaker 1** 37:44
thank you so much. Thanks. Bye, bye. Now.

**Wade Pfau** 37:46
Thanks everyone for listening to retire with style.

**Briana Corbin** 37:50
Wade and Alex are both principals of McLean Asset Management and retirement researcher. Both are SEC registered investment advisors located in Tysons, Virginia. The opinions expressed in this program are for general informational and educational purposes only, and are not intended to provide specific advice or recommendations for any individual or on any specific securities to determine which investments may be appropriate for you. Consult your financial advisor. All investing comes with the risk, including Risk of Loss past performance does not guarantee future results.