Episode 232: Is 4.7% the New Safe Withdrawal Rate?

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Retirement income, financial personality, HECM, Roth conversion, effective marginal tax rate, safe withdrawal rate, bond ladder, tax planning, investment strategy, retirement buckets, inflation-adjusted spending, deferred income annuity, taxable account, 401(k), IRA.

SPEAKERS
Briana Corbin, Wade Pfau, Alex Murguia

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 retirewithstyle.com/style and sign up to take the industry's first financial personality tool for retirement planning. Retire with style went live, and the audience showed up with questions, big ones, specific ones, and a few that even gave Wade a moment of pause. This is part one of a three-part live Q and A, and things get technical fast, but don't worry, that's kind of the whole point. Let's dig in.

Alex Murguia 00:59
From Alexandria and Dallas, where

Wade Pfau 01:02
Wade and

Alex Murguia 01:06
Alex on

Wade Pfau 01:07
the YouTube Live edition of the Retire with Style podcast. So, thanks everyone for joining. Welcome. We had quite a few questions that came in advance, and I do see in the public chat we have access to that, and there are already questions coming in live as well. Alex, we kind of talked about prioritizing the questions that are coming in live from participants today. So, shall we get started there?

Alex Murguia 01:29
Yeah, as long as we can add to them.

Wade Pfau 01:31

Yeah, that's right. These are, we haven't seen these ones before. We did see the ones that came in advance, but the first question looks like coming from Stephen, someone who has a HECM, which is a home equity conversion mortgage, a reverse mortgage with $160,000 balance, also considerable IRA assets. Interest is accruing on the HECM, I guess 65% stocks, probably 35% bonds. IRA grows with the market bond portfolio. Should we pay down the heck to maintain a smaller balance? Well, that's a question. In so, within my research, it's something I look at. Generally speaking, the benefit of paying down the heck balance is you move those funds back over into the line of credit, and then your future growth reflects more growth of line of credit instead of loan balance. That being said, though, I find it's generally not at all necessary to pay down the balance. You can benefit, like even in my research, I put in rules that if you're getting closer to later in retirement and/or if the loan balance is getting close to the value of the home, you do benefit from that non-recourse loan aspect, where you're not on the hook to pay back more than 95% of the appraised value of the home, so if you're in that kind of scenario, you may not want to pay back the loan balance, if you have a smaller loan balance relative to the home value, and you are thinking strategically you could benefit from having more line of credit in the future, and you've been seeing good growth in your investment portfolio. Then, yes, it is an option to pay down that loan balance voluntarily to convert those funds into the growing line of credit, but again, it's not at all necessary. And I do see some further notes. 70 years old, hoping to stay in the house for at least 10 more years, I'd say there's really no single one answer to that question. It's not necessary, but if you'd prefer having that loan balance lower, more line of credit accessible to you, it's definitely an option available.

Alex Murguia 03:36
Okay, and wait, I'll hit the next question. It says I hope to retire in, sorry, the I hope to retire in three years at age 67 950k In my four 1k is there a reason to start moving money now out of the 401 k and start creating my retirement buckets? Question mark, and then taxable or non, I assume accounts to put the money in

Wade Pfau 04:08
for you. The buckets don't refer specifically to, like, the, I guess you could talk about buckets as, like, a taxable account, tax-deferred account, tax-exempt account, but usually it's more based on the time horizon for the spending, short term spending bucket, medium term spending bucket, long term spending bucket, so you don't really just distribute funds from your 401 k into a taxable account for the purpose of building up a taxable account. Usually the conversation around this is, do I want to do a Roth conversion? Do I want to move some of those funds in the 401 k into a Roth 401 k or roll over to an IRA and then move funds into a Roth IRA? That's certainly an option to consider. We definitely need more information than just the IRA balance to. Be able to speak definitively on the matter. How much other income sources do you have? Do you also have a taxable account balance? Do you have a Roth IRA yet? Because you do need to have at least one open for five years before you can take a qualified distribution from it, but if this question simply I want to start thinking about building buckets for my retirement income, that is a distinct question from tax planning around that 401 k, and you can effectively create your short term, medium term, and long term buckets all inside of the 401 k, if that's the appropriate direction to take.

