Episode 239: Are You Overinvested in Bonds? The Retirement Math May Surprise You

Wed, Jul 29, 2026 12:34PM • 38:49

SUMMARY KEYWORDS

Retirement income, asset allocation, bond skeptics, funded ratio, Social Security claim, annuities, total returns, income protection, liquidity, risk tolerance, time segmentation, multi-year guaranteed annuity, inflation protection, financial personality, investment strategy.

SPEAKERS

Alex Murguia, Wade Pfau, Briana Corbin

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. Wade and Alex are back with another batch of YouTube Live questions. This time, all about asset allocation, bond skeptics, funded ratio nerds, and anyone eyeing an early Social Security claim. This one's for you. Here's the episode.

Alex Murguia 00:57
Hello, everyone. Welcome to Retire with Style. I'm Alex, and I'm here with Wade, and we just got off a fresh hydration break, ready to start the next episode. Wade, what did you think of your hydration break?

Wade Pfau 01:12
That's right. Yeah, I had a nice sip of water. I heard from you. You thought hydration breaks are just a way to fit in more commercials, so maybe you're right about that. But yeah, it's definitely refreshing to get some water in between episodes.

Alex Murguia 01:26
Yes, yes, lemonade-that cool, refreshing drink. Where's that from?

Wade Pfau 01:32
I don't know.

Alex Murguia 01:33
That's an old Eddie Murphy stand-up school. He was talking about Elvis. He was talking about Elvis and how his movies, you know, when he came back from the army, were like any chance for him to sing was turned into a song. And it's and he said, "Oh, imagine if you ask in a movie,

if you ask Elvis for lemonade, he would he would respond with lemonade, that cool refreshing drink, you know, something like that.

Wade Pfau 01:58
I got you. Yes, yes, yes. Thank

Alex Murguia 02:01
you. You get me, Wade. You get me. All right. All right. Let's go with the questions. And today's questions, the theme is going to be asset allocation. All right. And again, these were questions. We had a YouTube live session, and so many questions came in. We we couldn't get to them within 90 minutes. So we said we'll have follow-on podcast episodes where we'll do Q and A's, right? And so this one's coming at us from an AOL account. Here we go. You don't see those that often, right?

Wade Pfau 02:34
Yeah. Hello,

Alex Murguia 02:35
Wade and Alex. I am a big fan of your podcast, which I have listened to from the start, and I am currently reading Wade's book. I am a few years away from retirement and am thinking about how to transition from saving to living off my investments. I recently read an article in the Wall Street Journal called "You Are Probably Overinvested in Bonds. It resonated with what I have been thinking. Here is a recommended approach: Plenty of people should hold bonds if you are retired and subsisting on your investment income, or if you would have to sell a significant chunk of your investments to cover the cost of living expenses in a bad year. You should have more high-quality bonds, but that probably isn't true for two large groups: the six to 7 million Americans with a million or more in investable assets and other households with more than $100,000 in investable assets, whose non-investment income covers their cost of living, for these affluent investors, a 6040 portfolio means sacrificing the tremendous upside potential of stocks to avoid temporary losses over any long period, they will likely be better off with a 9010 90% equity, 10% fixed income portfolio, 90% in low cost stock index, and 10% in a money market fund to pay unanticipated expenses. What are your thoughts on this? For a little context, I currently have about 15 times my annual salary in retirement savings, about 95% in tax-deferred accounts and 5% in tax-exempt accounts. Invested about 90% in mainly index type of equity funds and 10% in bonds, bond funds. With my wife and my pensions and social security, parentheses. I plan to delay until 70. We should have our essential expenses covered, and will only need the retirement savings for discretionary spending. Fidelity's planning tool gives me a 99% chance of success with close to our current savings left as a legacy.

