Episode 212: There Is No "Best" Retirement Plan: How to Choose What Actually Works

Wed, Jan 21, 2026 5:24PM • 31:49

SUMMARY KEYWORDS
Retirement planning, retirement income styles, financial personality tool, retirement income strategies, annuities, sustainable spending strategies, longevity risk, market volatility, spending shocks, tax planning, Social Security, estate planning, incapacity planning, retirement income guidebook, financial efficiency.

SPEAKERS
Wade Pfau, Alex Murguia, Briana Corbin, Speaker 1

Briana Corbin 00:00
The purpose of retire with style is to help you discover the retirement income plan that is right for you. The first step is to discover your retirement income personality. Start by going to retire with style.com/style, and sign up to take the industry's first financial personality tool for retirement planning.

Alex Murguia 00:41
Hey, everyone, Alex here, and I'm here with Wade Pfau, and we're gonna run a series of episodes on the podcast, retire with style, featuring Wade's book. We're gonna dig down and see what makes it tick and how it could benefit you. We hope you enjoy this episode and no one's to follow,

Wade Pfau 01:01
and that book title is retirement planning guidebook. Oh yeah.

Alex Murguia 01:10
Hey everyone, welcome to retire with style. I'm Alex, and I'm here with my good buddy. Wade, Hello everyone, and today we're going to start an arc on

Wade Pfau 01:23
the retirement planning guidebook, the updated third edition, not just updated, but fully revised, edited, completely up to date retirement planning guidebook, Third Edition, awesome.

Alex Murguia 01:35
And what we wanted to do is really inform everyone of what are the what are the nuggets that you can get out of this book, because, in my estimate, this is effectively the go to resource guide for retirement infant planning. So we want to take everyone through a journey of the information that you could benefit that's in the book, what you what you could find, more or less, where you

can find a bit and how that you know, how that affects you. All right? So we'll start knocking out some questions, right. Okay, all right. Finally, cheers to the book.

Wade Pfau 02:06
Oh, thank you. Cheers. Yeah.

Alex Murguia 02:11
So the first question, to give folks a sense of what you're thinking, it was what you're thinking, is, is, why did you start the book with retirement income styles.

Wade Pfau 02:21
Yeah, that's chapter one. Because really, for me, that's the first decision, and the subtitle of the book is navigating the important decisions for retirement and success. Well, really the first thing you need to consider is your style for approaching retirement income, what resonates with you, what makes you feel most comfortable. So Alex and I had done that research to create the retirement income style awareness assessment, and just explaining what we learned in terms of the two primary factors that explain how people think about retirement, how that translates into four broad retirement income styles, the total returns, the time segmentation, to income protection, risk crap. And I think it's really helpful to readers to understand really the full landscape of what's available, what are the viable strategies you have when you want to build a retirement income strategy for your retirement? So I think it's best to start there and to really lay that out and let you start to get a sense of which of these styles is going to resonate best with you, because then that also helps with later in the book. If you're not reading the book from start to finish, what you're really looking for, what do I need to know at specific points in time? Where do you want to put your focus? Are you going to focus more on the investment based strategies? Do you want to read the chapter on annuities, or do you potentially want to skip it? It just really lays the foundation for how you want to build your approach to retirement and understand your retirement income style. Wait when you said that.

Alex Murguia 03:50
What would you counsel to folks that that are looking at this book trying to find that one right answer, and this is within the context of retirement styles, like, what is the best way to do such and such.