Alex Murguia 05:36
Another angle, I thought maybe when I was reading it, you could take, or somebody may be thinking about it, and I'm curious, what your intuition is on this. Is well, you know, do they want

to take money out of the 401 k, pay like income taxes on it, and then reinvest it in a taxable account, and then in the future pay 15% on that? Or I would, I would think intuitively just be better to leave it in the IRA, and not, you know, not pay income on it, you know, by taking it to another account,

Wade Pfau 06:07
right? Yeah, generally speaking, when we talk about tax distributions, like ordering of distributions, you want to spend taxable assets before tax-deferred assets, so there wouldn't really be any benefit from intentionally distributing from a tax-deferred account to build up a taxable account. There might be some special use case where that could make sense, but I think 99% of the time you'd find that that would not be a better approach to take.

Alex Murguia 06:38
Okay, and real quick, this is a question for our producers, Brie and Amber, on the on the chat that we're getting on Riverside. We're using Riverside and not, not directly on YouTube Live, it's streaming to YouTube Live. The questions, there's as I hover over, there's a, there's a field that says show on stream. I just want to make sure, can people watching YouTube live see the questions coming in, or do we have to click show on stream for them to see the question?

Wade Pfau 07:06
That might just print the question on the screen, so people can read with us.

Alex Murguia 07:10
Oh, let me try one, just see how that works. All right, here's another question from Christine.

Wade Pfau 07:20
Yeah,

Alex Murguia 07:22
you don't know how much time this saves us. We were getting some questions that were like paragraphs long. Okay, let me show it on screen one more time. Where did it go? Okay, that's over

Wade Pfau 07:37
your mouse to see it again. All

Alex Murguia 07:38
right, in early retirement, age 56 how do you arrive at a target EMR, considering desire to avoid large RMDs require minimum distributions later on?

Wade Pfau 07:49
So, the target EMR is the big question. There is some software out there that's mainly accessible to financial advisors who can help you find those target EMRs. Those are generally that software is not directly available to consumers, but Covisum is the software that originally developed these ideas. I know that Holistic Plan now offers something similar within their software, but that being said, this isn't always accessible. I've written my own programs to do this, that's why I'm able to show in my books, and so forth, how to find an optimal EMR target, but in real life that's not always easy. So I tend to speak about this more as rules of thumb, that

if you've got less than about $3 million of assets, you might find that just targeting the 12% EMR can work out reasonably well in many cases. Way to start to discuss

Alex Murguia 08:41
what an EMR is. For we don't get into acronym soup.

Wade Pfau 08:45
Yeah, we're talking about the tax planning conversation. This is the effective marginal tax rate. This is what target, what effective marginal tax rate target should I have in mind where I'm willing to voluntarily pay taxes by doing Roth conversion thing and things, as long as the over, it's the overall tax rate, it's not just federal income tax brackets and state income tax brackets, but how would generating more income also impact the taxation of Social Security, Medicare premium surcharges, the phase out of below the line tax deductions, Affordable Care Act subsidies, if I'm using the Affordable Care Act, the stacking of preferential income on top of ordinary income, and I think I've hit the main highlights there. How does that all work together? What kind of overall tax rate am I willing to pay? And that's where my answer was, you need precise software to really be able to analyze this carefully, and that's generally not available, but I think 12% can be a pretty good rule of thumb for folks with up to around $3 million of investment assets, and then it goes up from there. If you've got five to $10 million you might find that either 24% or 32% are reasonable targets, and again, that doesn't mean filling up tax brackets, that's managing. Effective marginal tax rates, which can be quite different, and that's where a lot of the simplified tax planning software that is available to consumers does not really look at this question accurately and does not provide useful information to users. So this is one of these questions where it'd be great if more better software was available to consumers. At this point, there isn't a lot available, so that's where I rely more on rules of thumbs and suggestions for how to think about that.

Alex Murguia 10:28
Okay, and here's the statement I made, and it's a good point. I was tackling what I'm going to put up here, I was tackling it more from an investment gain standpoint over time, you know, tax deferral, not taking a hit to begin with, but here, wait, this is from Michael Alex. There wouldn't be any benefit from distributing from a tax-deferred account to a taxable account. What about smoothing distributions and taxes? Think that's related to the question just answered.

