

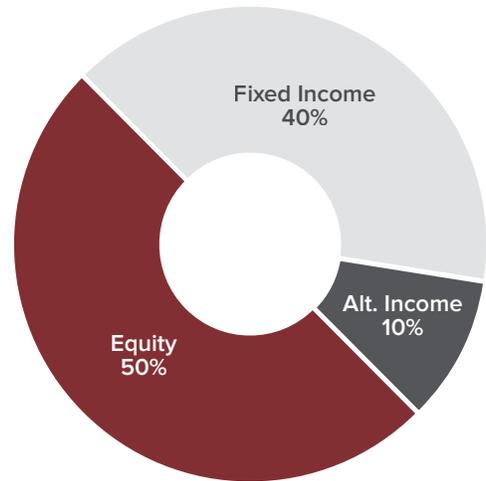


# Learn About The 4% Rule

## Sustainability of 4%

Studies have found that historically, a retiree could withdraw 4% of their initial retirement assets and increase that amount every year to account for inflation, assuming a 50% to 75% portfolio allocation to stocks. Based on research back-testing to 1926, over 70% of the time, the portfolio was cash flowing for 50+ years, and at the worst-case scenario, the portfolio cash flowed for 29 years. For this reason, many advisors typically use 4% as a guideline when planning withdrawals from portfolios.

Please see the disclosures on Page 2 for more details.



## 2023 Account Summary – 4% Rule of Thumb Illustration

Beginning Value

**\$1,000,000**

Total Income Withdrawn

**\$435,547**

Ending Value

**\$1,247,836**

Please see the disclosures on Page 2 for more details.

## Income Investing Illustration

	Total Income Withdrawn <sup>1</sup>	Adj. Net Acct Value <sup>2</sup>	Net Return <sup>3</sup>	Rate of Return		
				Equity (50%)	Fixed Income (40%)	Alt Income (10%)
2014	\$40,000	\$1,049,770	9.1%	12.6%	4.9%	9.0%
2015	\$40,320	\$1,002,796	(0.7%)	0.4%	(0.4%)	(6.7%)
2016	\$40,602	\$1,031,848	7.1%	10.8%	1.6%	10.1%
2017	\$41,455	\$1,111,765	12.0%	20.7%	2.5%	6.5%
2018	\$42,325	\$1,026,547	(4.0%)	(5.3%)	(1.0%)	(9.6%)
2019	\$43,130	\$1,185,594	20.0%	30.2%	7.6%	18.3%
2020	\$44,122	\$1,264,031	10.7%	17.2%	6.5%	(4.6%)
2021	\$44,739	\$1,402,978	14.9%	27.7%	(2.5%)	20.9%
2022	\$47,871	\$1,128,591	(16.3%)	(19.0%)	(13.8%)	(12.8%)
2023	\$50,983	\$1,247,836	15.4%	25.1%	4.4%	11.1%

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## IMPORTANT INFORMATION AND DISCLOSURES

We have provided a simple 10-year illustration for a retirement portfolio using a sample income asset allocation and the 4% withdrawal “rule of thumb” predicated on William Bengen’s research (<https://www.financialplanningassociation.org/sites/default/files/2021-04/MAR04%20Determining%20Withdrawal%20Rates%20Using%20Historical%20Data.pdf>). (Please note that the asset allocation portfolio is not an actual account but an illustration provided solely for educational purposes.) Using the asset-weighted historical returns of the S&P 500 Index (50% Equity), Barclays Aggregate Bond Index (40% Fixed Income) and Blended Index (10% Alternative Income), we calculated annual returns for the sample asset allocation for 2014 through 2023. The portfolio was rebalanced back to the original allocation percentages at the end of each year. We further assumed an initial \$1 million investment in the asset allocation in a retirement account. In the initial year of retirement, 4% of the initial balance was withdrawn from the portfolio on a pro rata basis at the end of each month. Thereafter, the amount of the withdrawal was increased by the inflation rate and withdrawn from the portfolio on a pro rata basis at the end of each month.

The performance data for the asset allocation portfolio represents weighted past performance of the indices used to represent each asset class; however, it is not the performance of an actual managed portfolio. You cannot invest directly in an index. Past performance is not predictive of future performance. All portfolios are subject to risks, and there is no guarantee that any income or performance goals will be met. Please note that, among other things, if other relevant indices had been utilized, or different time periods were utilized, the performance results of the sample allocation would be different and potentially worse or better. Beginning value as of January 1, 2014, and ending value as of December 31, 2023.

<sup>1</sup>Total Income Withdrawn reflects a 4% withdrawal of the initial investment (\$1 million X 4% = \$40,000 in year one) withdrawn from the portfolio on a pro rata basis at the end of each month. Thereafter, the amount of the withdrawal was increased by the inflation rate for that given year and a lump sum withdrawn from the portfolio on a pro rata basis at the end of each month.

<sup>2</sup>Adjusted Net Account Value reflects the year-end value of the portfolio based on that year’s returns, minus the total income withdrawn for that year.

<sup>3</sup>Net Return represents the asset-weighted historical returns of the S&P 500 Index (50% Equity), Barclays Aggregate Bond Index (40% Fixed Income) and Blended Index (10% Alternative Income). Results include reinvestment of income and were adjusted to account for a 1.0% management fee, assessed quarterly. Results do not include the effect of transaction fees or other expenses, which would serve to reduce the returns.

