Episode 245: Retirement Withdrawals: When to use Your Portfolio, When to Use a Buffer

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SPEAKERS
Wade Pfau, Alex Murguia, 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 answering more of your listener questions today. Everything from tax bridges to long-term care budgeting, and if you're still searching for purpose in retirement, Alex has a suggestion. It's pickleball. I know results may vary. Let's get into it.

Alex Murguia 01:00
Hey everyone, welcome to Retire with Style. I'm Alex, and I'm here with Wade. Hello, hello Wade. How are you? Doing good. How are you, Alex? I'm pretty good. Pretty good. Before we get started, we've got some announcements, especially for those listening to the podcast when it's released today, Tuesday, September the eighth, but Wednesday, September the ninth. What are we going to be having, Wade?

Wade Pfau 01:29
Right, that's tomorrow. Based on the release date of this episode, we have a YouTube live session, so that's an opportunity to ask questions in a live setting, and you also can always send in questions in advance for that as well, but we'll take questions in advance. We'll look at the the comments on YouTube for the YouTube live session, and that's at 12 Eastern on Wednesday, september 9, on YouTube Live. Links to find that will be in the show notes.

Alex Murguia 01:55
In addition, here we we're covering many topics. Bring whatever questions you have, but soon thereafter we will be having a tax planning challenge, if you will. Many of you know we have our retirement income challenge, where we go through a whole financial plan where we're getting a tons of questions about tax planning, prepping for the upcoming year with regards to the whole retirement income strategy, so we're going to be having, I haven't given it the right name yet, but

some sort of tax planning challenge in much the same spirit that we do our retirement income challenge. So be sure to start registering for that in the upcoming, I believe, October November timeframe. Wade, correct? Yeah, yeah.

Wade Pfau 02:42
Keep your eyes open because registration's not available yet. But I do believe we're planning on that first week of November, so it'd be starting november 2. But again, there's no registration yet, so don't worry if you can't find a link. And yeah, we we do these retirement income challenges usually focused on the funded ratio, but we always get questions about could we have a look at your tax map calculator as well, and so we've decided to actually run a special retirement income challenge focusing on end of year tax planning with our with access to our tax map calculator.

Alex Murguia 03:12
Yeah, and so if you have the for the YouTube live session, if you have any tax planning questions that you're thinking about from a year-end perspective, holler at us. We'll try to respond as best as we can. Right, Wade?

Wade Pfau 03:27
That's right. That's right. And it's good to get a new set of questions coming in because actually, with today's Q and A episode that we've now been doing for a couple months, we're getting to the end of our our set of questions that came in in advance. There's a couple questions that came in that really were really were like proposals for full episodes, and so we will think about having that in the future. But otherwise, we can finish through our questions today.

Alex Murguia 03:50
Sure. And since we're on this little kick here, there was one question we're going to hold off on answer, and that had to do with you know I agree with the idea that retirees need a purpose to retire. Well, but how do we figure out what that is? And so that question, as opposed to giving everyone a somewhat superficial answer, we thought how we can best address that and wait.

Wade Pfau 04:17
Yeah, well, so at the Retirement Research Academy, I have been focused more on finding speakers on the topic of finding purpose and passion in retirement. If you are a member of our Retirement Researcher Academy, we've now got scheduled for october 7 a workshop with Kevin Lyles, Fritz Gilbert, and Mike Drack, who are going to be talking about this. And that is for Academy members. But I think you know if everything goes well, which I'm sure it will, will I'll invite them to be guests on the podcast as well at some point, so that we can talk about this and have that more expert resource available rather than Alex and I trying to tell you how to find purpose and passion in your retirement. I know how Alex finds it; it's pickleball, but that may not work. No, it's

Alex Murguia 05:00
these episodes with you, Wade.

Wade Pfau 05:02
Oh, okay. There you go. Priorities.

Alex Murguia 05:04
Get your priorities, right? But what was was I saying before? Oh, about that. I'm sure it's gonna go off smashingly. Not so fast. Not so fast. We'll wait till. Well, it was a bad joke. The moment passed. Sorry, my bad. All right, let's get let's get cracking with the questions. What do you say? All right,

Wade Pfau 05:26
all right. It

Alex Murguia 05:28
seems there are really two time periods to address with retirement income: pre and post Social Security, and the go go, slow go, and no go years layer on top of this, how do you suggest thinking through asset allocation and location for this?

