

TIME WELL SPENT



September 2026

WHEN RETIREMENT CHANGES THE RULES

A strange thing happens when someone retires. An investment portfolio that worked perfectly well for the last twenty years may suddenly need to be managed differently, even though the investor has not necessarily become more conservative and the investments themselves have not changed.

While we are working, declines in the market are mostly about patience. Of course you are sad if your \$500,000 portfolio falls to \$400,000, but you have time to wait for a recovery. You may even be buying investments while prices are lower.

That same decline feels even worse when you are withdrawing \$30,000 a year from that account. The downturn has morphed from a number on a statement to a situation where you may need to sell a depressed investment to fund your life. Then you get to watch the market recover without that \$30,000 being part of the recovery.

This creates one of the more interesting problems in retirement planning. Two retirees can earn the exact same average investment return over a period of time and end up with very different amounts of money depending on when the good and bad years occur.

A BAD MARKET AT 85 MAY BE UNCOMFORTABLE. THE SAME BAD MARKET AT 65, FOLLOWED BY YEARS OF WITHDRAWALS, CAN ALTER THE REST OF THE RETIREMENT.

Meanwhile, the amount being withdrawn probably isn't staying still either. A retiree who needs \$60,000 from a portfolio today would need about \$81,000 to buy the same things ten years from now if inflation averages 3%. Twenty years from now, it is roughly \$108,000.

This creates one of the most frustrating tradeoffs investors have to make. Holding enough stocks to produce long-term growth means accepting periods when the portfolio will decline. Avoiding those declines by keeping too much in cash or conservative investments creates the possibility that the portfolio simply does not grow fast enough to support decades of rising expenses. To make this even worse, neither of these risks can be eliminated.

A 65-year-old isn't really trying to make a portfolio last for an average retirement. The portfolio has to be prepared for the possibility that their particular retirement lasts 25, 35, or even 45 years. Planning only through age 85 works wonderfully unless you live to 95.

This is where the familiar idea of a "safe withdrawal rate" starts becoming less satisfying. A percentage can be a useful place to begin the conversation, but it cannot answer the whole question. Someone retiring at 62 with nearly all of their living expenses coming from investments has a very different problem from someone retiring at 70 whose Social Security and pension already cover most necessities. The ability to cut spending for a year or two matters. So does the amount held in liquid investments, the allocation of the rest of the portfolio, taxes, and the market environment when retirement begins.

I like to start with a household's actual cash flow needs as opposed to a withdrawal percentage. How much will retirement cost? How much of that is already covered by Social Security, pensions, or other dependable income? The difference is what the portfolio actually has to produce. Then we can decide how much of that need should be set aside for the next few years and how much can remain invested with a much longer time horizon.

For decades before retirement, the basic objective is accumulation. Once withdrawals begin, the portfolio has to do several jobs at once: provide today's income, keep enough stability to survive bad markets, and continue growing enough to pay tomorrow's higher expenses.

Retirement doesn't necessarily mean investing more conservatively. It means being much more deliberate about what each dollar is there to do.

AFIADVISORS.COM



This material is for informational purposes only and does not constitute specific tax advice. Clients should consult their tax advisor regarding their individual circumstances.

BRIAN BRUMMETT, CFP®
PORTFOLIO MANAGER
Brian@AFIADVISORS.COM



THE AFI IMPACT

COMMUNITY - CONNECTION - COMMITMENT



A NEW ADDITION TO THE AFI FAMILY! ♥

Join us in congratulating Kaylee on the arrival of her sweet baby boy, Owen John Feathers! Born September 5 at 12:28 AM, Owen weighed in at 9 lbs, 8 oz and measured 21.25 inches long. He's already proving to be quite the night owl, a certified snuggle bug, and a Vols fan for life! ♥ We're thrilled for Kaylee and her growing family as they welcome their newest little blessing!



CONNECTING WITH OUR BUSINESS COMMUNITY

AFI was excited to join fellow business leaders at the Kingsport Chamber Business Breakfast on September 11! Sponsored by EPB Quantum, the event was a great opportunity to connect with familiar faces, build new relationships, and learn more about exciting developments in our region. We're always grateful for opportunities to engage with the local business community and support the continued growth of Northeast Tennessee.



TEEING UP FOR A GREAT CAUSE

AFI was proud to support St. Jude Children's Research Hospital for an afternoon of golf and giving back! It was a wonderful opportunity to enjoy time with friends while supporting an organization making a difference for children and families. We're grateful to play a small part in such an important cause and help support the fight against childhood cancer.

DID YOU KNOW?

Two retirees with identical portfolios and the same average returns could end up with very different balances. If the market declines early in retirement, withdrawing money while investments are down can reduce the amount available to benefit from a recovery. This is known as sequence of returns risk. Having a withdrawal plan can make a meaningful difference over time.

START SMALL. START EARLY.

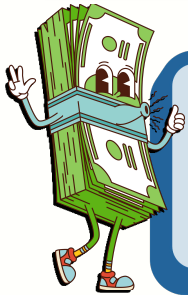
Retirement planning isn't just about how much you save. It's also about how you'll use those savings. Start by estimating your future monthly expenses and identifying dependable income sources, such as Social Security or a pension. Understanding the difference can help determine how much your investments will need to provide and give you time to adjust your strategy.

Money, In Plain English: Sequence of Returns Risk

What it is: The risk that market losses early in retirement can reduce how long your investment savings last.

Why it matters: Early losses combined with withdrawals can significantly impact your portfolio's long-term sustainability.

When it usually comes up: When retirees begin withdrawing money from investments to cover their living expenses.



NEW
WEBSITE
LAUNCHED
AFIADVISORS.COM

WHAT TO PRIORITIZE 10, 8, 5, 3, AND 1 YEAR BEFORE RETIREMENT

- Topics Include:
- Income and cash flow planning
 - Social Security and Medicare timing
 - Investment and risk considerations
 - Tax planning opportunities
 - Preparing for your first year of retirement