Wade Pfau 04:03
Yeah, yeah, retirement income planning, it's still a relatively new field, and so we do approach it agnostically, that these are four viable retirement income approaches, and you want to find the best one for you. But yeah, more broadly, there are a lot of people who believe that one of the four styles is best, and depending who you're talking to, that can vary, whether it's the total return investors out there, whether it's the time segmentation folks who always will argue that bucketing is best for everyone, or whether it's maybe someone more from the insurance world talking about how using more annuities and insurance is really the best approach for everyone, but at the end of the day, no, there's really not one answer that's best for everyone. That's why we really like to come at it agnostically, give you the advantages and disadvantages of each, recognizing that each are viable styles that you have options and how to find the option that's right for you. And. Not just be forced into a particular approach just because you you started reading a message board online or listening to some other podcast that's more direct on saying one style is the best for everyone. We want you to find the style that's right for you, so that that

really explains why we begin with retirement income styles. But just more generally, the general organization of the book. We don't take the viewpoint that there's one approach that's best for everyone. We give you the advantages and disadvantages of the different options and let you choose what's best for you.

Alex Murguia 05:33
And I think what was cool is you tie it in together with the personal preferences. The styles are really dependent on how you prefer to source retirement income. And I think you make that very clear in the book. And would you say that helps? You alluded to it earlier. Would you say that helps? Then, once you understand your style, you know where to focus on a lot more within the book, right?

Wade Pfau 05:58
Because, and I think the best example of that is, Chapter Four is about sustainable spending strategies in retirement. That's the whole 4% world, world of spending from investments. And then chapter five is explaining how different types of annuities work, and kind of indicate, you know if your total returns or time segmentation, you're probably going to be more interested in chapter four. You may not put that much focus on chapter five. It's your income protection or risk graph, however. Well, chapter four, the investing is relevant for all the styles, but it's more for your discretionary goals and for your core essential retirement spending. You want to pay more attention to chapter five to understand how different types of annuities work and whether there's a role for an annuity to potentially fill an income gap and ensure that you have enough reliable income to meet your core expenses in retirement.

Alex Murguia 06:48
Okay, so wait with regards to preferences and biases and things along those lines, I recently saw someone post a question online about whether the book is worthwhile because they heard you may have a biased perspective. What's that all about?

Wade Pfau 07:06
Yeah, yeah. So I get accused of a lot of things this coming at this from an agnostic viewpoint. So I talk about advantages of using insurance products like annuities. I talk positively about reverse mortgages. And there are folks out there who absolutely hate either annuities or reverse mortgages, even, or on the investment side, I talk about investments as well, but that, I think that's where, when you get into the message board world, where they're focused, people who focus really on the total recurrence approach, that really feel that an investing strategy is the best way to enter into retirement, that there's really no need for things like annuities, because the investments are going to do what you need them to do to give you the growth to have the best and so they tend to think, Well, why am I talking about annuities? I must be biased in that regard. But that's again, we're not advocating one particular focus for anyone that the Retirement Planning Guide is agnostic, and it's really intending to give you the information you need to implement any of the four broad approaches, not trying to push anyone into any one particular approach. We're really just trying to find what's best for you. And for some folks, I have no problem. If you're at total return investor and you're comfortable with relying on market growth to fund your retirement, more power to you. And we're not going to try to push you into another approach. So I think you really don't have to worry too much about that kind of bias consideration. It's just this is a comprehensive look at retirement income planning. Hey, permit what you need to get the best approach to your retirement.

Alex Murguia 08:42
I think on that on that note, it'd be helpful for folks to also recognize that when you develop the help develop the curriculum at the American College for retirement income planning, the approaches that that you put out, there are credible approaches. And so there are taught they these are the approaches that are taught to all financial professionals. It just seems eventually financial professionals seem to pick a lane, and they go down that lane, and then every, every, every other car that's not in their lane happens to be bias, you know, and and I think you took a similar track with the book, in the sense of, you're presenting this as a curriculum, if you will. And these are viable strategies that that can get you there. It just depends what lane you want to go down. Did you say that's a proper analogy?