Wade Pfau 05:47
So prior to Social Security, it could be a good opportunity to think about things like Roth conversions and in terms of asset allocation. So when you're you're putting these together, so pre and post Social Security. The idea is pre-Social Security, you're relying more on your investments, assuming you're already retired. Post-Social Security, you have a inflation-adjusted reliable income source that may cover a decent chunk of your spending needs. And then with the go-go slow-go and no-go years concept, in earlier retirement, you want to be spending more. And so, if you're retired prior to collecting Social Security, you're in your go-go years. You may want to spend a lot from your investments. Whereas the slow-go and no-go concepts suggest that as you age, spending will naturally decline. Maybe in those no-go years, the Social Security benefit you now have could cover a significant portion of your spending, if your spending hasn't been keeping up with inflation throughout retirement, so in terms of how asset allocation and asset location fits into all this, really the first thing to emphasize is the idea of a social security delay bridge. Before you collect social security, you don't want to just be distributing from your diversified investment portfolio for your entire spending need, especially with the go-go year concept added on top of that, because that could be a pretty high withdrawal rate, which which could be justified because later on you're going to have a lower withdrawal rate after Social Security starts and after spending starts to decline. But nonetheless, you don't want to have that high withdrawal rate coming completely from a diversified portfolio, because that will really amplify your sequence of returns risk in retirement. So you build a social security delay bridge by carving out a chunk of the portfolio and investing it in a short-term reliable income stream to fulfill those missing social security benefits. And so then you're still taking a distribution from your portfolio for other expenses, but you're able to use a lower withdrawal rate on the remaining investment portfolio because you have that reliable income stream, and that could be a bond ladder, a tips ladder for inflation protection, a CD ladder, a period certain annuity. There are strategies that involve drawing from the reverse mortgage line of credit, but building a reliable income stream to cover the missing social security benefits in the pre-Social Security years, giving you more capacity to build that diversified portfolio on top of that. And then naturally, as you age, and if you're getting into that go-go, slow-go, no-go pattern later in retirement, you may not be taking very big distributions from your portfolio. A lot of it may be covered through other reliable income streams. You may be using a pretty low withdrawal rate, especially if your investments tend to be growing because you were using a conservative spending strategy. That can really feed into what we've talked about as a rising equity glide path idea, where your your stock allocation may just naturally increase over time as

you're meeting your expenses and as your portfolio continues to grow and as the withdrawal rate you need to meet your expenses on an ongoing basis naturally declines, giving you that greater capacity to to invest and and to not worry about market downturns because they're not really going to impact your retirement at that point, so that's kind of the high level way I think you can start considering well asset allocation, and then asset allocation. It's really still always the same story. We talk about tax efficient retirement distributions, which means prioritizing the taxable account for spending in the early years, the potential for Roth conversions in the early years, managing that effective marginal rate, so that if you were to meet your spending need, get pushed into too high of tax rate, you could potentially also draw from the Roth in those early years as a part of that blending process, and then later in retirement, it's more about blending distributions between your your tax deferred account and your Roth account after your taxable account has depleted. If it ever and if it never depletes, then you never get to that particular stage.

Alex Murguia 09:53
Is that it? That's your answer. Yeah, yeah, that's it. What do you have to add? Halfway through, I was. Like man, this is very thorough. It's a great answer, but I was just like, you went on a tear there. I was like, wow, this is like a a nice little episode within there. Very good, man. It's a

Wade Pfau 10:11
tougher question because there's yeah the asset location diversification

Alex Murguia 10:15
one. I was like, okay, that those are two big questions in and of themselves, and you started with the asset allocation, but then you didn't you didn't give any lip service to the asset location. You just said, you know what, we're gonna stretch this out, and I'm gonna answer it in full. It was like it was good, it was good, it's good. Like an essay question

Wade Pfau 10:32
from a college exam or something.

Alex Murguia 10:34
Exactly, I was like, man, look at him go, go away, go. One one thing I would I would point out, and it's not a an addition to the answer. It it's more of a perception that I want folks to take away. Would let you answer it in in the spirit that you would. Okay, Wade, what about dividends as a reliable income stream from stocks? I got these very good blue chip companies. They're paying tremendous dividends. I mean, look at Chevron. Their dividend is whatever you know that kind of thing.

Wade Pfau 11:07
Yeah. Well, that's kind of a completely different question, but naturally, but

Alex Murguia 11:11
I'm I'm I'm I'm going into the reliable income, and then you know, is that really reliable? You know, or is it kind of reconsidered a distribution from a portfolio, kind of thing.