Wade Pfau 04:40
Okay. Yeah, I think this is a reasonable approach. I think that

Alex Murguia 04:46
Wade,

Wade Pfau 04:46
when you first,

Alex Murguia 04:48
I got the whole thing in one shot. Can you believe it? Yeah, one take. I didn't think it was possible. Sorry,

Wade Pfau 04:55
but yeah, every few years there's an article that comes out that says like retirees should just be a. Stocks and maybe the first thought was this was going to be another one of those articles, but when you really read it carefully, that's not what it's saying, and I think it aligns very well with what we talk about here at Retire with Style. the The $1 million, so it's saying, you know, a lot of people may need bonds because they may have expenses they need to cover coming up, but if you have at least a million dollars in assets, which I think really is a proxy for the idea you're overfunded for your retirement, you have a lot of surplus wealth. I think that's what he's really trying to say with that line. And then also, or if all of your expenses are covered through non-investment income, and you have at least $100,000 on the sidelines, then in those cases you can be really aggressive, and yeah, not to say that 9010 is the right allocation for anyone, but certainly the the general principle of you can justify a more aggressive allocation because you have plenty of reliable income. This is even though I think the author of the article is probably thinking more in terms of a total returns investor, this is what income protection is all about. First, you build a floor of protected, reliable lifetime income, and if you naturally just have that because Social Security may be enough, or maybe you also have a pension, just like the the question writer, what was the name again on our question?

Alex Murguia 06:23
CNBO

Wade Pfau 06:25
stock. Okay, it's just CNBC

Alex Murguia 06:26
maybe, but it's a play off of that CNBO stock. Well,

Wade Pfau 06:29
okay, you don't have to get their email address, but okay. Anyway, the just in their case, they have the the reliable income. Their their basics are covered with reliable income sources between social security and pensions, so they can be more aggressive with their investment assets. Now, whether 90% stocks, 10% money market is right for them, can't say that precisely. But at the very least, the general idea they can be quite aggressive with the remainder, they have a floor of reliable lifetime income. First, build a floor, then invest for upside. They have the capacity to use those investments more for the upside, which allows them to be more aggressive, both in terms of using a higher or more risky asset allocation, and/or spending more aggressively. Like they don't have to worry about things like safe withdrawal rates because they can go ahead and enjoy those funds, spend them down. They don't need to preserve them for late in life expenses, because they already have that floor of reliable lifetime income to cover those expenses.

Alex Murguia 07:34
I agree. I think this solves for a lot of things, assuming that if you can cover your essential expense nut, why why not? be you know to the degree that you can make it through the the

volatile periods more psychologically than fiscally, since you're covering essential expenses, then it stands to reason that it does make sense to to be more aggressive if you can. You don't need to have that, and this also speaks. You were talking about how it speaks of time segmentation, although it could have been written from the total return standpoint. I also think it speaks a little bit about the value of true liquidity, and you say this as it as it refers to annuities, but that's effectively what Social Security is the the ability now to have this true liquidity around around certain concepts. You want to maybe talk about that because I I think that's that that keeps you from needing to always underspend. Because not only can you even be more aggressive on the investments, you may enjoy more of your retirement because you're no longer holding back on the spending because you never know what could happen in the next few years with the markets.

Wade Pfau 08:43
Yeah, yeah, like with the true liquidity idea. So, just first the the difference from technical liquidity. Suppose you believe in the 4% rule. You want to spend $40,000, and you have a million dollars in your brokerage account. So, the 4% rule says you can spend $40,000 from your million dollars in your brokerage account. Do you have any liquidity? So technically, you have a million dollars of liquid assets in your brokerage account, but in terms of the idea of true liquidity, you don't have liquidity. Your entire million dollars is earmarked to meet that future spending need. You could spend it on something else, but doing so directly jeopardizes the ability to meet those future expenses over the lifetime with that kind of 4% rule concept. So, in the context of this question, we're back to again: if you have your investments for the most part covered through non-investment income sources, that means your investments have true liquidity. They're available for anything. They're not earmarked for any specific purpose, and that's another reason they they now have that greater risk capacity. That if you want, it's not that you have to, but if you want, you can invest more aggressively, more opportunities for growth, because you're not dependent on those assets growing to meet your. Basic retirement needs- that really is for more discretionary things, legacy liquidity for the unexpected. You have that flexibility because you have that reliable income floor. And the question specifically was saying that is again I've said have at least $100,000 of investments, and you have non-investment income covering your cost of living, so that's what gives you that risk capacity. That's why you can invest the investment part more aggressively, should you desire to. That's why you can justify something higher than a 6040 asset allocation.

