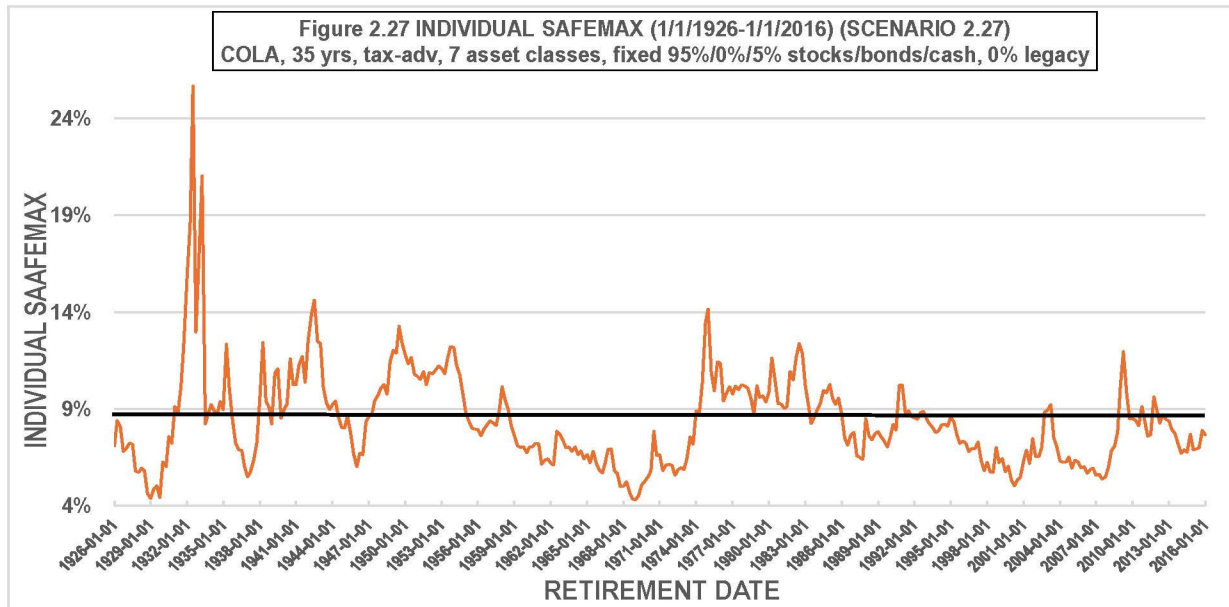


RESEARCH REPORT #5
THE EFFECTS ON SAFEMAX OF A STOCK ALLOCATION OF 95%
William P. Bengen 3/31/2026

In Research Report #1 I averred that a stock allocation of 65% generated the highest SAFEMAX for almost all retirees. That was the highest stock allocation I had studied up to that point. In this report, I'll present the results of using a fixed stock allocation of 95% (in concert with 5% in US Treasury Bills).

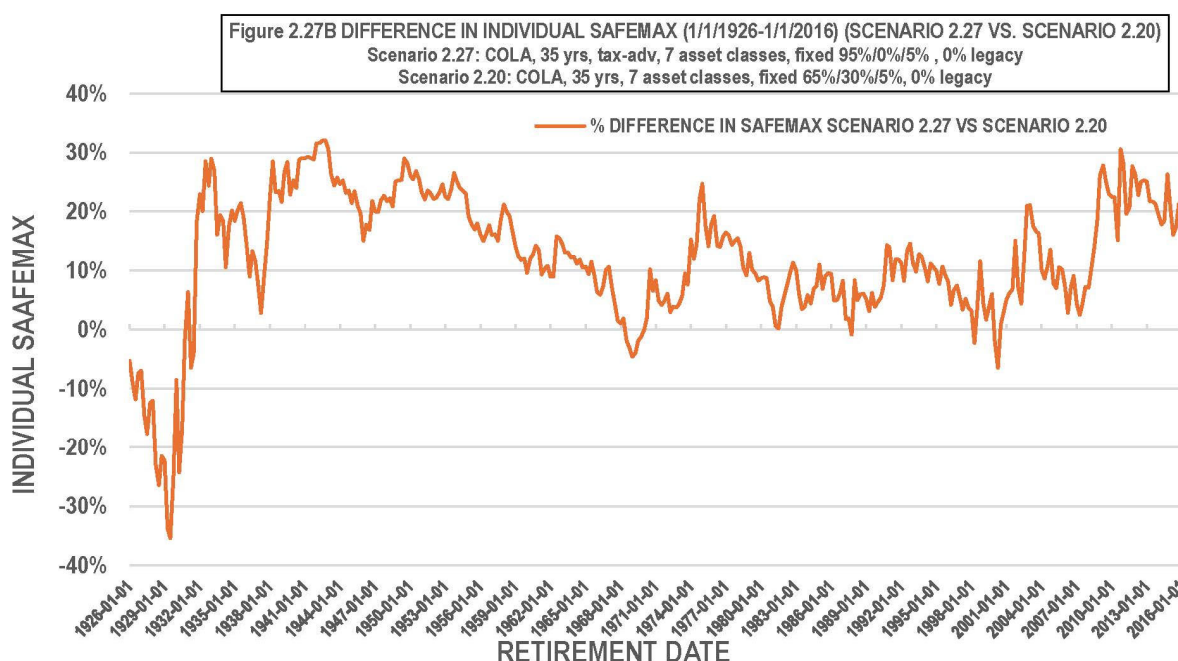
In November 2023, three finance professors ([Aizhan Anarkulova](#), Emory University, Scott Cederburg, University of Arizona, and Michael S. O'Doherty, University of Missouri at Columbia) published a paper titled "Beyond the Status Quo: A Critical Assessment of Lifecycle Investment Advice." You can read the paper at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4590406. It asserts that a 100% allocation to equities is appropriate for all investors, regardless of age, including retirees. Let's test their results in the context of my methodology.