Wade Pfau 11:24

I would treat it more as the portfolio distributions, but if you have a total return portfolio that's broadly diversified, it's going to kick off some interest and dividends for you, and that's part of your spending. But if you start tilting the portfolio in directions to seek higher dividend yields and so forth, you could be creating some risks for the portfolio that you'll have a lower total return, and it's less tax efficient if you're drawing much more of your spending from income being generated through the portfolio. Okay, Roger that.

Alex Murguia 11:58
Are there any rules of thumb for how your essential expenses will decrease at retirement (parentheses after raising a family) end of parentheses and after death of a spouse.

Wade Pfau 12:11
Yeah. So with the after raising a family part, there's not going to be any specific rule of thumb to that because it depends how many kids you have, how much if if they're going to college, how much of your expenses, their expenses you're covering, and so forth. But wait,

Alex Murguia 12:26
I got to interrupt here. Remind me when your last kid graduates from high school. We got to go back through all of our expenses and see who spent more on their kids, you or me. Who do what do you think? I

Wade Pfau 12:37
don't know. Yeah, well, you're not. It may be similar because they're both going to in-state public schools, so we're saving on that regard. But we'll see. I think I think

Alex Murguia 12:48
you probably spoil your kids more than I do. I know.

Wade Pfau 12:52
I try not to pay for anything for them. But sorry, sorry. I was just thinking. But yeah. So kind of just setting aside the whole the kids issue, there's not going to be any specific rule of thumb. But yeah, in terms of what happens to your expenses when you retire, there's a very famous rule of thumb about that, and it's the old 80% replacement rate rule of thumb that when you retire, you could expect to spend about 80% of your pre-retirement salary, and it's not really specifically linking pre-retirement spending to post-retirement spending, but linking your post-retirement spending to your salary. With the idea, after when you're working, after you pay taxes, after you save something, after you cover some work-related expenses, probably you're spending about 80% of what you took in as a salary, and that would that's the rule of thumb that you apply post retirement for essential or is that

Alex Murguia 13:50
combined expenses?

Wade Pfau 13:52
I'm sorry, is

Alex Murguia 13:53
that for essential only or is that for combined? That would be your

Wade Pfau 13:57
total spending

Alex Murguia 13:58
all in. So all in the rule of thumb

Wade Pfau 14:00
on that might be like your essentials are like two thirds of your overall spending, but that's just talking about broad rules of thumb.

Alex Murguia 14:06
No, no, I get it. It stands to reason though that because you're probably dealing with a lower number as is proportionally, the essentials would take on that much more.

Wade Pfau 14:15
But that may really vary from person to person, and then there's the other direction: the idea that when you retire, every day is a Saturday. Like you may have a lot more leisure spending, and so you may actually want to be spending more in those early retirement years, especially with that go-go concept from the previous question. During those early retirement years, you might want to travel the world or other things that just are going to lead to higher expenditures, and so it is tough to use a simple rule of thumb, but if you really want a rule of thumb, I guess we point to the old 80% replacement rate rule as an estimate of what a typical person might do post retirement in terms of their pre-retirement salary.

Alex Murguia 14:56
Yeah, I think that's fair. I mean, without having any context, that's what I'm thinking. This question is getting at like I'm thinking about doing a financial plan, or I'm thinking about my expenses in retirement, but I don't know what rate of those. I don't know what rate those expenses will change. What do I go by?

Wade Pfau 15:12
Yeah, and in terms of the

Alex Murguia 15:13
placement rate,

Wade Pfau 15:15
well, after the death of the spouse, you're going to lose some income sources, part of the social security benefits, maybe other pensions and things, taxes can go up for widows or widowers because once you get switched over in the following year to the single filer status instead of married filing jointly, you might find that you have a bigger tax bill. But then, other than that, it's not like your expenses would drop in half when one person passes away because there's going to be a lot of fixed expenses. You still need a house, still need a refrigerator and everything. Some expenses will decrease, like with food. If you you might spend maybe not quite half for one person as you spend for two people, but some expenses will decrease after the death of a spouse. So if you want to talk about rules of thumb for that too. I don't know that there's any real published rules of thumb on that, but probably an 80% replacement rate type rule might apply

there as well as a general rule of thumb, which is after the death of the spouse, not considering taxes, the surviving spouse might spend about 80% of, as a relatively conservative estimate of what the couple was spending beforehand, but then that's partly going to be offset through a bigger tax bill potentially, and then also you want to consider the loss of income sources such as part of social security and so forth.

