

Episode 8

The 4% Withdrawal Rule
Saturday February 1, 2025

Episode 8 - The 4% Withdrawal Rule

On This Week's Episode - Saturday February 1st

- Retirement cashflow management.
- Does the 4% withdrawal rule work.
- How does this fit with the 30-Minute Drill.
- View our weekly stock example - Amazon pulled at random from our portfolio.
- Headline from the investing news.
- Closing thoughts for next week

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At EI Personal Finance we focus on providing straightforward tools to manage your wealth planning.

We are not part of a financial advisor network or a financial institution.

We are everyday investors with a track record of building wealth using easy to use dashboards to ensure you are on course to achieve your long term investing goals.

Our Thirty Minute Drill delivers an immediate view of all assets and a scorecard to consistently track your results.

We help you take control of your investments and reduce fees that erode your long term returns.

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How to Think About Retirement Income Cashflow

Does the 4% Rule Apply Anymore - Research Results

Can Younger Investors Model 4% Rule (Or some other number) in Their Planning

Is the 30-Minute Drill Applicable ?

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Retirement Cashflow:

Registered: CGA can help direct best investments and implications for future tax.

Non-Registered: CGA can help plan for limited tax liability.

Pension Income: Calculations easily determine from government and corporate sites.

Other: Inventory of other investments capable of generating cashflow.

Conclusion: Multiple sources with need to balance based on tax treatment. Your Accountant can help with investment mix to minimize tax.

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Research Supporting/Modifying the Rule

The Trinity Study (1998):

- The original research analyzed 30-year historical periods of U.S. stock and bond returns between 1926 and 1995. The study found that a portfolio with 60% stocks and 40% bonds had a very high likelihood (over 90%) of providing enough income for 30 years, as long as the retiree only withdrew 4% of the initial portfolio value each year.

The 4% rule has been revisited and tested in subsequent years. The rule is still widely cited but has faced criticisms, particularly due to changes in market conditions, such as lower expected returns and higher market volatility in the 21st century.

In particular, the "**safe**" **withdrawal rate** can be sensitive to factors such as:

- Low-interest rates (which impact bond returns),
- Market downturns, and
- Inflation.

The "Safe Withdrawal Rate" and Post-2000 Reality:

- Research conducted in the 2000s and 2010s raised questions about the continued applicability of the 4% rule due to shifts in the market environment.
- For example, in the aftermath of the 2008 financial crisis, long-term low interest rates, and low equity market returns, the expected return on a traditional 60/40 portfolio (stocks/bonds) diminished. In this context, experts like **Michael Kitces**, a financial planner, and other academics have suggested that retirees today may need to consider a lower withdrawal rate (closer to 3.5% or even 3%) for better portfolio longevity.

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Research Supporting/Modifying the Rule

Is this relevant to younger investors?:

- Maybe not in the early days of investing but a good planner will be building long term objectives and the terminal value will need to meet withdrawal thresholds.
- Savings rate should work toward ultimate withdrawal plans.
- As you age, best to think about what your cash goals look like.

How Does this Relate to the 30-Minute Drill:

- We are constantly monitoring our quarterly success against objectives.
- Our investing trajectory is perfectly aligned with terminal retirement savings amounts.
- Agree with the new research that sets a 3% threshold to make sure we are conservative in our withdrawals.

Final Take:

- 4% withdrawal an average amount guideline but investors need to monitor given changing environments - interest rates, inflation, market growth.
- A more conservative 3% withdrawal a wise place to start at front end of retirement to make ensure income visibility.
- In significant up markets, taking more out and moving overage to fixed savings a potential strategy to support lower withdrawals in tough markets.

