



PROSPERA PERSPECTIVES

Building a Retirement Income Floor

Why the smartest retirees are separating what they need from what they want — and funding each side differently.

\$4T

RETIREMENT SAVINGS
GAP

12K

RETIRE DAILY IN THE
U.S.

60%

FEAR OUTLIVING
SAVINGS

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Most retirement plans focus on a single number: how much you've saved. But the number that actually determines your quality of life in retirement is different — it's how much guaranteed income you can count on every single month.

The Retirement Income Problem Nobody Talks About

Twelve thousand Americans reach retirement age every day. Most of them have spent decades accumulating savings inside 401(k)s, IRAs, and brokerage accounts. And most of them face the same uncomfortable question the moment they stop working: How do I turn this lump sum into a paycheck that lasts as long as I do?

This is the decumulation problem — and it's fundamentally different from saving. During your working years, you deposit money and watch it grow. In retirement, you withdraw money and hope it doesn't run out. The math changes. The psychology changes. And the risks change dramatically.

The most dangerous of those risks is called **sequence-of-returns risk**. If the market drops significantly in the first few years of your retirement — even temporarily — and you're pulling from those same accounts to cover monthly expenses, you may never recover. A 30% decline followed by a recovery looks very different when you're adding money versus when you're withdrawing it.

This is why the smartest retirement strategies in 2026 aren't built around a single portfolio. They're built around a concept called the **income floor**.

What Is an Income Floor?

An income floor is the layer of guaranteed, non-market-dependent income that covers your baseline living expenses — housing, food, insurance, utilities, healthcare, and the essentials that don't stop when the market drops.

Think of it as the financial bedrock beneath your retirement. Social Security provides one layer. A pension, if you have one, provides another. But for most business owners and entrepreneurs, those sources alone leave a significant gap between what's guaranteed and what's needed.

The income floor strategy fills that gap using insurance-based tools — products designed specifically to produce predictable, contractual income that you cannot outlive.

The core principle: Separate what you need from what you want. Fund your needs with guaranteed income. Fund your wants — travel, generosity, lifestyle upgrades — with growth-oriented assets that have time to recover from market volatility.

How the Income Floor Works in Practice

Building an income floor typically starts five to fifteen years before you plan to retire — though it can be structured at any stage. The most common approach uses a **fixed indexed annuity with an income rider**, a strategy that has evolved significantly in the past few years.

1. The Accumulation Phase

You fund the annuity with a portion of your savings. During the deferral period, two things happen simultaneously. Your contract value — the actual cash in the account — grows based on index-linked crediting strategies with a contractual floor of zero. You participate in a portion of market gains but absorb none of the losses. Meanwhile, the income rider's **benefit base** grows at a guaranteed roll-up rate, often between five and eight percent annually, regardless of market performance.

This dual-track growth is the engine of the strategy. The benefit base — the number used to calculate your future income — compounds reliably, giving you clarity on what your income will be years before you need it.



2. Turning On the Income

When you're ready to retire, the insurance company applies a payout percentage to your benefit base based on your age. At 65, that might be 5.5%. At 70, it could be 6.5% or higher. The resulting annual income is **guaranteed for life** — even if your contract value drops to zero over time.

Crucially, you don't annuitize. You retain access to your contract value. If your plans change, you can adjust. If you pass away, remaining contract value passes to your beneficiaries. This is the modern evolution of guaranteed income — a pension-like paycheck without surrendering control of your money.

Key distinction: An income rider guarantees lifetime withdrawals while preserving your access to the underlying account. Traditional annuitization requires handing over your principal permanently. Most modern strategies use the rider approach for precisely this reason.

3. Freeing Your Growth Assets

Here is where the income floor strategy becomes truly powerful. Once your baseline expenses are covered by guaranteed income, your remaining portfolio — stocks, real estate, business interests — no longer carries the burden of funding your monthly bills. Those assets can stay invested through market cycles without forced liquidation at the worst possible time.

The result is counterintuitive: by removing a portion of your savings from the market and placing it into a guaranteed vehicle, you actually improve the long-term performance of the assets that remain. Your growth portfolio gets the one thing it needs most — time. Time to ride out corrections. Time to compound. Time to build the kind of wealth that funds the lifestyle beyond your essentials.

Why Business Owners Need This More Than Anyone

If you've built a company, your retirement picture is more complex than most. Your net worth may be concentrated in a single, illiquid asset. Your income has always been variable, tied to business performance rather than a predictable paycheck. And the transition from business income to retirement income is rarely smooth.

An income floor gives you a bridge. It provides the steady, unconditional cash flow that replaces the owner's draw you're accustomed to — while allowing your remaining assets, including business equity, real estate, and growth investments, to work on a longer timeline.

This is the kind of coordinated planning that connects retirement income, tax strategy, risk management, and succession into a single framework. At Prospera, we call it **the entrepreneur's family office** — the same caliber of comprehensive planning once reserved for institutional wealth, built for the people who are actually building something.

Where to Start

- ▶ **Calculate your baseline spending.** What does your household actually need each month — not want, but need? This is the number your income floor must cover.
- ▶ **Inventory your guaranteed sources.** Social Security, pensions, existing annuities — add them up. The gap between this total and your baseline spending is your income floor deficit.
- ▶ **Evaluate fixed indexed annuities with income riders.** Work with a financial professional who can model specific products against your timeline, age, and income needs. The details matter — roll-up rates, payout percentages, and rider fees all affect the outcome.

- ▶ **Coordinate with your full advisory team.** Income floor planning sits at the intersection of tax strategy, estate planning, and cash flow management. The best results come from your financial professional, attorney, and CPA working together.

Ready to Build Your Income Floor?

At Prospera, we help families and business owners design retirement income strategies that deliver certainty where it matters most — so the rest of your wealth can keep growing.

Schedule a complimentary consultation.

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The Entrepreneur's Family Office

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ABOUT THIS POST

Meta Description: Learn how a retirement income floor built on guaranteed strategies can protect your baseline spending, reduce sequence risk, and free your growth assets to compound longer.

Content Pillars:

Safe Money

Personal Economy

Tax-Free Strategies