Wade Pfau 09:30
Yeah. And that was the purpose of the repayment income Styles was you could talk about, there's these different viable approaches, but how do you choose one? And for folks, they may not even realize they had these options. I've always worried it's random what people end up. But what did they hear about first? What kind of commercial did they hear when they turn on the far right, you and so forth? So really having that framework in place, the retirement income style awareness to help you select the approach, and that's back to the question we start. I started chapter one with. For retirement income style awareness, because they want you to have the opportunity to find a place that really doesn't

Alex Murguia 10:06
i i think too it's a resource book, and so you can pick the ones that interest you. But as a secondary feature that the book provides, which I think is quite valuable, is that if somebody is speaking to an advisor, or is using an advisor right now, as you know, an engaged with an advisor, and the advisor presents an approach, and they sort of minimize other potential approaches, but don't even mention it. I think what you've provided to the readers is the ability that they can actually get if a second opinion on other types of approaches. Right? In a funny sort of way, I believe your book unbiasses The approaches because you're You may listen to just one way to solve a recombination plan from an advisor or a journalist or some pundit on TV, when the reality is is that you're providing different points of view that I think may resonate better with that reader. Yeah.

Wade Pfau 11:06
Well, thanks. I think that's that's a great way of putting it, getting a second opinion, as you may have heard about one of the four options because of the particular individual you spoke with, but you want to make sure you have something you're comfortable with, and if you're being pigeonholed into one particular approach, and it's the not the right one for you, that can create problems in retirement, especially if it is more of an investment Cedric approach, if you panic when markets are down and kind of abandon the approach and then sell out of your portfolio, even though that's the worst possible time to do something like that. But tragically, a lot of people do end up bailing on a strategy is because it wasn't valid strategy for them. If you're a total return investor, you really have to be comfortable with the idea that you're going to rely on market growth over the long term to fund your retirement. You can't panic and bail on the strategy yet. And I think someone who's advocating for the total return approach is the best approach for everyone. This isn't recognizing that. So, yeah, get a second opinion. Make sure that you've got the approach you're most comfortable with. That's where with the retirement

planning guidebook, chapter one gets you that the background on the styles, you get into some other hobbits. But then the chapters four and five, you get to really dive into the the investment and the insurance based tools to build that retirement income approach.

Alex Murguia 12:24
And that's a great point, because I think within that bias, you can also but within addressing, you know, folks have biases naturally with human beings, but what you do, that's interesting, too, is you frame the solutions accordingly. You use the word investments, right? And let's, let's take the other example. You talked about full return, but if your income protection, and somehow you were you have an insurance product for contractual income, the reality is that those aren't necessarily straight up comparables to other investment in the market. Those are insurance products that are providing a safety for you that risk transfer. And so comparing a pure investment, 100% vehicle to, let's say, an annuity of some sort, is not an apples to apples comparison. And so it's easy, then to provide the straw man biased argument. Mr.

Wade Pfau 13:17
Say, yeah, yeah. And so the the way I kind of try to explain all that is, there's really three broad ways you could fund return goal. Issue is, you don't know how long you're going to let's see, you don't know how long the money needs to last. But you could use bonds, and that's the core I'm just going to ladder bonds to support expenses for each year, and that's going to support the least amount of spending calorie in retirement, and you have two options to potentially spend more than bonds. You have the Diversified investing approach, where you're going to use a fairly aggressive asset allocation to seek growth from the markets to support a higher standard oblivion and retirement. We're going to rely on the risk premium for markets you meet those retirement expenses. And then there's a competitive approach that really works just as well, and that's the idea of risk pooling for insurance to use the idea of an annuity, the insurance company doesn't know how long any one individual will live, but they can rely on the actuarial science to understand the average person is going to live about this long. Some people won't live that long. Other people will live longer that they can cool that risk and pay at a higher level than bonds could support. Drew an age beyond life expectancy because of that ability to get those longevity credits transferred from the short lived to the long lived, to ensure that everyone can buy a higher standard of living while they're alive. So you've got risk premium, you've got risk pooling, you've got options. Which option are you most comfortable with? That's a really important factor and decision, and that's an important part of the retirement retirement planning guidebook is to help you understand what those distinctions are and how each approach works.