Alex Murguia 10:37
Yeah, the only thing that would limit the let's talk to bond allocation, and I want to make sure this is a cool little concept for people to think about: is not risk risk capacity, which is your actual fiscal ability to deal with the risk, but it's more risk tolerance here, which is your emotional ability to to sustain, you know, your composure during volatile markets.

Wade Pfau 11:00
Yeah, yeah. Risk tolerance is your ability to stomach the market volatility, and that's the only factor working in the other direction. Like all these financial planning factors say you can be more aggressive, but at the end of the day, if you can't handle it, if you can't stomach the volatility, if you can't sleep at night because you're worried about the portfolio, even though it doesn't really impact your retirement, if it still worries you, then that risk tolerance idea is paramount. You wouldn't want to invest more aggressively if you're not comfortable doing so.

Alex Murguia 11:32
Okay, and here we go. And this person's dream is coming true. And this is from Eric. Hi guys, this is a question I hope may be aired on a podcast. It's happening. There you go, Eric. Do you believe in miracles? I faze it the following question argument in the household balance sheet approach. This is us writing this one in. He referred to as total return approach, but we think it's the household balance sheet. He

Wade Pfau 12:06
did say total portfolio return approach. Oh yeah, yeah. Total

Alex Murguia 12:09
portfolio return approach. You're pretty

Wade Pfau 12:10
sure he didn't mean total returns as a style. He means based on all your household assets.

Alex Murguia 12:15
Okay, so we're gonna call it in the household balance sheet approach. The allocation should be chosen based on the ratio of invested assets over annual expenses. My argument starts from ad absurdum: if living expenses are zero and the investment is long, there is no SORR and therefore sequence of

Wade Pfau 12:39
returns risk. Yeah,

Alex Murguia 12:40
you're right. Sequence of return risk, and therefore, no mitigation requirement in the form of bonds. I think it then follows that as living expenses increase that are not otherwise covered by other reliable income streams, the bond portfolio would also increase, but the ratio would depend on the total assets. Foolish reasoning. If reasonable, then if given a chosen time segmentation renewing ladder amount, we would like to convert to TPR, and that would be an equivalent allocation. TPR. Wait, no, the total portfolio. Oh, the total. The household balance. Okay,

Wade Pfau 13:20
or. in that I don't know that in that context it might mean total returns. But yeah, we'll we'll adjust this. I put this question after the previous one because I think they are both variations on the same theme. Because yeah, this is actually it's you're wondering if how did he word it? Like, is he crazy thinking this?

Alex Murguia 13:43
Well, let's assume, let's our assumptions and answer it with our assumptions.

Wade Pfau 13:47
Yeah, no, we we talk about this the same way because the the funded ratio. Yeah, that's how I approach thinking about retirement. And you're saying, you know, if you don't have any spending goal, the ratio of your investable assets to your annual expenses is approaching infinity, and that really is also another way of saying you have a very high funded ratio. The ratio

of your assets to liabilities, assets to expenses, is very high, and when you have a high funded ratio, you have a lot of surplus wealth because you could carve out a chunk to cover your future expenses and have that and be invested completely in a safe manner, like with a tip ladder or something like that. But with all that surplus wealth, you can be aggressive with that. And so, yeah, I agree. the The higher your funded ratio, the higher, the more investments you have relative to your expenses, which is kind of what the the previous question was hinting at as well. The more aggressive you can be, the surplus wealth can be invested more aggressively, and you have more and more surplus wealth. But as your expenses increase, and so as your funded ratio starts coming down, if your total returns, you might still invest everything aggressively, but if. You're a different style, whether it's time segmentation or income protection. You might be thinking about carving out a portion of that to build reliable income to cover those expenses, and then it's just the the remaining surplus above that that you would still invest aggressively. So you're right. The as the ratio of your assets to liabilities. We're still talking about it's greater than one, but it's coming down. It's going from infinity down to one. As you go through that process, your stock allocation would also decrease as a percentage of your total household portfolio, your total balance sheet, because the safe part is carved out to cover your expenses, the surplus is invested aggressively. The surplus is getting smaller relative to the the overall situation. And then, you know, technically speaking, when you're 100% funded, so you have just enough assets to meet your expenses, assuming a conservative discount rate, that's when you have the least capacity to take market risk, so that's really when you have the lowest stock allocation. You'd really want to build that reliable income stream to make sure that the plan doesn't fail. So it's 100% funded, lowest stock allocation. As the funded ratio gets higher, higher and higher stock allocation as well. Now, when you're underfunded, this is where there's some disagreement about what to do. If you have more of that safety first orientation, income protection and the like, you don't want to. You basically don't want to take any market risk if you're underfunded. You're you're pretty much all in reliable income assets at that point, whether it's tips or annuities, things of that nature. If you do have more of a total returns perspective and you're underfunded, then you might, as you become increasingly underfunded, you're making more of a hail mary pass, higher stock allocation. Try to save your plan. Safety first advocates wouldn't like that, but total returns advocates might just want to maximize the probability of success, even though it will be low. Making that hail mary pass gives you the best shot at having the plan work out. So there is some disagreement about stock allocation when you're underfunded, either low stock allocation or or U-shaped higher stock allocation when you're underfunded, lowest allocation when you're exactly funded, higher stock allocation as you're more overfunded.