Alex Murguia 16:37
All right, Wade, when I pass before you, will you once a week go to RVs and eat a big beef and cheddar on in my honor? In your honor, eat double eat for you too.

Wade Pfau 16:49
That could be a health risk.

Alex Murguia 16:54
Look at you, Hedg. Look at you, Hedgy.

Wade Pfau 16:57
Comorbidity.

Alex Murguia 17:00
All right, all right. Here's another one about forecasting kind of expenses. Unfortunately, I don't know if there's an answer here. That's going to be overly precise. How do you predict long-term care expenses?

Wade Pfau 17:15
So for that, like when we talk about the funded ratio in our retirement income challenges and so forth, and in the long-term care chapter of the retirement planning guidebook, and with our tools and so forth, I really think about it as you create a contingency scenario for long-term care that you'd feel comfortable if you could fund that, because no one ever knows how much their long-term care expenses are going to be. But let's build a reasonably conservative scenario, and if we could fund that, we can feel more comfortable about retiring. Now, what that scenario is depends on just how concerned you are about the possibility. But if you have a couple, maybe being able to support five years in a nursing home might be a reasonable scenario to have built into the plan. If your planning age is 100, well, what if you spend ages 96 to 100 in a nursing home, and then what would that cost? Well, you take there's all the cost of care surveys. You could look at what's the current cost annually for a nursing home staying in your state, and then apply a higher inflation rate to that than overall inflation. If you want to be conservative, maybe looking at applying a 5% inflation rate to that to get you up to that age 95, then well, then then you have that expense as part of the plan. Now, part of partly you can offset some of the other expenses because if you are living in an expensive long term care institution, you're not going to have as much expenditures with the rest of your budget, so maybe when the first individual in the couple experiences long-term care, you have a smaller cut to the rest of the budget. But if the surviving spouse then is in long-term care, most of the rest of your retirement budget goes away at that point, so that can be offset. And I created the the long-term care expense calculator. That's I describe it in the retirement planning guidebook, and it's one of the tools we provide at the Retirement Researcher Academy that lets you plug in the numbers and get a present value on your long-term care expenses. Now, if you don't want to go through the whole process of building out a scenario like that, the general answer tends to be: if you could set

aside anywhere like a present value today of 300 to $500,000, which sounds like a lot, of course, but that could generally serve as a pretty reasonable reserve fund to manage long-term care expenses in retirement.

Alex Murguia 19:34
And just throw it out there from a PSA perspective: this is where the NHSA account starts making a lot of sense as well for other medical stuff. You know what I mean? Like this opportunity. HSAs. Yeah, yeah, yeah, yeah. It's not quite you know expenses for long term care, but you know when you're starting about health related expenses, take advantage.

Wade Pfau 19:55
Yeah, you can have qualified expenses to your HSA to pay for. Long term, Karen. All

Alex Murguia 20:02
right.

Briana Corbin 20:05
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 Researcher's 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/8tips. That's the number eight tips.

Alex Murguia 20:43
Let's get to the next one here. And this was a

Wade Pfau 20:47
follow up just to before you read it. It was a follow up from the person who sent us a question in the past, which was the reading that article that mentioned how most retirees could be 90% stocks in retirement or 100% even because they have other reliable income to cover their basic needs.

Alex Murguia 21:05
Okay, and that's the

Wade Pfau 21:06
context of this follow-up question.

Alex Murguia 21:08
And he also writes that he's highly risk tolerant. Like he, his only regret is that he didn't put in more money during dips. He didn't have more

Wade Pfau 21:16
money

Alex Murguia 21:17

to. Oh, he didn't have more money during. They say he went on margin? No, I'm kidding. All right. So the question is, I tentatively, I tend to, I tentatively plan to retire in four years. At that, I will have a four year gap until I start drawing Social Security at age 70 with an expected benefit of 89,000 per year. I am forecasted to have 5 million in retirement savings in four years. Here is my question: If I choose a guaranteed income approach versus pulling money from my versus pulling from my assets, would it be wiser to buy an annuity or create a tips ladder to cover the four years until I collect Social Security. Also, when is the best time to invest in this asset? Now, at the time of retirement, or somewhere in between? This asset could be the the tips or the annuity. I'm not 100 certain.