Briana Corbin 14:57
That's right, folks. It's here. The third edition of Wade files retirement planning guidebook has officially dropped to dive into what's new. Wade is hosting a live webinar called tax planning for retirement in 2026 and that's happening on Wednesday, January 28 at 1pm Eastern. He'll walk you through the key strategies from the book, unpack what's changing in 2026 and show you how to get ahead of the curve before the tax code does it for you. Don't miss your chance to get smarter about your retirement plan and maybe even lower your future tax bill in the process. Register now at retire with style.com/podcast that's retire with style.com/podcast or check the links in the show notes below. We'll see you there.

Alex Murguia 15:47

Excellent. Now wait, your book has has a large focus on finding efficiencies for retirement plan. What do you mean by that? Everyone likes efficiencies, but What? What? What are you getting out of that?

Wade Pfau 16:01
Yeah, so I'm an economist by training, so always looking for efficiency, and that's just in economics. It's the way to get the most out of your assets. And I explain in the book, specifically, given an asset based retirement, to get the most after tax, spending and legacy from those assets. And one approach is more efficient than another approach, it means it's letting you spend more in retirement and or potentially giving you more legacy at the end of retirement as well, so that you get more out of your assets. Now, with the efficiencies, there's often a trade off, where there might be a short term expense to get a better long term outcome, but I'm really focused on uncovering efficiencies and explaining how to get those efficiencies, whether it's social security decisions, decisions for healthcare and Medicare, long term care planning, tax planning for retirement, which is a huge one you need to get the most after tax, spending power out of assets by being strategic about when you pay taxes in retirement. There's just so many things people can do to get more or less or get more out of their assets in retirement, and that's really the core focus of the book. How can you make your plan more efficient? Yeah, and what I like about the efficiency argument here is that it's helping you control for things you can actually control, and move the needle on, as opposed to perhaps trying to forecast something or trying to guess what, what's going to happen next. I get the sense what you did is, Listen, this is what is happening right now, and let's pick the low hanging fruit from that. Would you say that's an appropriate reflection of what you were talking about in terms of finding efficiencies. Yeah, yeah. I think you could say that you know you're looking for those opportunities when they come up.

Alex Murguia 17:52
With regards to that, when writing the book in your body, you know a few additions in already. What is the one that whenever you find yourself revisiting, you tell yourself, man, I don't know why people don't do more of this. This is like, wait there.

Wade Pfau 18:06
Well, recently, there's been a lot of debate about Social Security, and that seems to be one of those areas where academics are pretty clear about the best way to claim Social Security, which for a higher earn a couple, as long as they have the resources to support the rate having that high earner in a couple. Think about really delaying, say, 70 to start Social Security. Now we're definitely seeing that, and I show this in the book. The trends about claiming ages, the percentage of the population that claims as soon as possible at 62 has really been declining. Used to be over 50% it's now just in that 22 to 23% range, and the folks who are waiting past full retirement age, it's, it used to be around 6% now it's actually more. I think 23 24% more people are waiting past full retirement age now then who claim at 62 and so I think that's this. We've seen a lot of improvements, but it still is somewhat of a mystery why that's not more widespread. And the debate goes on. There are people this relates to your retirement income style as well. Sometimes people just think, well, I should claim early to leverage my investments as much as possible. You're taking risks by doing that, but it's certainly a viable approach. I just don't think it's a real that it's going to be the best approach for for many people. Some people it could be best for

Alex Murguia 19:27
but So Social Security claiming there's an efficiency right there to be had, that's very low hanging. Obviously, if you need the cash flow, that's a different scenario. But many times that's not the case.

Wade Pfau 19:40
Now with that one, though, Social Security does have a break even where you do there's a short term sacrifice to get a long term benefit. Now with the tax planning side, doing things like Roth conversions, often, there can be an immediate benefit, but you have to pay taxes earlier than necessary. But if you're thinking about the fact that you. Have these inherited these IRAs that will go to your adult beneficiary children, and then have a 10 year window to spend them down. You might be able to do Roth conversions at a much lower tax rate than your adult child beneficiaries would be able to accomplish, and in that regard, by voluntarily front loading taxes in retirement, you can see immediate efficiency improvements. There's no break even aid. You don't have to pay taxes now to wait for a long term benefit. You get those long term or you get benefits immediately with tax planning.

