

What Is Your Retirement Number?

The Eighty Percent (80%) Multiplier Rule

The 80% Rule suggests that you should target an income that is around 80% of your pre-retirement income (in the year before you retire) in order to sustain your current lifestyle during retirement. *

* Source: Commerce Clearing House, 2003

To figure out where you stand, consider what percentage of your income you are currently saving for retirement.

For example:

(1) According to a data analysis released August 28, 2024, by Fidelity Investments, which based its conclusions on 24 million 401(k) accounts, participants' average investment rate into their 401(k) was **9.4%** of their income in the second quarter.

If you currently invest 9.4% of your income in your retirement plans - 401(k), 403 (b), Defined Benefit Plan, SEP IRA, IRA, etc. - you will no longer have that 9.4% expense once you retire.

(2) If you currently pay Social Security payroll taxes of 6.20% plus Medicare payroll taxes of 1.45%, totaling **7.65%** of your income - you will no longer have that 7.65% expense once you retire.

(3) Assuming the combined impact of items (1) and (2) above, you can retire and live on approximately **82.95%** ($100.00\% - 9.4\% - 7.65\% = 82.95\%$) of your pre-retirement income, while maintaining your current lifestyle, without making any adjustments to your spending habits.

Variables (1) through (3) above do not take into consideration that many pre-retirees, especially high income earners, save more of their income than just their 401(k), 403 (b), Defined Benefit Plan, SEP IRA, and IRA contributions – and will no longer have that expense when retired.

Next, consider all of the work related day-to-day expenses that you will no longer have during retirement... gas, auto maintenance and repair, tolls, dry cleaning, etc.

Then, consider what percentage of your income you may save if you downsize your home where you live, move to an area with a lower cost of living, move to an area with a lower cost of living and downsize, etc.

For example, the cost of living in Tampa, Florida, is 24.36% lower than the cost of living in Stamford, Connecticut. Retiring from Stamford to Tampa can further lower the percentage of your pre-retirement income that you can live on, while maintaining your current lifestyle, without making any adjustments to your spending habits. *

* Source: www.bankrate.com/real-estate/cost-of-living-calculator/ August, 2024

Note: Read the Cost Of Living drop down tab under the Retirement Income section of this web site to learn the significant difference in cost of living from one city to another.

You also may receive a substantial net sum of money from the sales proceeds of your current home versus the purchase cost of a new home that you downsize to, that will help fund your retirement income and

lifestyle.

Lastly, when you begin collecting your Social Security benefits, you can live on an even lower percentage of your pre-retirement income, while maintaining your current lifestyle, without making any adjustments to your spending habits.

Social Security benefits typically account for a higher percentage of the overall retirement income for low income earners and middle income earners... and account for a lower percentage of the overall retirement income for high income earners.

How Does The Eighty Percent (80%) Multiplier Rule Work?

The 80% Rule consists of a relatively simple and straightforward 9 step process.

Steps 1-5 of the 80% helps you determine Your Retirement Number - the amount your retirement nest egg needs to grow to by the year you plan on retiring - to accomplish your goals for retirement.

Step 6 helps you determine the future value of your current retirement investments by the year you plan on retiring.

Step 7 helps you determine the investment shortfall, or excess, your current investment portfolio is projected to have by the year you plan on retiring.

Step 8 helps you determine the annual investments required to achieve Your Retirement Number by the year you plan on retiring.

Step 9: Life happens, circumstances change, and your retirement needs may change with them. Periodically revisit and revise Steps 1-8 of the 80% Rule, at least annually.

EXAMPLE: The Eighty Percent (80%) Multiplier

For purposes of analysis, let's assume:

- (a) you are 57 years old,
- (b) your current annual income is \$150,000,
- (c) you have a future target retirement date in 10 years at age 67.

Step One:

Enter your **Current Annual Income** in the first space under Step Two.

Step Two:

Multiply your Current Annual Income by the **eighty percent (80%) multiplier**, and then enter this number in the second space. This will provide you with an estimate of the **Annual Retirement Income Needed Before Social Security** (in Current Dollars) that you will need during retirement.

