RESEARCH REPORT #1

OPTIMIZING FIXED ASSET ALLOCATION DURING RETIREMENT: INCREASING RECOMMENDED STOCK ALLOCATION TO 65%

William P. Bengen 9/18/2025

My research into sustainable withdrawals from investment accounts during retirement is ongoing. I have a long list of research topics, as it seems there's always something interesting to investigate in this field. Herein, I'd like to share with you my latest research, which concerns how to allocate assets in your retirement account to maximize your safe withdrawal rate, or SAFEMAX.

Allocation in retirement can be either fixed (via rebalancing) or variable (for which there are multiple options). In my book, A Richer Retirement: Supercharging the 4% Rule to Spend More & Enjoy More, I used a fixed allocation of 55% stocks/40% bonds, and 5% cash. This allocation yields acceptable results and serves as a cornerstone of the "4.7% Rule."

In my recent research, I've been exploring the effect on SAFEMAX of using even higher fixed stock allocations than 55%. In particular, I've studied a fixed stock allocation of 65%. Figure 8.12A compares the individual SAFEMAX for 357 retirees in my database, for asset allocations of 65% stocks/20% bonds/15% cash (Scenario 2.13) and 55% stocks/40% bonds/5% cash (Scenario 2.7) respectively.

Scenario 2.13 outperforms Scenario 2.7 about 83% of the time. That's impressive by itself. The average gain in SAFEMAX is +0.35%. This amounts to about a 7% increase in withdrawals. But there's even better news. The average negative comparison is just -0.14%, while the average positive comparison is a substantial +0.45%, equivalent to a 9% increase in withdrawals.

In other words, Scenario 2.13, with 65% stocks, offers considerable upside potential in SAFEMAX, with only a minimal downside risk. Note that Scenario 2.13 contains a substantial cash position of 15%. Had the cash position been reduced to 5% (and bonds commensurately increased), the results would have been even more impressive, with the downside risk all but eliminated. Switching to 65% stocks, in other words, is virtually another "free lunch."

As a result of this comparison, I am changing my preferred retirement portfolio allocation from 55% stocks to 65% stocks for fixed allocations. This applies to all portfolios with a planning horizon of at least twenty years.

As a final note, the “worst-case” scenario SAFEMAX declined minimally from 4.68% to 4.65%. Thus, the “4.7% rule” survives!

Bill Bengen