Alex Murguia 17:27
The only caveat there is when you say the hail mary, it's almost like, well, what do you've got to lose? Go for it. It's kind of that kind of vibe, which I don't know. Regardless of style, it may not be the the most prudent, but something to to not to clarify, but just to make sure everyone understands and we're speaking the same language. When we say total balance sheet approach, what we're doing is taking the present value of all your assets, the present value. So it's it's whatever your statements say, and then if you're getting future streams of income in the future, you bring it down to a present value. So the present value of all your assets and the present value of all your liabilities into the future as well, future healthcare needs, this kind of thing. And so, if you have $100 in the present value of all your assets, it they equate to $100, and the present value of all your liabilities equates to $100. 100 divided by 100, we're calling that 100. That 1% It's one, right? And so we say that's 1.0, and displayed as a fraction, it's like

100% And that's why you're constrained. You have just enough, and so one bad year in the markets can throw all that off, right? And so that's why you're you're constrained. If you're overfunded, what you're saying is you have let's say $130 in present value of your assets and only $100 of present value liabilities. So you've already won the game. You're overfunded, and so to the degree that you can take the extra money and invest, go ahead because you're you've won the game, if you will. Underfunded means you only have 80 cents to every dollar of liability that you have now and into the future, that represents the problem. What do you do there? Do you just accept that, lock in a income stream, and it is what it is, and adjust your living accordingly, or do you say, "Well, the hell with it! I'm gonna just hopefully the markets, the next market cycle works out on my benefit, and it gives me the extra bump that I need to get there. And I can I can do this for the next 15. I can take this bet for the next 15 years. It's kind of what you're going through in your head, Wade.

Wade Pfau 19:35
Yeah, yeah, and that's the like Svi Bodhi. The he's a Boston University professor who's the the classic just using tips in retirement. You'd have no business in the stock market if you're underfunded. So if you're underfunded, he would say just use tips. Don't invest in the stock market. That's the the extreme side of the spectrum, and then the other extreme side of the spectrum. Is hey, what have you got to lose at this point? Go go all in on the stocks and hope for the best.

Alex Murguia 20:06
Daddy needs a new pair of shoes.

Wade Pfau 20:08
Those are the two options you have. There is the

Alex Murguia 20:09
argument that, dude, you've been doing this for 40 years, and here we are. So you know what? Take the L and and lock in whatever you can, and move from there, you know, and go on from there. Because, yeah, it is what it is at a certain point. But okay,

Briana Corbin 20:31
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 retirementresearcher.com/8tips. Again, get your copy of Retirement Researchers Eight Tips to Becoming a Retirement Income investor by going to retirementresearcher.com/eight tips. That's the number eight tips.

Alex Murguia 21:09
Next question, and I think this one's a someone that's very sympatical with you, Dave. Dave, with you, Wade. Right off the bat, his email is muscle. It has muscle in the email. Let me leave it at that. So I think of Wade when when this is what we see here. But it goes taking Social Security at 62 and investing it, investing it. Exactly what I'm doing. Dave Ramsey agrees. From what I have seen online, a lot of high-income people do as well. Also, I love your views on annuities. I plan on taking them later to offset RMDs, which will be large for me. Period. Great

work, Wade. When you said you had 24-inch pythons on one episode, I knew you were at an you were an 80s, 1980s wrestling fanatic like me, best.