Wade Pfau 11:00
Well, yeah, everything's about smoothing. That's the whole tax planning conversation is around the progressive tax system in the US is based on your annual income, and so it generally doesn't make sense to have a really high taxable income one year and then a really low taxable income the next year, because with a really low taxable income, you may not even be filling your standard deduction, that can be very tax inefficient. It generally works better to smooth the amount of taxable income over time, and that's where the tax planning comes in. Where I am trying to smooth that with respect to I'm managing an effective marginal tax rate target. If I'm willing to pay taxes at an effective marginal rate of up to 12% I look for opportunities to do that. If I'm otherwise not, I still have capacity to pay more taxes at that lower rate, or I also use blending techniques, where maybe if I'm following the conventional wisdom and it's telling me to just keep spending from my taxable account or keep spending from my tax-deferred account, and that would push me above my effective marginal tax rate target. I might halt the brakes on that and cover the rest of the distribution from the Roth IRA or from some other non-tax income

source, so that I don't have to pay a higher than necessary tax rate. So, smoothing is a very important part of any sort of tax planning strategy.

Alex Murguia 12:24
Wait, yeah, I was taking it from the standpoint of just growth, compounded growth, that is not touched, but I agree with what you're saying from that, from that point of view. Here's one. Now, let me go back up. Yeah,

Wade Pfau 12:43
who had a question on? Yeah,

Alex Murguia 12:46
yeah. All right, Piglet, here we go. Oh, sorry, wrong, wrong, sure. I guess I just have to hit this one. I know this is a tough question to generalize, and everyone's case is unique, but here's the question, with the current market, sorry, the things growth with the current market situation. What is the safe withdrawal rate? Would retail like a plus or minus point 25%

Wade Pfau 13:16
I do like to base that on where interest rates are, and if you build a 30 year tips ladder, not that that's what people are doing in actuality, but with current interest rates, if you build a 30 year tip slider right now, the safe withdrawal rate would be about 4.7% and that's assuming a 30 year retirement, a desire for inflation-adjusted spending, no flexibility for that spending, that the tips ladder supports that fixed inflation adjusted spending over time, no investment management fees, no tax issues, that are at least that's your gross spending numbers, but if you're going to press me to say what's the safe withdrawal rate, I'll say 4.7% because that's what a 30 year tips ladder can provide, but you can definitely adjust to that based on all the different considerations that, like in the retirement planning guidebook, chapter four, I talk about all the assumptions behind the 4% rule, how changing those assumptions would impact the results, and a big one is just simply having some flexibility for your spending can allow for a higher distribution rate to begin with, but then there's other things like if there's investment fees, or if you're planning for 40 years instead of 30 years, you might want to take a haircut off of the 4.7% number as well. Okay,

Alex Murguia 14:30
now, How do you feel? Just a little bit of a take of that is my own question. How do you feel when, when you read those yearly sort of books, like not books, articles like Morningstar. All of a sudden, this year we'll say the safe withdrawal rate is xyz, and I would say your answer of 4.7 sounds on the higher side of what I would read from something coming out of Morningstar or Vanguard or something like that.

Briana Corbin 14:57
Are you getting close to, or are you in retirement? Well, investing during retirement is a little bit different than during your working years. Your investments are there to help you pay for retirement, and now is when they need to earn their keep. To make sure you're on the right track, download Retirement Researchers' eight tips to becoming a retirement income investor by heading over to Retirement researcher.com/eight tips. Again, get your copy of Retirement Researchers eight tips to becoming a retirement income investor by going to Retirement researcher.com/eight tips, that's the number eight tips.

Wade Pfau 15:35
Yeah, so those would be based on the Monte Carlo simulations, and if you build in an investment management fee, and/or if you want a high enough probability of success, you start to see numbers that can be less than what you would get from a 30 year tips ladder, so their numbers could be less than 4.7% It's just a different take, and I used to do those kinds of studies as well, but at the end of the day, I don't think that's really how people are thinking about retirement distributions as much as we talk about the funded ratio. I think that's a much more interesting starting point, because cash, you don't need a constant inflation-adjusted distribution from a portfolio. No, taxes will make that impossible. You'll have income sources that come and go over time, your expenses will fluctuate over time, your ability to

Alex Murguia 16:21
spend will change.

Wade Pfau 16:23
Yeah, yeah. And so it's just those kinds of studies help you calibrate what's feasible, but I don't think they really work as actual retirement income strategies.

Alex Murguia 16:33
What I.. and you could just set the funded ratio and things like that. I want folks to understand the reasoning behind this, and it all starts with tips, really. Why tips? Why are you looking at tips and not like the 10 year, a 30 year tips, as opposed to the 10 year or something like that.

