

DYNAMIC DRAWS FROM RETIREMENT SAVINGS: AN ATTRACTIVE ALTERNATIVE TO FIXED RATE DRAWS

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[dx.doi.org/10.18374/JABE-19-3.1](https://doi.org/10.18374/JABE-19-3.1)

ABSTRACT

Retirement planning research has predominately studied building retirement wealth and has reached some consensus on best practices. Previous research that has studied drawing of funds during retirement years is more limited and tends to advocate fixed percent rate draws. This paper presents an overview of retirement planning research, focusing on the drawing of funds. Using recent historical data, simulations are performed of both fixed percent draws for different rates and dynamic draws. Results suggest a dynamic strategy is an appealing alternative to a fixed percent rate for drawing retirement funds. Fixed percent draws lack precision and are sensitive to small changes. An advantage of the dynamic draw is that it both assures that savings are not depleted prior to death and allows the specifying of a particular dollar amount remaining subsequent to the final draw.

Keywords: *Financial planning, personal investing, retirement*