5 Reasons to Avoid Selling Off Assets for Retirement Planning

"THE 4% WITHDRAWAL RULE"

The 4% withdrawal rule is a popular guideline for retirement income planning, but there are several reasons to approach it with caution. Here are five reasons to be weary:

1. OUTDATED ASSUMPTIONS

The 4% rule is based on historical data, primarily from the 1990s, and assumes a specific mix of stocks and bonds. Today's low interest rates and potentially lower future equity returns may not align with those historical conditions.

2. MARKET VOLATILITY

The rule doesn't account for sequence-of-returns risk, where poor market performance early in retirement can deplete a portfolio faster than anticipated, even if average long-term returns remain on target.

3. INFLATION UNCERTAINTY

The rule adjusts withdrawals for inflation annually, but it assumes a steady and predictable inflation rate. Unexpected spikes in inflation can erode purchasing power and strain a fixed withdrawal strategy.

4. RIGID APPLICATION

The 4% rule doesn't allow for flexibility. In reality, retirees' spending often varies year to year based on needs, health expenses, or market conditions. A more dynamic withdrawal approach may be more sustainable.

5. ERODING PRINCIPAL

Selling off assets reduces your overall investment principal, which can limit the growth potential of your portfolio. Over time, this can decrease the amount of income your remaining assets can generate, potentially leading to running out of money in later years of retirement.

TAKEAWAY

The 4% rule can be a helpful starting point, but it shouldn't replace personalized planning. A tailored strategy that incorporates market conditions, spending flexibility, and longevity considerations is often a smarter choice.

36800 Woodward Ave, Suite 320 Bloomfield Hills, MI 48304 | (248) 255-4927 | Wesley@GuardianPWM.com

10 BENEFITS OF DIVIDEND GROWTH INVESTING

Dividend growth investing has numerous benefits, particularly for those focused on building wealth with the end goal of achieving financial independence. Here are 10 key advantages:

1 GROWING INCOME STREAM

Companies with a history of growing dividends provide a reliable and increasing source of income over time, often outpacing inflation.

2 COMPOUND GROWTH

Reinvesting dividends allows you to compound your returns, as you're using your earnings to acquire more shares that generate even more dividends.

3 STABILITY AND QUALITY

Dividend-growing companies are typically well-established, financially sound businesses with a proven track record of profitability and resilience.

4 INFLATION HEDGE

Dividend growth often keeps pace with or exceeds inflation, safeguarding your purchasing power in the long run.

5 REDUCED VOLATILITY

Dividend-paying stocks, especially those with consistent growth, tend to be less volatile during market downturns than non-dividend-paying stocks.

6 PASSIVE INCOME FOR RETIREMENT

A growing dividend stream can fund retirement expenses, reducing reliance on selling assets during market downturns.

7 TAX EFFICIENCY

Qualified dividends often benefit from favorable tax treatment compared to ordinary income, particularly in retirement accounts like IRAs or 401(k)s.

8 ALIGNMENT WITH LONG-TERM GOALS

Dividend growth investing encourages patience and a focus on long-term wealth building rather than speculative short-term gains.

9 ENCOURAGES FINANCIAL DISCIPLINE

Selecting and holding dividend growers requires analysis and a disciplined approach, helping investors avoid chasing trends or speculative investments.

10 ATTRACTIVE TOTAL RETURNS

Historically, dividend-growing stocks have delivered competitive total returns through a combination of capital appreciation and reinvested dividends.

This strategy provides a blend of income, growth, and stability that's particularly appealing for retirement planning and wealth preservation.

Disclosures:

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

All investing involves risk including loss of principal. No strategy assures success or protects against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Dividend payments are not guaranteed and may be reduced or eliminated at any time by the company.

LPL Tracking #788208

GUARDIAN PARTNERS
WEALTH MANAGEMENT, LLC

36800 Woodward Ave, Suite 320 Bloomfield Hills, MI 48304 | (248) 255-4927 | Wesley@GuardianPWM.com