Wade Pfau 16:49
Well, it's it's more the the average yield coming out of a 30 year tips ladder, because if I want 30 years of inflation adjusted spending, I could build a 30 year tips ladder with a tips maturing each year for the next 30 years, and using the interest on tips, as well as the maturing face values of those tips, I could figure out exactly how to spend down a portfolio over the next 30 years with inflation-adjusted spending, and with having nothing left at the end of the 30 years. So that's where the 30 year tips liner comes into play,

Alex Murguia 17:22
and I think you're also at least implicitly stating at the risk-free rate, in a sense, it's a government bond in and of itself, so there's no

Wade Pfau 17:35
right,

Alex Murguia 17:35
there's no worry about standard deviation, you know, that you would find in a simulation, it's just straight up here, it is.

Wade Pfau 17:42
You have longevity risk, because if you live longer than 30 years, you're in trouble if you build a 30 year tip slider, but otherwise it's the lowest risk way to get a 30 year inflation adjusted income.

Alex Murguia 17:54
Yeah, and I would, I would counter to that two points, that that's a risk that you find in safe withdrawal rate as well, since those studies are only based on I don't know, 2530 years, anyways. And the other piece is, as you alluded to earlier, people will change their habits if you see that year 25 the ladder may need to extend, or whatever, you'll make necessary adjustments to do so.

Wade Pfau 18:21
Yeah, in real life, you could not put all of your investment into the 30 year tips ladder, because you would need to set aside something to manage the inflation risk. Another kind of strategy that gets discussed is you build like a 20 year tip sladder, and then buy a deferred income annuity to cover years 21 and later, and that helps to manage the longevity risk as well, but or the inflation risk with that one, though.

Alex Murguia 18:46
Oh, instead of transferring money out of the IRA, you turn it into a Culac.

Wade Pfau 18:51
Yeah, yeah, Culac is a deferred income annuity that gets the special tax benefits inside an IRA.

Alex Murguia 18:59
Okay, here's the next one from Beach Girl Forever. Oh, I like that one. Has a cool title. When we retire next year, we would like to sell a rental property that we've had for 25 years, purchase for 100 grand, selling for 800k Hang on, let me show it

Wade Pfau 19:20
again. This after adding a

Alex Murguia 19:22
duplex to the property, are there any taxes? The

Wade Pfau 19:26
question continues that that's where they can only put so much. Okay, are

Alex Murguia 19:32
there any taxes?

Wade Pfau 19:33
Yeah, we addressed the real estate tax question, that's not really our wheelhouse.

Alex Murguia 19:38
Yeah, for, oh, from the recapture stuff, yeah, you're right, and we're doing this live, so we'll get an answer for Beach Girl, but yeah, I don't feel comfortable entering off the cupboard. We're talking about depreciation, recapture strategies, and things like that. Do you

Wade Pfau 19:56
know, I'm not conversant on the fine points of. Uh, rental properties and managing tax strategies around them.

Alex Murguia 20:04
Beach girl, the tide is out right now. We have to wait till the tide comes back in for us to give that as proper treatment, but we.. it's here, it's archived. We'll get to it. How's that?

Wade Pfau 20:18
Yeah, we can revisit that in a later episode. Yeah, there's gonna.. this will be there's.. we have gonna be too many questions to handle in the live session today, so we'll come back to.. yeah,

Alex Murguia 20:27
and we'll.. we'll archive all these questions, and we'll get to them in podcast episodes. Alrighty, let me see here. I was looking at more 64

Wade Pfau 20:42
yeah, Pooh's just saying, you know, the I said it's 4.7% for a 30 year tips ladder. Well, what about a 6040 portfolio? It's, I think, effectively going to be in the same sort of ballpark, and it also depends on whether the assumptions you're making about is 30 years the right time horizon. What are the investment fees what are the assumptions you're making about future stock and bond returns, and so forth. So, I think just linking that to the, you can get a different number than the 4.7% from a tips ladder, but whether it's going to be more or less just depends on what additional assumptions you're going to bake into that. So, I still think even for a 6040 portfolio, 4.7 would be a reasonable starting point.

Alex Murguia 21:24
Let me, let me take that to what we were discussing before we went live. Wade, as we have a backlog of questions, and one of the interesting points, and we may revisit it by answering that question later on. But what is your take on just sustainable withdrawal rates and the differences between let's just go to an extreme of a 40 a 3070 portfolio versus an 8020 portfolio, like running the gamut, are there significant differences from a sustainable withdrawal rate?