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Review the Master Spreadsheet

Review YTD Results in the Sample Portfolio

Discuss a Headline in the Financial News

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Review the Master Spreadsheet

| | | | | |
|---------------------------------------------------|-------------|---------|-----------|--------|
| 2021 Jan 1 | | | | |
| | | | | |
| | | | | |
| Non Registered - TFSA, Canadian Margin, US Margin | Total Value | Cash | Invested | % Cash |
| | | | | |
| Cash Accounts | \$5,000 | \$5,000 | \$0 | 0 |
| CDN Margin | \$15,000 | \$1,000 | \$24,000 | 7% |
| US Margin | \$15,000 | \$1,000 | \$24,000 | 7% |
| TFSA | \$80,000 | \$0 | \$100,000 | 0% |
| Totals | \$115,000 | \$7,000 | \$108,000 | 6% |
| Registered - RRSP/RESP | Total Value | Cash | Invested | % Cash |
| RRSP+Commuted Pension \$ | \$250,000 | \$5,000 | \$295000 | 2% |
| Totals | \$250,000 | \$5,000 | \$295000 | 2% |
| Grand Total All | \$365,000 | \$12000 | \$403000 | 3% |
| House Value | \$400,000 | | | |
| Auto Values | \$20,000 | | | |
| Other Assets | \$55,000 | | | |
| Total of All Assets | \$840,000 | | | |
| Total Liabilities | \$275,000 | | | |
| Total Assets Net Liabilities | \$565,000 | | | |
| Available TFSA Contribution | \$5,000 | | | |
| Available RRSP Contribution | \$5,000 | | | |
| Forecasted Investment Income | | | | |
| USD CAD = | 1.33 | | | |
| Mortgage Rate | 4.5% | | | |

Key Data::

Non-Registered Accounts - YTD Returns = 32%; Profit/Tax Loss Harvesting Plans; Adding safety in fixed income 5% overall?, reducing total names for 2025.

Registered Accounts - RRSP Contribution room to Feb, 2025, adding safety in fixed income?, Reducing total names - shift out of mediocre names.

Other Assets:

- Home - Value of Home
- Autos - Value of Autos
- Other - List with values

Debt:

- Mortgage - Total amounts owing
- Line of Credit - Total amounts owing
- Auto Loans - Total amounts owing

USD/CAD - Document for Quarter

Mortgage Rates - Document for Quarter

LOC Rates - Document for Quarter

TOTAL ASSETS LESS LIABILITIES - QoQ and YoY Growth/Decline

Highlight Contributors to Growth or Decline

Achieved 20% Cash Last Week

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| Quarterly Top Three Account Performance and Activity - Thom's Sample | | | | | | |
|----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------|-------------|
| Returns and Top/Bottom Equities | US Margin | Action | Can Margin | Action | RRSP | Action |
| 10 Year Return | 256% | Target 97% | 83% | Target 97% | 59% | Target 110% |
| 5 Year Return | 143% | Target 40% | 53% | Target 40% | 28% | Target 48% |
| Top Three | | | | | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| Bottom Three | | | | | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| Other Holdings | | | | | | |
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| ETF's Listed Above | | | | | | |
| | | | | | | |
| Considering | | | | | | |
| Other Notes | Returns do net reflect dividend income; Canada market assumed to “catch up” some of gap to USA over next three years, USD to fall back once USA drops interest rates in line with EU and other G7 countries, ETF participation with Vanguard or Blackrock but looking at adding others. Portfolios structured to include Transports, Pharma, Telecom, Tech, Financials, Energy and Technology. Moving to 25% ETF to capture broader market while maintaining top names by sector where possible. | | | | | |

Review YTD Results

Key Data::

10 Year Returns - US Margin 256%; Canadian Margin 87%; Canadian Registered: 56%

5 Year Reruns - US Margin 146%: Canadian Margin 46%; Canadian Registered 32%

US Markets driving overall portfolio growth including USD at 1.41 CAD.

Top US Names: Apple, JP Morgan and

Top Canadian Names: TC Energy, Royal Bank of Canada, XAW ETF, and Couche Tard

What are we looking at:

Profit taking in Q1 to harvest some gains.
Adding fixed income as % of overall portfolio - Bull run has been great and we fully participated.
Adding to laggards with positive financials.

