Protective

Portfolio reliance rate worksheet

The foundation of a successful retirement

When it comes to your client's retirement, the goal is to help them protect the life they've worked hard for. But the more they rely on their portfolio to support their retirement income, the greater the chance that market declines could derail their future plans.

For example, someone who depends on their portfolio to provide 60% of their income would likely be more sensitive to changes in their portfolio than someone who only relies on their portfolio to cover 20% of income needs. Use this worksheet to determine your client's portfolio reliance rate and help them prepare for retirement with more confidence and security.

Calculating portfolio reliance rates		Sample calculation
A. Expected spending	$	$60,000 ($5,000/month)
B. Outside sources of income	$	$24,000 ($2,000/month)
C. Income gap: Income needed from investments (A - B)	$	$36,000 ($3,000/month)
D. Total investment portfolio	$	1,000,000
Initial portfolio withdrawal rate (C ÷ D)	%	3.6%
Portfolio reliance rate (C ÷ A)	%	60%

This is a hypothetical example for training purposes only. The portfolio reliance rate is one of many factors to consider when assessing the suitability of a particular portfolio of products and withdrawal rates.

Additional information on next page.

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As you determine the appropriate withdrawal rate, keep the following in mind:

If	Then
If portfolio reliance rate goes up,	then the likelihood of emotional decisions goes up.
If portfolio reliance rate goes up,	then the need for flexibility/lower initial withdrawal rate goes up.
If longevity risk is high,	then initial withdrawal rate should go down.
If risk tolerance is low,	then withdrawal rate should be low.
If legacy is a high priority,	then the need for a more conservative withdrawal rate is higher.

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