Wade Pfau 22:04
That's right,

Alex Murguia 22:05
Randy Macho Man Savage. Yeah,

Wade Pfau 22:07
thanks, muscle. It's a great name for your future career, but absolutely. And yeah, there's there's quite a bit to unpack with the question. And actually, this is really I I reordered the questions. They aren't just in chronological order because there's themes, and this question is touching on some of the same themes as the previous questions, like taking Social Security at 62 to really leverage the ability to invest more or to leverage your investments. Seeing a lot of high-income people do that, I think that's really a way of saying what we've been talking about today, like if you're overfunded for retirement, you have more risk capacity. So if you want to go ahead and take Social Security at 62 to get the most, so you're not having to spend from your investments. Instead, you let your investments have more growth opportunities. I haven't specifically heard Dave Ramsey's Social Security claiming advice, but I do know he's bullish on the idea that you can get 12% from the stock market. I would imagine

Alex Murguia 23:07
it's something like that.

Wade Pfau 23:08
Yeah, so if you plug in an assumption that your investments are going to turn earn 12% every year, yeah, the the answer is go ahead and take Social Security at 62. Now I don't always necessarily agree that taking Social Security at 62 is a great idea, but you know, in certain scenarios, and this is, I'm total returns. I'm overfunded for retirement. I don't need the Social Security income. I really just want to lay the foundation for the maximum possible legacy, and I'm going to be investing pretty aggressively. If if you if most of your investments are in bonds and you take Social Security early, you're really setting yourself up for a worse outcome. But assuming you're invested aggressively and you're comfortable with the idea stocks will do pretty well in the future, it can make sense to to take Social Security at 62, and I won't dispute their desire to do that. I do generally, though, start from the position that, at least for the high earner in the couple, there can be a lot of value in delaying Social Security to 70 to get that much larger inflation-adjusted protected lifetime income with survivor benefits for the the joint lifetime of the couple, and then another part of this question, though, is taking things in a different direction. Talking about how you kind of you like my views on annuities, and then planning on using annuities later in retirement inside it sounds like inside of an IRA to to use the annuity income to help offset RMDs on the other assets in the account. So great, great. But Social Security delay is the best annuity out there. So it could be really inefficient to like if if you don't like annuities and you want to take Social Security early and all these other things we said, you're overfunded. You're comfortable investing in the stock market and so forth. Okay, that could be a reason to take Social Security early, but if you're thinking you're actually going to buy annuities later, and you're taking Social Security at 62, that's not particularly efficient. I have a section in the Retirement Planning Guidebook called like Social Security, the best annuity that money can

buy. Where I compare, you know, you could kind of think about if I'm 62, what do I get from delaying Social Security to 70? The the benefits I miss out on for the next eight years are like an annuity premium that will then buy me an inflation adjusted annuity that's not even available in the commercial annuity markets that pays you know 77% more for the rest of my lifetime with survivor benefits. That has very high payout rates relative to if I instead at age 62 bought an eight year deferred income annuity that would start income at at eight years later. Doesn't even have CPI adjustments. I could build a cola cost of living adjustment into it, but it still doesn't actually match the inflation experience of the future. Commercial annuities have much lower payout rates than the implied payout rate from delaying Social Security. So, if you are seriously thinking about buying commercial annuities in the future, you should put some more thought into whether or not it's a good idea to take Social Security at 62, if you're not thinking about buying annuities in the future, and you're overfunded, and your total returns, and you really don't need reliable income, you're fine. Got flexible spending goals and so forth. Then I'm not, even though I do default to delay Social Security. I'm not going to try to argue against anyone that would like to take it at a younger age.