Alex Murguia 20:32
And a lot of folks may say, Oh, this is in academia, these efficiency but the reality is, Wade and I, we were in a meeting week and a half ago where we discussed this with somebody.

Wade Pfau 20:43
Oh, yeah, this is not theoretical. These are real world things you can do to get better retirement outcomes. And the longest chapter in the retirement planning guidebook is how to be strategic with paying taxes in retirement.

Alex Murguia 20:57
And so, okay, so social security is low hanging fruits for efficiencies. You pouring out the low hanging fruit for potential Roth conversions? Any other items such as distributing, distributing assets from portfolios, any low hanging fruits there from efficiencies that high level?

Wade Pfau 21:13
Oh yeah, there's another, there's another huge low hanging fruit area. And just recently, we had an episode on retire with style, with Beth unsker. Oh yeah, the whole making sure you have your documents in place for incapacity and estate planning, organizing your financial documents so that other people can understand what's going on, making sure you've got those financial power of attorneys in place, making sure you've got the advanced healthcare directives in place. Chapter 11 of the retirement planning guidebook is how to get organized for incapacity planning and for estate planning, and that that's probably an even bigger low hanging fruit than than the tax planning discussion. It's basic steps you need to take that could have just a

Alex Murguia 21:58
last was found, in fact, but found not just economically, psychologically, psychologically and even from a nuisance factor, because all of a sudden you didn't do certain things, and not even guardianship. Good luck with that kind of thing, right? So there was dining, $20,000 on our fees, exactly. And ain't nobody got time for that effectively. But no, 100% I think that's one of the key takeaways from the book, that a lot of folks with retirement complaining think that there's this need to to outguess the markets, or there's this need to predict where tax rates are going, or

things along those lines. And the reality is, you just take things for what they are and focus on squeezing out the efficiency of that. You'd be surprised how far you can move the needle. And I think you do it great justice, right, moving along, right? Lot of questions, what three major risk categories that folks need to understand when it comes to retirement. Yeah, yeah.

Wade Pfau 23:05
Instead of where we've been going, out of order a little bit here, but now we're back at chapter two. Chapter Two of the retirement planning guidebook is about understanding risk in retirement, and the free broad category of risk that retires face are longevity risk, which is really misnamed. It's it means living a long time. So it's good. It's good to live a long time. It's just from the financial perspective, the longer you live, the more costly your retirement. Decommissive Every year you live. That's another year of your budget you have to fund. So the cost of retirement grows at the length of retirement. Longevity risk is a risk of living longer than you have assets to to pay for those retirement expenses. So outletting your assets in retirement, that's one of the three. The next one would be this market related disc, which certainly exists pre retirement, the idea of market volatility impacting your investment strategy, but it can get amplified in retirement, because when you're now, you're no longer living off your paycheck from work. You're now having to take distributions from assets, and that market volatility can have a bigger impact. If markets are down, you have to spend on your investments to meet your goals. That can dig a hole for the portfolio that becomes increasingly difficult to dig out from, and some market volatility really amplifies in retirement with that. It's called sequence of recurrences, and that's the whole market sequence of returns. That would be the second major category, the third major category spending shots. We have a baseline budget for retirement, but there are things that can fall outside of that budget, whether it's long term care expenses, whether it's significant health care bills, whether it's the need to help an adult family member in unexpected ways, whether it's being victim of financial fraud, whether it's just spending more than you anticipated or not for any particular. A reason other than just expenses that higher, whether inflation is higher than it put in for it, having additional reserve assets in place to help manage spending shots becomes Illy important. And so it's longevity risk, market risks and spending shots, those are the core retirement risks, and I was surprised them in detail and in chapter two, and that's really then financial planning is about building a strategy to meet your goals and to manage those risks, confronting your bulls.