Wade Pfau 21:53
Right, so you're referencing one of the questions that came in advance. Should we just read that one if we can find

Alex Murguia 22:00
it? Let me see more

Wade Pfau 22:01
context. Yeah,

Alex Murguia 22:02
let's do it, because it's an interesting question here. Where are the..

Wade Pfau 22:08
we have a whole list of questions that came in advance. Where is that one?

Alex Murguia 22:12
Here it is.

Wade Pfau 22:16
Oh, there it's row 11 for that one.

Alex Murguia 22:20
Okay. All right, so I'll just read it, and this is similar to the sustainable draw questions that Poo was getting at. Here I'm resetting my asset allocation, and was wondering if a 4060 stock to bond portfolio would not keep up with inflation over time. When I run back tests, it seems a 4060 is not significantly different than a 6040 sure, slightly lower return, but with less volatility and much lower maximum drawdown. I was originally going to move to 5050 but thought maybe less volatility is a good thing as I, we age. Just curious to get your thoughts on, in general, how much these percentages matter as long as there is some equity component to mitigate inflation.

Wade Pfau 23:07
Yeah, so this is something that goes back to early work that Bill Binkin did when he was doing those studies about the 4% rule in the 1990s What he had effectively found, and this is something you see time and again in subsequent, when people look at this, his conclusion was the safe max, the highest sustainable withdrawal rate in the worst case historical scenario was about the same, right around 4% for anywhere from 35% stocks to 80% stocks. If you went less than 35% stocks, the safe max dropped a little bit, and it dropped a lot as you got closer to 0% stocks, down to 2.4% for no, no stocks, but it was above 4% anywhere from 35 to 80% stocks, and then it tailed off slightly with higher than 80% stocks. So this question is getting at the same sort of theme, that yeah, in terms of the sustainable, safe withdrawal rate, you're probably not going to see that much difference between 40% stocks and 60% stocks. The difference just rate relates to that's assessing the worst case scenarios, or assessing the scenario calibrated to having that high probability of success. On average, the higher the stock allocation, the more those assets would grow, and you would, on average, not run out of money, you would, the higher the stock allocation, the higher the legacy at the end of retirement. So it really is just that trade off. If you're not comfortable with the volatility, you're not as worried about having that big legacy at the end of retirement. You just really want to be able to sleep better at night, yeah. The historical data and other kind of studies would show that, you know, a 40% stock allocation will give you about the safe, same safe withdrawal rate as a 60% stock allocation. So, you've got that flexibility there for how you want to approach it.

Alex Murguia 24:58
Okay. Well, good. Go to the next one, and I'm curious if the tab text maps software that we have on Retirement Researcher can help out, simply because this isn't - I wouldn't call that like professional-grade software, but it's professional quality, in terms of you get what you get, it's just we don't offer it to advisors, we actually, it goes straight to consumers, but here's the question: How can I develop a blending strategy without professional software? I hear a lot about aggressive Roth conversions, but also points of views that a conversion needs 10 years to pay out, and pay out breaking is, I think, the same kind of word he's going for. Yes, the

Wade Pfau 25:41
Recinement Research Academy. We have a powerful tax planning software. It's called the Tax Map Calculator, and it helps you make decisions in a single year about what to do. But one of the inputs is, what effective marginal tax rate target do you want to have? Like, what is your effective marginal tax rate target? It can't solve the effective marginal tax rate target for you, but

if you put in your target, it will provide guidance on what to do, so that's why that when the earlier question was, How do I find the best effective marginal tax rate target? Our tax map calculator is a single year telling you how to, how to approach things if you know your effective marginal tax rate target, but it doesn't solve what's the best effective marginal tax rate target for you to use. That's where the distinction comes into play, but, but with that most recent question, just figuring out how much Roth conversion should I do this year when I know what effective marginal tax rate target I want to use it. Can be very helpful to help guide that by letting you be aware of all the other tax planning implications between the Affordable Care Act, which is in the software, Social Security taxation, Medicare surcharges, premium surcharges, the stacking of long-term capital gains, and qualified dividends on ordinary income and the phase out of all the the new below the line deductions that phase out with income including that new age 65 plus bonus deduction that was initiated last year.

Alex Murguia 27:12
What a question for folks, because they could be, they could be thinking, and the obvious answer is, you know, when you pay less taxes, that's when you found it, but how would you go about finding the marginal tax bracket you want that's optimal? Like, how you know, okay, this is the well, or do you say I'm gonna continue running trial and errors of 30 of these, yeah, not 30 of all the mic brackets, and see which one seems to give me the best number.