Alex Murguia 26:48
I agree, Wade. The only comment I would say from here is, I, I may come across as bad, but I don't care what Dave Ramsey says about anything, frankly, and a lot of high-income people are doing this. That's it. Doesn't matter to me either. I've we we you know we our our whole business is based on a lot of high-income people walking through the door saying I've made a huge mistake, you know, kind of thing. So I I you know I I say this for anyone thinking through their logic, thinking, "Oh, other people are doing it, and things like that-that doesn't, especially if it's some like most common denominator, pundit or something like that-I just don't care. I think your own personal financial plan will elucidate everything you need to, to to let you know what the next steps are, as opposed to Dave Ramsey or even ourselves. What we say about something, you know, it still is no proxy for do the work, you know, kind of thing. And but wait is right. What you're saying conceptually is, if you're going to get an annuity down the road at some point, you know, for your particular case to for our, you know, the RMD piece of it issue, you're kind of if you just delay Social Security, you're getting the most efficient thing you you could get as is. And if you're thinking so, there's an annuity bump break even. You know, I mean, I'm sorry. There's Social Security bump break even that you have to get, and you're going to have trouble getting that in the open market. And not only that, if you invest early, I think people underestimate their ability to just outperform in line with the market, much less outperform the market. In fact, you'll see it more the other way, and you have to think that you're you're probably going to be in that category. And if I did the same thing, I would probably be in that category when if I started to active invest that, so to me, I I think the logic isn't clean right now, especially if you're thinking about getting an annuity in the future that you know merits just a rethink on that. Is that too harsh, Wade, or does that?

Wade Pfau 28:56
No, it makes sense. And really, it's not that you take Social Security at 62 and invest it, assuming you're retired already. Because if if you're still working, and you claim Social Security at 62, the benefits are just going to get go into the earnings test, and you're not actually getting. I need to think about

Alex Murguia 29:14
that. Any social. I need to think about that. I'm assuming

Wade Pfau 29:16
you're retired. It's not. It's hard to be high employment income and claim at 62. Now, if you continue to work and earn a high income through your full retirement age, and you claimed at 62, you just wouldn't get any benefits until your full retirement age, and then they would be reset at that time to to account for the fact that if you didn't get any benefits, they're adjusted up as though you had deferred to 67 in the first place, the only issue can kind of run into some some problems where if you died before reaching full retirement age, the survivor benefit is now linked to the fact that you claimed way too early and never got any benefit from it. So I'm assuming if you're taking it at 62, you're retired. And then it's not so much that you invest the benefit; it's more that you don't have to take as big a distribution from your other investments, since part of your spending is covered through Social Security. Because again, it's just well, if you're still working, you're not really going to get any Social Security benefits anyway. The earnings test will reduce what you receive from Social Security, and that applies until your full retirement age,

Alex Murguia 30:27
which is an extra bogey. I didn't even think of it. If they are working, okay, and let's have another question here. Which is better, a ladder of tips or an annuity to provide fixed income for the next years for an 82-year-old male in good health.

Wade Pfau 30:48
This is a classic. It's hard to give an answer. Take your visa. Take your retirement income status. Ladder of tips

Alex Murguia 30:57
or a tips of ladders?

Wade Pfau 31:01
So I would say two things about. I mean, we can't give an answer: is a tips ladder better, or is a lifetime income annuity better? But when you're 82 years old, two things to consider are: first, your remaining time horizon is less at 82 than it is at a younger age, and therefore it's less time for inflation to create a huge problem for you. So, the older you get, really, at some level, the less you need long-term inflation protection. And then, on the annuity side, the older you get, the more those remaining mortality credits or longevity credits really get compressed and compacted together. the The payout rates get higher and higher at advanced ages, and actually, the longer you live, the greater your longevity risk because your remaining life expectancy gets shorter, but the variation around your remaining life expectancy gets larger. It's like maybe my life expectancy is eight more years, but the two thirds range of how long I might still live could be anywhere from four years to 12 years, and it could be a huge amount. So there's more longevity risk as you age. the The case for annuities becomes stronger at more advanced ages. So my general answer is we can't give any definitive conclusion. Take your retirement income style awareness understand if your time segmentation you might go with a tips ladder if your income protection you might prefer the annuity but that being said the older you get the more the case could be made in terms of thinking about that annuity for lifetime income versus thinking about a tips ladder

Alex Murguia 32:38

I I'm looking at this I have two two points to ask you. There are no legal limits, but if this person's 82, if I'm reading it correctly, are they bumping up like self imposed limits in which you can even purchase an annuity from the carrier?