Alex Murguia 25:29
Now what's interesting about this is those listening is a lot of people will give lip service to retirement planning, investing for retirement is different, because there's risks that you need to account for. Now I you know it goes without saying, longevity, volatility, spending shocks, these are the new risks you're facing in retirement. Why weren't you facing these when you were working well?

Wade Pfau 25:58
Longevity risk, you're not yet living off the yard asset base, so it's still something in the background. The reason we save for retirement is so that we can have a weight to spend when we're no longer working. Now, at some level, you face longevity risk pre retirement, because you don't know how much you have to save, since we don't know how long your retirement will last, but you're still living up your paycheck. You're not having to live off the asset base. So longevity, risk, it's more abstract. Pre retirement. It's just it becomes more concrete. Post retirement. Market volatility, certainly this pre retirement, it's just there's a fundamental swish

that gets clipped in retirement, where you can think about it pre retirement in some way, if you're saving, you benefit from a market downturn, not that it feels comfortable when it happens, but your savings get to buy more shares at a discount, so to speak. So over the long run, you really you want markets to stagnate in the early part of your career, and then you want the big run up in the markets to happen just before retirement that will impact the most asked to well, but really, you can benefit from market declines when you're saving when you're retired. That's not the case anymore. You do not benefit from market declines anymore. You really need that market voter and so that sequence of returns risk, it really does amplify the impacts of investment, volatility, spending shots, but yeah, you can face spending shocks pre retirement as well. May just be replaced in your roof. Long term care, health care needs can happen at any point, but certainly spending shots hard a big part of the damage world as well as retirement. Just again in retirement now we're really we have less flexibility to respond to standing shots you're not working anymore. We have to manage both shocks based on our accumulated assets, and so that it makes us more vulnerable to the impact of those shocks close to retirement than pre retirement. Certainly, again, spending shocks can impact pre retirees in a very significant way, but we really become more vulnerable post retirement when we don't have anything else to pull off them.

Alex Murguia 28:06
And so just a quick follow up on that, which I know you address in the book, is it a flip of the switch where you're pre retirement and paying now you're retired, or is there a transition and you need to be vigilant doing that transition. And what I'm going with, we're going with this is the fragile decade is when that transition is really beginning to crystallize. You want to give your thoughts on that, and you know how you give it its treatment in the book, right?

Wade Pfau 28:35
Right? So well, and especially in chapter 13, the last track of the book. It's where I really try to put everything together into an organized series of steps, and ideally, you get a copy of the retirement planning guidebook when it's still you're starting to think about retiring, but you may still have five years to plan for it and to make decisions. Certainly it's not too late if you're not getting a copy of the book until your retirement date, or even after you're already retired, but you have more flexibility and options if you could start making decisions in the five to 10 years leading up to retirement. That's a good time to understand your retirement income style, because it can make it easier to trans transition from your pre retirement accumulation oriented approach to your retirement distribution approach, like as your time segmentation, rather than getting to retirement and having to build out your short term fixed income buckets all at once, you could start laddering in. If I'm 10 years before retirement, I'll buy a 10 year bond, a bond maturing 10 years from now, each year for the next 10 years, I now get to retirement with a 10 year runway of maturing bonds for the next 10 years to cover my next 10 years of expenses. Just you have more flexibility and more opportunities if you can start planning in that five to 10 year period before retirement. Not to say that it's too late if you're already retired, there's still plenty to know and plenty of useful. Information in the retirement funding bag, but, yeah, I mean, the earlier the better. And so the sooner you get that copy and start thinking about these issues, the more options you'll have to design your plan. And I

Alex Murguia 30:11

think that's important, because resets once you're retired just tend to be expensive. Think about your assets like so right? The more you handle it, the less there it is. And so getting your plan right at the start,

Speaker 1 30:23
it's great. It'll, it'll, it'll pay

Alex Murguia 30:28
a compound in terms of the benefit that you receive as you get into recon.

Briana Corbin 30:34
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. You you.