Current Annual Income	80% Multiplier	Annual Retirement Income Needed Before Social Security
\$ 150,000	x 0.80 =	\$ 120,000
\$ <input type="text"/>	x 0.80 =	\$ <input type="text"/>

Step Three:

Subtract your **Estimated Social Security Benefit** (this figure can be determined from your Personal Earnings and Benefit Statement from the Social Security Administration web site at www.ssa.gov) from your Annual Retirement Income Needed Before Social Security (from Step 2), then enter that number in the last space to determine the **Annual Retirement Income Needed After Social Security**. For purposes of this example, let's assume your monthly Social Security benefit is \$2,500/month (\$30,000/year) when you retire in 10 years at age 67.

Annual Retirement Income Needed Before Social Security	Estimated Social Security Benefit	Annual Retirement Income Needed After Social Security
\$ 120,000	- \$36,000 =	\$ 84,000
\$ <input type="text"/>	- <input type="text"/> =	\$ <input type="text"/>

Step Four:

Multiply the Annual Retirement Income Needed After Social Security (from Step 3) by the **Inflation Factor** (see Inflation Factor Table on next page). For purposes of analysis, let's assume a 3% inflation rate for 10 years that corresponds with the number of years until you plan on retiring. Enter that number in the final space to determine your **Future Additional Income Required**.

Annual Retirement Income Needed After Social Security	Inflation Factor	Future Additional Income Required
\$ 84,000	x 1.3439 =	\$ 112,888
\$ <input type="text"/>	x <input type="text"/> =	\$ <input type="text"/>

Inflation Factor

Years Until Retirement	2% Inflation Factor	3% Inflation Factor	4% Inflation Factor	5% Inflation Factor
1	1.0200	1.0300	1.0400	1.0500
2	1.0404	1.0609	1.0816	1.1025
3	1.0612	1.0927	1.1249	1.1576
4	1.0824	1.1255	1.1699	1.2155
5	1.1041	1.1593	1.2167	1.2763
6	1.1262	1.1941	1.2653	1.3401
7	1.1487	1.2299	1.3159	1.4071
8	1.1717	1.2668	1.3686	1.4775
9	1.1951	1.3048	1.4233	1.5513
10	1.2190	1.3439	1.4802	1.6289
11	1.2434	1.3842	1.5395	1.7103
12	1.2682	1.4258	1.6010	1.7959
13	1.2936	1.4685	1.6651	1.8856
14	1.3195	1.5126	1.7317	1.9799
15	1.3459	1.5580	1.8009	2.0789
16	1.3728	1.6047	1.8730	2.1829
17	1.4002	1.6528	1.9479	2.2920
18	1.4282	1.7024	2.0258	2.4066
19	1.4568	1.7535	2.1068	2.5270
20	1.4859	1.8061	2.1911	2.6533
21	1.5157	1.8603	2.2788	2.7860
22	1.5460	1.9161	2.3699	2.9253
23	1.5769	1.9736	2.4647	3.0715
24	1.6084	2.0328	2.5633	3.2251
25	1.6406	2.0938	2.6658	3.3864
26	1.6734	2.1566	2.7725	3.5557
27	1.7069	2.2213	2.8834	3.7335
28	1.7410	2.2879	2.9987	3.9201
29	1.7758	2.3566	3.1187	4.1161
30	1.8114	2.4273	3.2434	4.3219
31	1.8476	2.5001	3.3731	4.5380
32	1.8845	2.5751	3.5081	4.7649
33	1.9222	2.6523	3.6484	5.0032
34	1.9607	2.7319	3.7943	5.2533
35	1.9999	2.8139	3.9461	5.5160
36	2.0399	2.8983	4.1039	5.7918
37	2.0807	2.9852	4.2681	6.0814
38	2.1223	3.0748	4.4388	6.3855
39	2.1647	3.1670	4.6164	6.7048
40	2.2080	3.2620	4.8010	7.0400

Step Five:

Multiply the Future Additional Income Required (from Step 4) by the **Income Generation Factor** (see Income Generation Factor Table on next page). For purposes of analysis, let's assume a 25 year expected life span after retirement (age 67 to age 92) and a 6% return that corresponds with the rate of return you expect to achieve on your investments. Enter that number in the final space to determine **Your Retirement Number**.

