Sequencing risk decides whether the income plan survives

In retirement, the most damaging risk is often not the average return earned over 30 years. It is the order in which returns arrive. Two retirees can earn the same long-term average return and experience completely different outcomes if one suffers poor returns early while drawing income. Once capital is reduced in the early years, later recovery may not repair the damage because withdrawals have already removed funds from the portfolio when values were depressed.

That is why sequencing risk should sit at the centre of drawdown design. Longevity, market and inflation risks all matter, but **sequencing risk** is the risk that can turn a reasonable income target into an early failure. It is also the risk most likely to be understated by conventional projections because long-term averages can hide the path dependency of retirement withdrawals.

A retiree does not need a model that says the portfolio should be adequate if markets behave close to expectation. The retiree needs to know what happens when the first decade has adverse market conditions: weak equity returns, rising inflation, interest-rate disruption, defensive assets under pressure, and income still needing to be paid. The plan should identify which assets fund income during stress, how much liquidity is available, when growth assets should be protected from forced selling, and when reserves should be rebuilt.

ABCD IQ is designed around managing this sequencing risk. It treats the retiree's CPI-indexed income stream as the "liability" to be supported over the next 30-year period and managed through an Asset-Liability Management technique. The method prepares for adverse events before they occur by maintaining liquid and stable funds. It uses growth assets to support the long-term income objective but does not rely on selling them indiscriminately during market stress. When a risk event is large enough to require action, the switching rules respond. When recovery is sufficient, asset allocations are restored in preparation for the next event.

This is materially different from relying on a static asset allocation or a probability-of-success output. Static allocations can leave the retiree exposed to forced selling at precisely the wrong time. Probability outputs may describe risk, but they do not manage it. ABCD IQ converts the sequencing problem into a rules-based operating process inside the account-based pension.

MyRI provides the evidence base around that process. It tests the income pathway against actual historical investment and inflation sequences across 30-year periods. That matters because sequencing risk is not theoretical. It has occurred repeatedly in real markets and will likely occur in future. Historical testing captures the interaction between asset returns, inflation and timing in a way that simple averages cannot.

This also changes the annual review. The review is not merely whether the account balance rose or fell. It is whether the income "liability" remains supported, whether the remaining funds are adequate, whether the growth allocation remains appropriate, and whether the retiree's CPI-indexed drawdown strategy can continue without compromising later years.

Conclusion: A 30-year retirement-income plan should be built to survive sequencing risk, not just rely on the average returns over that period. MyRI tests the pathway against real market history. ABCD IQ manages the liquidity, fund monitoring and asset allocation decisions needed to keep the retiree's income drawdowns on track.

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