Wade Pfau 27:38
So I wrote my own software to do this, which it's, yeah, you put in all the options you're gonna look at, like, should I target 1011, 12, 1314, all the way up to, you know, 35 whatever numbers you want to put in, the more options you have, the longer it takes, but it then just does the analysis with each effective marginal tax rate target, and then it determines which one gives you the highest legacy at the end of retirement, and that depends your optimal target,

Alex Murguia 28:07
but you're showing off. Yeah, how does I just have to write my own software, and you know, how would you, how would that lead person like figure out. Okay, this is the optimal one, or this is as good as it kind of gets here.

Wade Pfau 28:24
That was the original question, and the answer is, you'd have to find an advisor who uses Cova, some, and or potentially Holistic Plan, who could run that analysis for you, because there really isn't a direct-to-consumer option. Trial and error,

Alex Murguia 28:40
just could also use

Wade Pfau 28:41
Maxify, the Larry Kollacaz software that does have pretty good tax planning, but any of the other direct to consumer softwares, other than Maxify, that advertise we do Roth conversions might be really not helping you and even hurting your kid because they have some weird assumptions with how they do things.

Alex Murguia 29:02

Now we mentioned tax maps, and Christine, and thank you, Christine. Do you know Beach Girl? Christine mentioned tax maps. I mean, our tax maps things won't get you there to find the optimal one. They'll just do it for that particular year.

Wade Pfau 29:18
Yeah, our tax map calculator helps you decide on a Roth conversion decision for this year, given that you enter your target for the effective marginal tax rate, but the earlier question was, How do you find the target for your effective marginal tax rate? And that's a much more difficult question. I

Alex Murguia 29:35
was hoping there was some law of reciprocity, some what do you call it math, where you know it goes back and forth equations I I

Wade Pfau 29:44
don't know.

Alex Murguia 29:49
Bob used that term all the time. I just can't up top my head. I can't think of it right now. Okay. On that note, I. Okay, let's go. Let's go into some questions here that we have. We've got tons of questions that people had sent in that they want us to cover. So I will be the first to fire here today. Wade, can you please compare the trade-offs between a manual bond ladder and a managed bond fund? I read an article from Vanguard praising the positives of a bond fund over the negatives of a bond ladder. I would love to hear your reasons why a bond ladder is better. I'm going to cut and paste this into the chat, that way people can read it as well.

Wade Pfau 30:34
Okay, and yeah, specifically the Vanguard article that's being referenced is not talking about a retirement income bond ladder, they're talking about a good old-fashioned accumulation-based bond ladder, where when a bond matures, you roll it over and buy a new bond, and the article just pointing out that a bond fund can do that more easily and cost effectively, and with more diversification, because if you manage the duration, the bond fund has a duration that you know the average maturity of the bonds that can be matched to whatever bond ladder that you're rolling over every year, and it can just be easier to do that with a bond fund. So that's where we have to make the distinction when we're talking about retirement income. A retirement income bond ladder is different from an accumulation based bond letter, an accumulation based bond ladder. When the bond matures, you just buy a new bond, roll it over. So, if I have a 10 year bond ladder, when that bond matures, that I buy a new 10 year bond to replenish, so I maintain my 10 year bond letter. A retirement income bond letter, when the bond matures, that's your spending, so it's duration matched, it provides the matching duration to the spending. If I want to spend $10,000.10 years from now, if I buy a bond that has a maturing face value of $10,000 in 10 years, I know I'll get $10,000 in 10 years, and I can meet that expense without any sort of interest rate risk. So that's a retirement income bond ladder, and it's much harder to replicate what a retirement income bond ladder can do with bond funds. It's not technically impossible, but it's a lot harder. It is a lot easier to just use a bond fund in lieu of a rolling accumulation-based bond letter, and I think that the Vanguard article was just kind of making that point, it wasn't even considering the retirement income implications. So, that would be my answer. Is when we talk about retirement income bond ladders, we're talking about something different.

We're talking about meeting expenses with assets matched to those expenses, and that can be a powerful way to manage a spending need,

Briana Corbin 32:42
and that's a wrap on this part of the conversation. Wade and Alex will pick right back up next episode, so make sure you're subscribed, so you can catch the rest next time. 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.