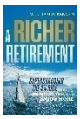
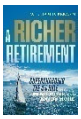


**HOW TO USE THE CHARTS IN THIS FOLDER**
**SCENARIO 2.15**
**(COLA, 40 years, tax-adv, 65%/30%/5% stks/bnds/cash, Legacy: $0)**



Values of the Eight Elements in this scenario are as follows:

**Withdrawal Scheme: COLA.** This scheme is designed to maintain one's lifestyle during retirement.

To compute the first year's withdrawal, multiply the beginning portfolio value by SAFEMAX.

For withdrawals years 2-40, increase by the prior year's CPI (Consumer Price Index).

**Planning Horizon: 40 years**

**Account type: Tax-advantaged (i.e., either tax-free or tax-deferred)**

**Legacy: $0.** The account balance at the end of the planning horizon.

**Asset Allocation:** 7 asset classes, including US Large-Cap stocks (13%), US Small-Cap stocks (13%), US Micro-Cap stocks (13%), US Mid-Cap stocks (13%), International stocks (13%), US Treasury Bills (5%), and US 5-year government bonds (30%). Asset allocation is fixed.

**Portfolio Rebalancing Frequency: 1 year.** The interval between "rebalancing" of the portfolio to its original investment allocation (in this case, 65%stocks/30% bonds/5% cash).

**Investment returns:** as per the appropriate index fund. No attempt is made to "beat the market."

**Withdrawal timing: evenly spaced.** Withdrawals are assumed to be made at regular intervals, possibly monthly or quarterly.

**Figure 2.15: SAFEMAX VS. RETIREMENT DATE.** This chart depicts the wide range of SAFEMAX experienced by retirees since 1/1/1926 for this scenario. The average SAFEMAX for all retirees is approximately 6.9%. The highest SAFEMAX (17.9%) belongs to the 7/1/1932 retiree, who retired almost exactly at the end of the terrible bear market of 1929-1932. This retiree enjoyed very high investment returns during the early years of their retirement, boosting SAFEMAX. In addition, inflation was very low, actually negative (deflation), slowing the growth of withdrawals. For a more detailed discussion of SAFEMAX, please consult my book, "A Richer Retirement: Supercharging the 4% Rule to Spend More and Enjoy More."

The lowest SAFEMAX of 4.38% belongs to the 10/31/1968 retiree. This individual experienced multiple deep bear markets and high inflation early in retirement, devastating their portfolio.

Overall, I am impressed with the results of this scenario. It suggests that higher stock allocations can generate higher SAFEMAX, on average. It may well force me to re-think the optimum stock allocation for retirees.

**Tables 2.15A, 2.15B, and 2.15C SAFEMAX Finders**

These three tables provide suggested values of SAFEMAX for current retirees, based on historical precedent. They are arranged by Inflation Regime: Low inflation (0% to 2.5%, Table 2.15A), Moderate inflation (2.5% to 5.0%. Table 2.15B), and High inflation (above 5.0%, Table 2.15C). “Inflation Regime” refers to the retiree’s estimate of average CPI during the first ten years of their retirement. This may be difficult to gauge accurately, but adjustments can be made to withdrawals later in retirement if deemed necessary.

Note that when using these tables, one assumes the risk that future conditions may diverge from historical precedent. This may not be a warranted assumption. One must always be alert to the advent of unprecedented circumstances. A recent example is the record-high stock market valuations achieved in the late 1990s, which persist to the present day (as of August 2025). Adjustments to the plan may eventually be required during retirement.

Within each table, entries are sorted by the Shiller CAPE (Shiller Cyclically Adjusted PE Ratio) for the S&P 500 index. This is a popular measure of stock market valuation, developed by Nobel Laureate Robert Shiller at Yale University. Note that I used his original version of CAPE, not his recently adjusted version. Generally, as can be seen from the tables, low CAPE is associated with high SAFEMAX, and vice versa.

To determine your personal SAFEMAX, first estimate the inflation rate for the first ten years of your retirement. There is no scientific method to do this, but a reasonable estimate can be derived from inflation over the past five years. This determination will direct you to one of the three Tables: Table 2.15A (Low inflation), Table 2.15B (Moderate inflation), and Table 2.15C (High inflation).

Once you have selected your table, determine the current Shiller CAPE. This information can be found on the internet, for example, at https://www.multpl.com/shiller-pe. Use this CAPE in your chart to look up the suggested value of SAFEMAX.

**Scenario 2.15 CWR Curve Generator**

Remember, a Retirement Withdrawal Plan is not forever. It may require adjustments during retirement. The Excel spreadsheet titled “Scenario 2.15 CWR Curve Generator” helps you develop a benchmark curve against which you can measure the actual performance of your plan. Complete instructions are included in the “Guide” tab of the spreadsheet.

Please consult my book, “A Richer Retirement”, for further details.

GOOD LUCK WITH YOUR RETIREMENT WITHDRAWAL PLANNING!