**Future Additional
Income Required**

\$ 112,888

\$

**Income Generation
Factor**

x 12.7834 =

x =

Your

Retirement Number

\$ 1,443,092

\$

Income Generation Factor

Expected Life Span After Retirement	3% Return	4% Return	5% Return	6% Return	7% Return	8% Return	9% Return
1	0.9709	0.9615	0.9524	0.9434	0.9346	0.9259	0.9174
2	1.9135	1.8861	1.8594	1.8334	1.8080	1.7833	1.7591
3	2.8286	2.7751	2.7232	2.6730	2.6243	2.5771	2.5313
4	3.7171	3.6299	3.5460	3.4651	3.3872	3.3121	3.2397
5	4.5797	4.4518	4.3295	4.2124	4.1002	3.9927	3.8897
6	5.4172	5.2421	5.0757	4.9173	4.7665	4.6229	4.4859
7	6.2303	6.0021	5.7864	5.5824	5.3893	5.2064	5.0330
8	7.0197	6.7327	6.4632	6.2098	5.9713	5.7466	5.5348
9	7.7861	7.4353	7.1078	6.8017	6.5152	6.2469	5.9952
10	8.5302	8.1109	7.7217	7.3601	7.0236	6.7101	6.4177
11	9.2526	8.7605	8.3064	7.8869	7.4987	7.1390	6.8052
12	9.9540	9.3851	8.8633	8.3838	7.9427	7.5361	7.1607
13	10.6350	9.9856	9.3936	8.8527	8.3577	7.9038	7.4869
14	11.2961	10.5631	9.8986	9.2950	8.7455	8.2442	7.7862
15	11.9379	11.1184	10.3797	9.7122	9.1079	8.5595	8.0607
16	12.5611	11.6523	10.8378	10.1059	9.4466	8.8514	8.3126
17	13.1661	12.1657	11.2741	10.4773	9.7632	9.1216	8.5436
18	13.7535	12.6593	11.6896	10.8276	10.0591	9.3719	8.7556
19	14.3238	13.1339	12.0853	11.1581	10.3356	9.6036	8.9501
20	14.8775	13.5903	12.4622	11.4699	10.5940	9.8181	9.1285
21	15.4150	14.0292	12.8212	11.7641	10.8355	10.0168	9.2922
22	15.9369	14.4511	13.1630	12.0416	11.0612	10.2007	9.4424
23	16.4436	14.8568	13.4886	12.3034	11.2722	10.3711	9.5802
24	16.9355	15.2470	13.7986	12.5504	11.4693	10.5288	9.7066
25	17.4131	15.6221	14.0939	12.7834	11.6536	10.6748	9.8226
26	17.8768	15.9828	14.3752	13.0032	11.8258	10.8100	9.9290
27	18.3270	16.3296	14.6430	13.2105	11.9867	10.9352	10.0266
28	18.7641	16.6631	14.8981	13.4062	12.1371	11.0511	10.1161
29	19.1885	16.9837	15.1411	13.5907	12.2777	11.1584	10.1983
30	19.6004	17.2920	15.3725	13.7648	12.4090	11.2578	10.2737

How Do You Determine The Return On Investment That You Expect To Achieve On Your Investments?

The Income Generation Factor that you use in the calculation above (see Step 5) is determined by the expected performance of the investments that you hold in your retirement account(s).

Although past performance is not necessarily indicative of future returns, for purposes of this worksheet, select a weighted average return that corresponds with the type of investments that comprise the holdings in your retirement account(s).

For example, if your investment portfolio consists primarily of CDs, bonds and fixed annuities, then a 3.00% to 5.00% average long term return would be reasonable.

If your investment portfolio consists primarily of an asset allocation of Equity (stock ETFs and stock mutual funds) and Fixed Income (bond ETFs and bond mutual funds), then the following average long term returns would be reasonable:

Investment Portfolio Allocation		Estimated Long Term Average Return
Equity*	Fixed Income**	
50%	50%	6.00%
60%	40%	6.40%
70%	30%	6.80%
85%	15%	7.40%
100%	0%	8.00%

Notes:

* Equity allocation assumes an 8% average annual return.

* Fixed Income allocation assumes a 4% average annual return.