Figure 2.27: SAFEMAX VS. RETIREMENT DATE. This chart depicts the wide range of SAFEMAX experienced by retirees in this scenario (95% stocks, 5% US Treasury Bills) from 1/1/1926 – 1/1/2016. The average SAFEMAX for all retirees is approximately 8.4%. The highest SAFEMAX (25.7%) belongs to the 7/1/1932 retiree, who retired at almost exactly 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), reversing 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, 4.3%, belongs to the 1/1/1969 retiree (note that this is a change from the 10/1/1968 retiree, who represents the lowest SAFEMAX for lower equity allocations.) This individual experienced multiple deep bear markets and high inflation early in retirement, devastating their portfolio. Note that this SAFEMAX is well below the “Universal SAFEMAX” of 4.7% which applied to portfolios with 65% stocks. The worst case is, in this instance, even worse.

Figure 2.27B: This chart compares SAFEMAX experienced by retirees in Scenarios 2.27 and 2.20 since 1/1/1926. The results are expressed as a % increase in SAFEMAX for Scenario 2.27 relative to Scenario 2.20. For example, a reading of +5% for a particular



retiree indicates that the SAFEMAX for Scenario 2.27 is 5% higher than the SAFEMAX for Scenario 2.20. The eight Elements for these two scenarios are identical, save that Scenario 2.20 features an allocation of 65% stocks, 30% US intermediate-term government bonds, and 5% cash. That is essentially a comparison of SAFEMAX between 65% and 95% stocks.

The swings in SAFEMAX values between the two scenarios are very wide. The best relative performance for Scenario 2.27 occurred with the 4/1/1942 retiree, whose SAFEMAX exceeded that of Scenario 2.20 by about +31.6%. The worst relative performance occurred for the 7/1/1929 retiree, when the SAFEMAX for Scenario 2.27 trailed that of Scenario 2.20 by approximately -35.4%.

On average, across all 361 retirees in this study, SAFEMAX values for Scenario 2.27 are more than 12% higher than the corresponding SAFEMAX values for Scenario 2.20. That is a tribute to the power of ultra-high equity allocations. However, as noted above, there were wide disparities between individual retirees. For 9% of retirees, Scenario 2.27 underperformed Scenario 2.20, by an average of -11.4%. For the remaining 91% of retirees, for whom Scenario 2.27 outperformed or matched Scenario 2.20, the average SAFEMAX gain was +14.5%. Clearly, this scenario is not for the faint-hearted. Opportunities for large outperformance and underperformance abound, though the balance is tilted toward outperformance.

All of the underperformance of Scenario 2.27 occurred during and just preceding major bear markets: 1926-1930, 1968-1970, 1987, and 2000. However, these losses were not evenly distributed. During the 1926-1930 period, the SAFEMAX for Scenario 2.27 averaged -15.8% below the SAFEMAX for Scenario 2.20. For all dates after 1930, the average underperformance was -2.6%. That's rather nominal.

All of the outperformance of Scenario 2.27 concomitantly occurred during or just preceding bull markets.

Who should use the 95% equity allocation?

The greatest risk to this strategy is a 90% decline in stock prices, as experienced during 1929-1932. How likely is that to occur again? That's difficult to answer, but it should be noted that even the 58% drop in the S&P 500 index during 2007-2009 did not cause Scenario 2.27 to underperform. The 1968-1970 period, prior to the 50% drop in 1973-1974, did experience underperformance, but that was more due to raging inflation than stock price declines. The 10/1/1987 retiree, right after the 1987 crash, saw very mild underperformance, almost not worth taking into account. If you don't believe that a 90% decline for stocks is in the cards, the risks of this strategy seem relatively mild.

Also, this is a fine strategy to use if you are confident you are in or near a bull market. For those who wish to use it under all circumstances, risk management techniques are recommended, to prevent massive losses during an unusually large bear market.

Overall my research confirms the conclusions of the academic paper mentioned above, with the exception of a possible very severe stock market, which can't be completely discounted.

Yours for a richer retirement,

Bill Bengen 3/31/2026