Wade Pfau 22:15
Yeah, yeah, I think so. The kind of scenario: this person 62, they're going to retire in four years. At 66, they're going to start Social Security at 70. And so, going back to one of the earlier questions today, they want to build a Social Security delay bridge for the four years between 66 and 70 to help cover their missing Social Security benefit. Yeah, there's different options to do that. One, they could buy a period certain deferred income annuity today, so they buy a deferred income annuity that would not-it's not paying over a lifetime, but would pay starting four years from now. Pay for four years starting four years from now. So basically, years five through eight, a deferred income annuity purchased today, and you could look at pricing on that because the answer is, what's going to give you the best pricing? You could also look at options like CD ladders or tips ladders. You, with tips, you could buy tips maturing in five to eight years. I think that gets us right up to that window where there are no longer there's going there's a window where you don't have any maturing tips. But I have to double check. But I think you can get most of what you need for for a tip slider now. If you wanted another option, would be if you do want to spread it out over time, I'll buy a four year tips to this year. Next year I'll buy a tips maturing in four years. The year after that I'll buy a tips maturing of four years, and then one more the year after that, and that would get me when I'm 66. I'll now have a four-year tips ladder with the tips maturing for the next four years. So you, that one, you just the cost of that will depend on what happens with interest rates in the future. But that's a way to spread out some of the interest rate risk related to that. Although tips yields are pretty high right now from a historical perspective. Not to

Alex Murguia 24:04
to your point, you had mentioned what the safe withdrawal rate is, and you started talking about what the yield is, and you made a point to say that the current yield is actually comparable to what historically the safe withdrawal rate has been.

Wade Pfau 24:18
Well, right, yeah, right now the real yield on a 30-year tip slider is about 2.9% real, supporting close to a 5% safe withdrawal rate. But you're at the shorter end of the tip slider where yields are not as high.

Alex Murguia 24:31
No, no, I was just like, I was just going off of the tips are high, you know, so yeah, tip yields are high right now. That blah blah blah.

Wade Pfau 24:40

So that might speak towards just setting up a tips ladder today with tips maturing between years, well, between ages 66 and 70. But the other option is if you don't want to do that all the day, and there may be a bigger tax hit if you do that all at one time. If you're having to sell shares to do that, just plan taking some. Your savings over the next four years before you retire to to buy a tips maturing four years each year for the next four years, and there's no right answer about which approach is best. It's really maybe given your tax situation and what you're more comfortable with, either a deferred income annuity today, paying out between ages 66 and 70, build a tip ladder today with that doesn't start. You're going to get coupons for the next four years, but doesn't have maturing face values until ages 66 to 70, or just building that tip ladder out over the next four years, buying a tips a four year tips each year for the next four years. Although you'd have to do that on the the secondary markets because there are no new releases of four year tips. Those are the options, and we can't really say which one's best. But that's how I would think about just the relative pricing on each of those options and and what you're most comfortable with. Okay,

Alex Murguia 26:02
let me get here. I would like to propose a retirement strategy for your review. I am a safety first with flexibility behavior. So I mean time segmentation. Safety first with optionality.

Wade Pfau 26:19
Yeah. So time segmentation. Yeah,

Alex Murguia 26:20
time segmentation. Here is my proposed strategy. During normal markets, I use the total return strategy. During down market, I switch to fixed assets. I fix. I'm sorry. I switch to fixed asset withdrawals, which will provide me peace of mind during the dawn market. During this period, my asset allocation will be biased towards fixed assets, but with fixed asset only withdraws and recovering stock values, my allocation will eventually organically revert back to my desired allocation. At which point, I would revert back to the total return strategy. Rinse and repeat for subsequent market downturns. Is this a reasonable strategy? Thank you for your attention.

Wade Pfau 27:06
Okay, yeah, I mean,

Alex Murguia 27:08
did Trump write in? Oh yeah,

Wade Pfau 27:10
that's how he ends things. Right. Thank you for your attention to this, Matt. So this sounds a lot like the volatility buffer idea.

Alex Murguia 27:18
Yeah, exactly.

Wade Pfau 27:20
And and if your time segmentation, the way I make the distinction between traditional time segmentation is if you have a front end fixed income ladder that you use to cover each year's spending, that's more time segmentation, and then you just have a rule around when do I

replenish that. And so the idea is during a down market, I won't replenish my fixed income ladder. It'll just get shorter. If I had the next five years covered through fixed income, and I view the markets as being down, I won't replenish it. So then I'll have four years left, and then three years left, and then two years left, and eventually I'll need to replenish it. But this is creating a window to allow for market recovery. That would be the time segmentation version of this, the volatility buffer version of this is, I think, more what's being described here, which is, I've got my total return investing strategy. When when markets are doing fine, I'll spend for my portfolio as planned, but I have a volatility buffer outside of my portfolio. I have some sort of non-correlated asset, which is a fancy way to say an asset that won't lose value during the market downturn, that I can spend from on a temporary basis. We all have those.