Past performance does not indicate future results. All portfolios are subject to risks, and there is no guarantee that any income or performance goals will be met.

Analyzing historical financial data dating from 1926, William Bengen (a renowned financial planner) showed that a retiree with an investment portfolio split between equities and fixed income could have “safely” withdrawn 4% from that portfolio during the first year of retirement and followed up with inflation-adjusted withdrawals in subsequent years and still have money left over after 30 years. To help investors visualize how the 4% withdrawal “rule of thumb” works, we have provided a simple 10-year illustration for a retirement account using a sample asset allocation predicated on Bengen’s research. The sample asset allocation is comprised of 50% Equity, 40% Fixed Income and 10% Alternative Income. Using the asset-weighted historical returns of the S&P 500 Index (Equity), Barclays Aggregate Bond Index (Fixed Income) and a Blended Index (Alternative Income), we calculated annual returns for the sample asset allocation for 2014 through 2023. The portfolio was rebalanced back to the original allocation percentages at the end of each year. The annual returns include reinvestment of income and were adjusted to account for a 1.0% management fee, assessed quarterly. Results do not include the effects of transaction fees or other expenses incurred when managing an actual portfolio of securities, which would serve to reduce the returns. We further assumed an initial \$1 million investment in the sample asset allocation in a retirement account. In the initial year of retirement, 4% of the initial balance (\$40,000) was withdrawn from the portfolio on a pro rata basis at the end of each month. Thereafter, the amount of the withdrawal was increased by the inflation rate and withdrawn from the portfolio on a pro rata basis at the end of each month. Taxes are not taken into consideration, and all withdrawals will be subject to federal income tax (except those from a Roth IRA).

The performance data for the illustrated portfolio represents weighted past performance of the indices used to represent each asset class; however, it is not the performance of an actual managed portfolio. Further, past performance is not predictive of future performance. Stocks may not perform as well as they have in the past, and bond yields have been at a historic low. The timing of withdrawals (e.g., monthly, quarterly, year-end) will positively or negatively impact the ending portfolio value depending on market conditions. Therefore, we emphasize how important the *dynamic part* of financial planning and adjusting spending is in actual practice. The 4% rule is meant to be a guide. One of the most useful takeaways from studies on this topic is to use the rule as a guidepost rather than a static construct etched in granite. In practice, the rule tells you that if your retirement timing was fortunate, and you began drawing from your funds at the beginning of a 10-year bull market, there may be significant leeway in your spending. However, if you started withdrawing funds in March of 2000 (the S&P 500’s peak before two bear markets within one decade), your spending plan should adjust to a more conservative posture until your assets have had significant time to recover. It is important to note that following the 4% rule of thumb does not guarantee an income flow for any specific period and requires a higher allocation to equities, which can be more susceptible to market fluctuations.

The sample asset allocation results should not be construed as indicative of the performance of an actual client portfolio, even if allocated in the same or similar manner. Managed portfolios are invested in securities, which among other things, can cause a managed portfolio to differ significantly in risk and composition from the indices used in the illustration. Unlike actual portfolios, index returns do not reflect any management fees or transaction costs. You cannot invest directly in an index. The asset allocations of actual managed portfolios are customized based on clients’ unique financial circumstances and risk tolerances. Performance of actual portfolios will differ due to market conditions and other factors, including amount and timing of investments cash flows, security selection, frequency and precision of rebalancing, tax-management strategies, cash balances, advisory fees, varying custodian fees and/or the timing of fee deductions. As a result of these and potentially other variances, actual performance for client accounts, even those with the sample allocation, can differ materially from (and may be lower than) that of the illustration and other, similar client portfolios.

All portfolios are subject to risks, and there is no guarantee that any income or performance goals will be met. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. For stocks paying dividends, dividends are not guaranteed and can increase, decrease or be totally eliminated without notice. Fixed-income securities involve interest rate, credit, inflation, and reinvestment risks and possible loss of principal. As interest rates rise, the value of fixed-income securities falls.

This illustration is provided for informational purposes only and should not be construed as investment advice or a recommendation to engage in any financial strategy. This information is being presented without consideration of the investment objectives, risk tolerance, or financial circumstances of any specific investor and is not suitable for all investors. This information is not intended to, and should not, form a primary basis for any investment decision you may make. Always consult with your own legal, tax, or investment advisor before making any investment/tax/estate/financial planning considerations or decisions.

**Index Definitions:** The *Bloomberg Barclays U.S. Aggregate Bond Index* is a broad base, market capitalization-weighted bond market index representing intermediate term, investment-grade bonds traded in the United States. The *S&P 500 Index* is a stock market index that measures the performance of 500 large companies listed on stock exchanges in the United States. The *Blended Index* is a weighted combination of: The *MSCI U.S. REIT Index* (16.7%) is a free, float-adjusted, market capitalization-weighted index that is comprised of equity Real Estate Investment Trusts (REITs), which often own and operate income-producing real estate assets. The *Alerian MLP Index* (16.7%) is the leading gauge of energy Master Limited Partnerships (MLPs). The *S&P U.S. Preferred Stock Index* (16.7%) represents the U.S. preferred stock market. The *S-Net Composite Closed-End Fund Index* (50%) tracks the overall performance of a global universe of approximately 350 U.S.-listed, closed-end funds. The Blended Index is rebalanced annually. *For Internal Fidelity Use Only – Not for Client Distribution.* CR UC202403 CC202004