Step Six:

Enter your **Current Value Of Retirement Investment** in the first space. For purposes of analysis, let's assume you have \$627,500 in a 401(k). Look up the **Investment Growth Factor** (see Investment Growth Factor Table on next page). For purposes of analysis, let's assume 10 years to retirement and a 7% return that corresponds with the number of years until you plan on retiring and the rate of return you expect to achieve, and then write that number in the next space. Next, multiply the total current value of your retirement investments by the Investment Growth Factor and enter that number in the last space to determine the **Future Value Of Current Retirement Investments**.

Current Value Of Retirement Investments	Investment Growth Factor	Future Value Of Current Retirement Investments
\$ 627,500	x 1.9672 =	\$ 1,234,418
\$ <input type="text"/>	x <input type="text"/> =	\$ <input type="text"/>

Investment Growth Factor

Years Until Retirement	3% Return	4% Return	5% Return	6% Return	7% Return	8% Return	9% Return	10% Return
1	1.0300	1.0400	1.0500	1.0600	1.0700	1.0800	1.0900	1.1000
2	1.0609	1.0816	1.1025	1.1236	1.1449	1.1664	1.1881	1.2100
3	1.0927	1.1249	1.1576	1.1910	1.2250	1.2597	1.2950	1.3310
4	1.1255	1.1699	1.2155	1.2625	1.3108	1.3605	1.4116	1.4641
5	1.1593	1.2167	1.2763	1.3382	1.4026	1.4693	1.5386	1.6105
6	1.1941	1.2653	1.3401	1.4185	1.5007	1.5869	1.6771	1.7716
7	1.2299	1.3159	1.4071	1.5036	1.6058	1.7138	1.8280	1.9487
8	1.2668	1.3686	1.4775	1.5938	1.7182	1.8509	1.9926	2.1436
9	1.3048	1.4233	1.5513	1.6895	1.8385	1.9990	2.1719	2.3579
10	1.3439	1.4802	1.6289	1.7908	1.9672	2.1589	2.3674	2.5937
11	1.3842	1.5395	1.7103	1.8983	2.1049	2.3316	2.5804	2.8531
12	1.4258	1.6010	1.7959	2.0122	2.2522	2.5182	2.8127	3.1384
13	1.4685	1.6651	1.8856	2.1329	2.4098	2.7196	3.0658	3.4523
14	1.5126	1.7317	1.9799	2.2609	2.5785	2.9372	3.3417	3.7975
15	1.5580	1.8009	2.0789	2.3966	2.7590	3.1722	3.6425	4.1772
16	1.6047	1.8730	2.1829	2.5404	2.9522	3.4259	3.9703	4.5950
17	1.6528	1.9479	2.2920	2.6928	3.1588	3.7000	4.3276	5.0545
18	1.7024	2.0258	2.4066	2.8543	3.3799	3.9960	4.7171	5.5599
19	1.7535	2.1068	2.5270	3.0256	3.6165	4.3157	5.1417	6.1159
20	1.8061	2.1911	2.6533	3.2071	3.8697	4.6610	5.6044	6.7275
21	1.8603	2.2788	2.7860	3.3996	4.1406	5.0338	6.1088	7.4002
22	1.9161	2.3699	2.9253	3.6035	4.4304	5.4365	6.6586	8.1403
23	1.9736	2.4647	3.0715	3.8197	4.7405	5.8715	7.2579	8.9543
24	2.0328	2.5633	3.2251	4.0489	5.0724	6.3412	7.9111	9.8497
25	2.0938	2.6658	3.3864	4.2919	5.4274	6.8485	8.6231	10.8347
26	2.1566	2.7725	3.5557	4.5494	5.8074	7.3964	9.3992	11.9182
27	2.2213	2.8834	3.7335	4.8223	6.2139	7.9881	10.2451	13.1100
28	2.2879	2.9987	3.9201	5.1117	6.6488	8.6271	11.1671	14.4210
29	2.3566	3.1187	4.1161	5.4184	7.1143	9.3173	12.1722	15.8631
30	2.4273	3.2434	4.3219	5.7435	7.6123	10.0627	13.2677	17.4494
31	2.5001	3.3731	4.5380	6.0881	8.1451	10.8677	14.4618	19.1943
32	2.5751	3.5081	4.7649	6.4534	8.7153	11.7371	15.7633	21.1138
33	2.6523	3.6484	5.0032	6.8406	9.3253	12.6760	17.1820	23.2252
34	2.7319	3.7943	5.2533	7.2510	9.9781	13.6901	18.7284	25.5477
35	2.8139	3.9461	5.5160	7.6861	10.6766	14.7853	20.4140	28.1024
36	2.8983	4.1039	5.7918	8.1473	11.4239	15.9682	22.2512	30.9127
37	2.9852	4.2681	6.0814	8.6361	12.2236	17.2456	24.2538	34.0039
38	3.0748	4.4388	6.3855	9.1543	13.0793	18.6253	26.4367	37.4043
39	3.1670	4.6164	6.7048	9.7035	13.9948	20.1153	28.8160	41.1448
40	3.2620	4.8010	7.0400	10.2857	14.9745	21.7234	31.4094	45.2593

