



Did you know the 4% rule is a historical fact?

Many people have heard about **4% Rule for retirement income**, but not many know where it came from. It is simply a fact derived from historical data.

The **4% rule** was originally derived by **Bill Bengen** in the US. He had analysed **66 years** of historical investment and inflation data from **1926 to 1992** and found that there was a **90% success rate** that a **retirement account would last 30 years** by initially drawing out **4% of the balance**, and thereafter **increasing the payment annually with CPI inflation**, from an investment portfolio that was made up of **50% shares and 50% bonds**.

The rule was simply stating factual historical evidence. With the rule being applied, a retirement account would **survive the worst combination of weak investment performance and high inflation** experienced. In other words, manage the worst historical **sequencing risk** events and have a **high probability of successfully producing 30 years of CPI indexed payments**.

MyRI is our retirement planning solution and it uses **67 years of historical investment and inflation data** extending from **1959 to 2026**, across a **variety of different asset classes**.

We have used MyRI to verify the 4% rule. It is still a valid fact, even on the most recent 67 years of data, if a retiree uses a 50/50 mixture of shares and fixed interest.

However, **MyRI lets you explore different investment mixes and different drawdown rates.** That's when value can be created!

Using **Asset Liability Management principles** and preset asset allocation rules, **we have been able to create "the 6% rule"**.

With a dynamic approach to managing a retirement account, using shares and cash, it is possible to commence with a 6% initial drawdown and index that amount with CPI for 30 years **with 100% historical success**. That is 50% higher annual drawdown amounts than suggested by the 4% rule. That's important for a retiree!

We call this process **ABCD IQ** (Account Based CPI Indexed Drawdowns).

MyRI and ABCD IQ are now available to assist superannuation funds and financial planners with their retiree members and clients.

Please get in touch if you would like to know more about MyRI or ABCD IQ