Wade Pfau 32:54
And I'm talking about income annuities, and yeah, there will be limits at some point. Although 82 is not generally going to be. It will vary from company to company, possibly 85 in some cases, but maybe 90 or more. The where you sometimes hear bad media around annuities at advanced ages. It's not for income annuities. It's for some kind of deferred annuity that we've been talking about in other. That's that has some kind of huge surrender schedule, like they they've got this money locked up and with a surrender charge schedule until they'd be 100 years old. Not necessarily going to use it for income either. So that that's where the discussion about annuities are bad for older people comes from. If we're talking about a simple income annuity, well, that argument doesn't apply. So, all right,

Alex Murguia 33:42
I got another angle here. So, this person said a ladder of tips, right? And then he said, or an annuity to provide fixed income. How about a MIGA, a ladder of tips or MIGAs? And I say that because MIGAs, you know, when you think about a multi-year guaranteed annuity; those are effectively bond ladders from an insurance company, you know, as opposed to a laddering strategy from tips. Do you want to maybe talk about you know from that angle a little bit?

Wade Pfau 34:17
Yeah. So a multi-year guaranteed annuity ladder gives you tax deferral if this is inside of a a brokerage account, you could get some tax efficiency benefits from that. If inflation's not too high, it's also quite possible the the MIGA would give you a higher yield than tips. Although if we get out of control inflation, then tips would would definitely. I'm thinking you're you're in

Alex Murguia 34:39
a ladder anyways, Wade. As long as not a 10-year ladder, you're talking about a five-year ladder, a three-year ladder. I think it's reasonable.

Wade Pfau 34:47
Oh, yeah. If this is like a relatively short ladder, anyway, those are. It doesn't be

Alex Murguia 34:53
a 15-year ladder.

Wade Pfau 34:54
And then the MiGA also. You can always anew it, though people rarely do it. But if you want it. In the future, you could kind of hold off the decision of whether to buy the income annuity. You could annuitize the contract at a future time, or you could do a rollover 1035 exchange into a different annuity if you decide rather than focusing on yield, you want income.

Alex Murguia 35:17
But a MIGA, but going back to a MIGA, could be an option as well if you're looking at tips ladder versus an annuity kind of ladder product, why not a MIGA?

Wade Pfau 35:26
Yeah, although and that would generally be more if you're time segmentation and so you're going the latter route. Yes, you could compare tips to MIGA's if you're income protection.

Alex Murguia 35:36
Yeah, I guess in my head I said time segmentation because they started the question with which is better, a ladder of tips? So I was assuming, okay, they're thinking about ladders. So this is a time segmentation person. I could be wrong.

Wade Pfau 35:50
Yeah, it's I don't know. Take your visa, your retirement income stuff. Yeah, exactly. Retirement. Yeah, we can

Alex Murguia 35:57
answer that actually. But you're right. We can answer that question with more precision. If we knew this person was time segmentation, then you go that way. Or if they're income protection, then yeah, you're just the annuity thing makes a lot more sense. But but

Wade Pfau 36:11
retirewithstyle.com/style to take your free retirement income style assessment. Wait, are

Alex Murguia 36:17
you a spokes? Did you just become a spokesperson?

Wade Pfau 36:19
That's right. But then you'll get your style, and and it would help to answer. That's why we created it to answer questions like today. Is this our

Alex Murguia 36:26
hydration break right now?

Wade Pfau 36:28
You don't know the the correct answer till you know your style. But again, the older the older your age, the more the annuity becomes attractive on a relative basis. If we're talking about income annuities, not not deferred annuities that lock your money up for the next 20 years.

Alex Murguia 36:46
All right, that's good. All right, Wade, that's that does it for today's edition of Retire with Style Q and A. The YouTube continuation, I guess, and all those. And for you folks that don't know, we do have a YouTube channel, Retire with Style. Check it out. We're releasing stuff there all the time, and we're gonna be doing some cool little things on it as well. Where we're we're getting our studio up and running in a professional manner. We tried to do it last time, but we're not experts at this, so we had to do a little reset on that. But thank you for listening to us this week, and we'll catch you next week on

Wade Pfau 37:24
Retire with Style.

Alex Murguia 37:26
Smooth, Wade, really smooth. Have you been practicing? All right, everyone, catch you later.

Briana Corbin 37:34
Wade and Alex are both principals of McLean Asset Management and Retirement Researcher. Both are SEC registered investment advisors located in Tyson's 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 a risk, including risk of loss. Past performance does not guarantee future results.