Step Seven:

Write Your Retirement Number (see Step Five) in the first space. Write the Future Value Of Current Retirement Investments (see Step Six) in the second space. Next, subtract the Future Value Of Current Retirement Investments from Your Retirement Number, then enter that number in the third space to determine the **Retirement Savings Amount Still Required**.

Your Retirement Number	Future Value Of Current Retirement Investments	Retirement Savings Amount Still Required
\$ 1,443,092	- \$ 1,234,418 =	\$ 208,674
\$ <input type="text"/>	- \$ <input type="text"/> =	\$ <input type="text"/>

Step Eight:

Write the Retirement Savings Amount Still Required (see Step Seven) in the first space. Look up the **Savings Factor** (see Savings Factor Table on next page). For purposes of analysis, let's assume a 10 years to retirement and a 7% return that corresponds with the number of years until you wish to retire and the rate of return you expect to achieve, and then write that number in the second space. Multiply the Retirement Savings Amount Still Required by the savings factor, and then enter that number in the third space to determine the **Annual Investments Required To Achieve Your Retirement Number**.

Retirement Savings Amount Still Required	Savings Factor	Annual Investments Required To Achieve Your Retirement Number
\$ 208,674	x 0.06764 =	\$ 14,115
\$ <input type="text"/>	x <input type="text"/> =	\$ <input type="text"/>

Savings Factor

Years Until Retirement	3% Return	4% Return	5% Return	6% Return	7% Return	8% Return	9% Return	10% Return
1	0.97087	0.96154	0.95238	0.94340	0.93458	0.92593	0.91743	0.90909
2	0.47826	0.47134	0.46457	0.45796	0.45149	0.44516	0.43896	0.43290
3	0.31411	0.30803	0.30210	0.29633	0.29070	0.28521	0.27987	0.27465
4	0.23206	0.22643	0.22096	0.21565	0.21049	0.20548	0.20061	0.19588
5	0.18287	0.17753	0.17236	0.16735	0.16251	0.15783	0.15330	0.14891
6	0.15009	0.14496	0.14002	0.13525	0.13065	0.12622	0.12194	0.11782
7	0.12670	0.12174	0.11697	0.11213	0.10799	0.10377	0.09972	0.09582
8	0.10918	0.10435	0.09973	0.09532	0.09109	0.08705	0.08319	0.07950
9	0.09557	0.09086	0.08637	0.08209	0.07802	0.07415	0.07046	0.06695
10	0.08469	0.08009	0.07572	0.07158	0.06764	0.06392	0.06039	0.05704
15	0.05220	0.04802	0.04413	0.04053	0.03719	0.03410	0.03125	0.02861
20	0.03613	0.03229	0.02880	0.02565	0.02280	0.02023	0.01793	0.01587
25	0.02663	0.02309	0.01996	0.01719	0.01478	0.01266	0.01083	0.00924
30	0.02041	0.01714	0.01433	0.01193	0.00989	0.00817	0.00673	0.00553
35	0.01606	0.01305	0.01055	0.00847	0.00676	0.00537	0.00425	0.00335
40	0.01288	0.01021	0.00789	0.00610	0.00468	0.00357	0.00272	0.00205

Step 9:

Life happens, circumstances change, and your retirement needs may change with them. Periodically revisit and revise Steps 1-8 of the 80% Rule, at least annually.

It's better to adjust your retirement plan as you are able, rather than struggle to catch up down the road.

Summary

Now that you have an understanding of the 80% Rule, and how to determine Your Retirement Number by the year you plan on retiring, the next step is to determine how much you can withdraw from your retirement nest egg during retirement, without running out of money.