Alex Murguia 28:30
I mean, sorry.

Wade Pfau 28:32
Yeah, I'll spend from that buffer asset on a voluntary basis, trying to create a window to allow my portfolio to recover, and then when it does, I'll resume distributions from the portfolio. So I think that's what the question writer is asking: like, is it reasonable to have a volatility buffer? Yes, and the three volatility buffers are cash, the growing line of credit on a home equity conversion mortgage, variable rate reverse mortgage, home equity conversion mortgage, or also with permanent life insurance, like whole life insurance, borrowing from the cash value of whole life insurance. Those are the three classic buffer assets that can play this role. And yeah, this can help manage the sequence of returns risk for a usually like purely for a total returns investor. But yeah, if your time segmentation, or if you're like close between time segmentation and and total returns, yeah, the buffer asset approach can work fine, and I'm I'm pretty sure that's what's being described here.

Alex Murguia 29:32
the The only catch I have here, and you know, I'm looking at it, and if I can find any holes, and and and and it's just it. I could be completely off based on how how he means it, but I think it's worth exploring. Is the phrase during normal markets, and then my like, and then you know when everything goes back to normal, I'll reset. And I think I think you set yourself up for. A lot of human proclivities that tend to be suboptimal with regards to doing this, and so the point that I'm trying to make is: Are if it is it a rules base? What determines? Like you have a critical path for bond ladders, right? It's it's it's quantitative kind of number. You hit the number or you don't hit the number, and so I would feel much better about saying yes. This is a good strategy philosophically. It's a good strategy. Behaviorally, it's tough to implement if your definition of normal markets is defined as when I think the markets have settled and are ready to go up. You know, if your definition of you know markets are doing poorly is oh I'm nervous I'm getting out now and I don't mean to minimize the actual human emotion but I think you need to remove that component from this strategy and have more quantitative guardrail like if my portfolio value drops below X amount if my portfolio value gets back to X amount I think that's how I would deal with it, as opposed to something's going to happen in the Middle East any any day now, and I'm going to just hold off.

Wade Pfau 31:07
Yeah, yeah. So a simple rule of thumb I like to use for that, like it's just record what was your portfolio worth when you retired, and then the quote unquote normal market environment is you

have more wealth today than you had when you retired, and the quote-unquote down market environment is your portfolio balance is less than it was at the start of your retirement. That's what then would trigger drawing from the buffer asset and so forth. And yeah, there's a little bit of wording in here that is not clear, but he said specifically, like when the markets are down, my asset allocation will be biased towards fixed assets. Yeah, we're not talking about any sort of tactical asset allocation. We're not-you're not selling your stocks and going into bonds when your portfolio is down. So I would really like to reword that a little to leave your asset allocation. I usually

Alex Murguia 31:59
read it as just the money that I withdraw will be fixed. Yeah, that's how I read it. Like you know, quickly. But I see what you're saying. So

Wade Pfau 32:07
if we could just take that asset allocation word and and change it to like during this period, my my source of spending would be biased towards fixed assets, particularly my volatility buffer. Then we really are describing a buffer asset or volatility buffer strategy. Just we're not talking about changing your asset allocation. We're not talking about selling your stocks if you think the market's down, and then buying back your stocks if you think the market's up. It's more sourcing spending from different areas based on how your portfolio is evolving relative to where it was at the start of your retirement. Voila, and there it is. All right. Yeah. So we are, with a few exceptions of very long questions that really were laying out entire episodes rather than just being one question, we're pretty much caught up on our questions at this point, Alex. So we're ready for that YouTube live session tomorrow.

Alex Murguia 33:08
Excellent, excellent. We'll do our stretching. We'll do our stretch. We'll start the stretching now.

Wade Pfau 33:14
All right. All right. Again, YouTube live September 9 at 12 Eastern, and you can find a link to that in the show notes.

Alex Murguia 33:22
All right, everyone, we look forward to seeing you live. If not, we'll also catch you the following week on

Wade Pfau 33:28
Retire with Style. Be

Alex Murguia 33:30
it easy.

Briana Corbin 33:32
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