Other:
Alibaba Rollercoaster
Bell Canada Disaster
TD Bank Struggles

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Pick A Stock - Amazon



- Significant Outperformance
- Adds Upside to Total Returns
- Significant Volatility
- Financials are Not Traditional
- Long Term Strength
- Buy on Weakness Works

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Pick A Stock - Amazon

AMAZON.COM INC (AMZN-O)

Retailers / Diversified Retail / Department Stores

LSEG Stock Reports Plus

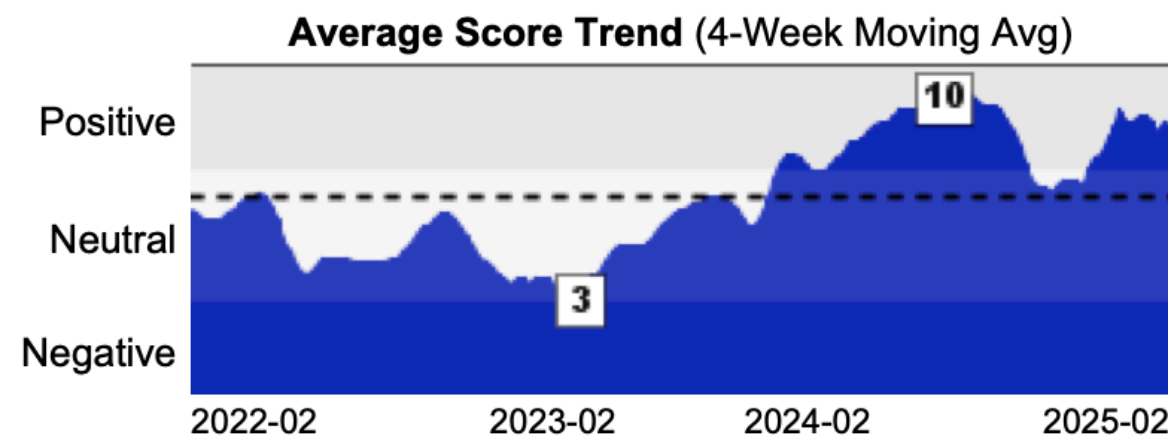
DETAILED STOCK REPORT

Report Date: 2025-Feb-02

| | | | | | | | |
|------------------------------------|---------------|--------------|-------------|----------------|------------|--------------|-------------|
| Last Close | Avg Daily Vol | 52-Week High | Trailing PE | Annual Div | ROE | LTG Forecast | 1-Mo Return |
| 237.68 (USD) | 32.6M | 241.77 | 50.9 | -- | 22.6% | 35.1% | 8.3% |
| 2025 January 31 NASDAQ Exchange | Market Cap | 52-Week Low | Forward PE | Dividend Yield | Annual Rev | Inst Own | 3-Mo Return |
| | 2.5T | 151.61 | 40.1 | -- | 620.1B | 64.5% | 27.5% |

AVERAGE SCORE

POSITIVE OUTLOOK: AMZN's current score of 8 places it among the top quartile of stocks scored.



| Score Averages | | | | | | |
|-------------------------------|-----|-----|----------------------|-----|---------|----------|
| Diversified Retail Group: 5.8 | | | Mega Market Cap: 6.6 | | | |
| Retailers Sector: 5.5 | | | S&P 500 Index: 6.7 | | | |
| Peers | -6M | -3M | -1M | -1W | Current | 1Y Trend |
| AMZN | 7 | 9 | 9 | 9 | 8 | |
| CPNG | 6 | 8 | 7 | 5 | 6 | |
| ETSY | 4 | 5 | 3 | 4 | 5 | |
| RVLV | 5 | 6 | 6 | 6 | 5 | |
| W | 2 | 3 | 2 | 2 | 3 | |

High PE with Potential Risks

Continued AWS Strength

Headwinds with Slowdown

Expense control and capacity management

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Weekly Headline

Market Insights

What Impact Could Trump's Tariffs Have on the Canadian Economy and Markets?

Economists warn of a tsunami of economic consequences should tariffs remain in place.

Vikram Barhat | 3 February, 2025 | 5:03AM



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