

RETHINKING RETIREMENT

Understanding How The Order Of Returns Impact A Retirement Nest Egg – A Tale Of Two Returns That Averaged 8.27%

Average Annual Return 8.27%
The S&P 500 from 1955 to 1974
Positive Early Returns Buoy The Portfolio

Year	Beginning Year Value	Original Rate Of Return	Withdrawal 6.0% First Year*	Earnings	Year End Value
01	\$500,000.00	31.50%	\$30,000.00	\$148,505.00	\$619,050.00
02	\$618,050.00	6.60%	\$30,900.00	\$38,751.90	\$625,901.90
03	\$625,901.90	-10.80%	\$31,827.00	(\$64,160.09)	\$529,914.81
04	\$529,914.81	43.40%	\$32,781.81	\$215,755.72	\$712,888.72
05	\$712,888.72	12.00%	\$33,765.26	\$81,494.81	\$760,618.27
06	\$760,618.27	0.05%	\$34,778.22	\$362.92	\$726,202.97
07	\$726,202.97	26.90%	\$35,821.57	\$185,712.60	\$876,094.00
08	\$876,094.00	-8.70%	\$36,895.22	(\$73,010.20)	\$766,187.58
09	\$766,187.58	22.80%	\$38,003.10	\$166,026.05	\$894,210.53
10	\$894,210.53	16.50%	\$39,143.20	\$141,086.12	\$996,153.45
11	\$996,153.45	12.50%	\$40,317.49	\$119,479.49	\$1,075,315.45
12	\$1,075,315.45	-10.00%	\$41,527.02	(\$103,378.84)	\$930,409.59
13	\$930,409.59	24.00%	\$42,772.83	\$213,032.83	\$1,100,669.59
14	\$1,100,669.59	11.10%	\$44,055.01	\$117,284.11	\$1,173,897.69
15	\$1,173,897.69	-8.50%	\$45,377.69	(\$95,924.20)	\$1,032,595.80
16	\$1,032,595.80	4.00%	\$46,739.02	\$39,134.36	\$1,025,291.04
17	\$1,025,291.04	14.30%	\$48,141.19	\$139,732.43	\$1,116,882.28
18	\$1,116,882.28	19.00%	\$49,585.43	\$202,786.40	\$1,270,083.25
19	\$1,270,083.25	-14.70%	\$51,072.99	(\$179,194.51)	\$1,039,815.75
20	\$1,039,815.75	-26.50%	\$52,605.18	(\$261,610.83)	\$725,599.77

\$725,599.77

Average Annual Return 8.27%
The S&P 500 from 1974 to 1955
Negative Early Returns Deplete The Portfolio

Year	Beginning Year Value	Original Rate Of Return	Withdrawal 6.0% First Year*	Earnings	Year End Value
01	\$500,000.00	-26.50%	\$30,000.00	(\$124,550.00)	\$345,450.00
02	\$345,450.00	-14.70%	\$30,900.00	(\$46,238.85)	\$268,311.15
03	\$268,311.15	19.00%	\$31,827.00	\$44,931.99	\$281,416.14
04	\$281,416.14	14.30%	\$32,781.81	\$35,554.71	\$284,189.04
05	\$284,189.04	4.00%	\$33,765.26	\$10,016.94	\$260,440.72
06	\$260,440.72	-8.50%	\$34,778.22	(\$19,181.31)	\$206,481.19
07	\$206,481.58	11.10%	\$35,821.57	\$18,943.22	\$189,602.84
08	\$189,602.84	24.00%	\$36,895.22	\$36,649.59	\$189,356.21
09	\$189,356.21	-10.00%	\$38,003.10	(\$15,135.31)	\$136,217.80
10	\$136,217.80	12.50%	\$39,143.20	\$12,134.33	\$109,208.93
11	\$109,208.93	16.50%	\$40,317.49	\$11,367.08	\$80,258.52
12	\$80,258.52	22.80%	\$41,527.02	\$8,830.79	\$47,562.29
13	\$47,562.29	-8.70%	\$42,772.83	(\$416.68)	\$4,372.78
14	\$4,372.78	26.90%	\$4,372.79	\$0	\$0
15	\$0	0.05%	\$0	\$0	\$0
16	\$0	12.00%	\$0	\$0	\$0
17	\$0	43.40%	\$0	\$0	\$0
18	\$0	-10.00%	\$0	\$0	\$0
19	\$0	6.60%	\$0	\$0	\$0
20	\$0	31.50%	\$0	\$0	\$0

\$0 in the 14th year

These examples are for illustrative purposes only and are not intended to reflect an actual portfolio or investment, and do not take into account taxes that may be incurred in such an investment. If taxes and fees were taken into account, performance would be lower. Period return reflects the return of the S&P 500 Index which is a composite of the 500 largest stocks in the U.S. Index past performance is not indicative of future results. Investment values will fluctuate so that shares, when redeemed, may be worth more or less than original costs. The index is unmanaged and unavailable for direct investment. These examples assume reinvestment of capital gains and dividends and no taxes. Data source: Lipper, Inc. The period of returns on the left reflects the S&P 500 index from 1955 to 1974. The period on the right represents inverting the returns from 1974 to 1955. In both cases, the average annual return is 8.27%, but the "Sequence Of Returns" negatively impacts retirement longevity on the right side.

