

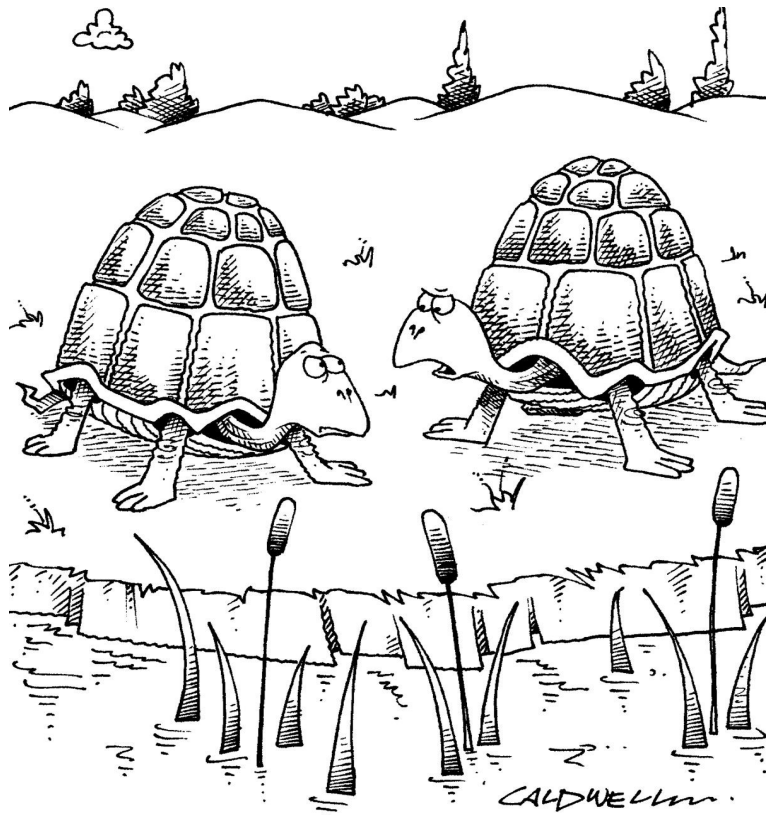


PACIFICUS
CAPITAL MANAGEMENT

INVESTMENT OUTLOOK – AUGUST 2025

How Long Will My Money Last?

“Age is an issue of mind over matter. If you don't mind, it doesn't matter.” —Mark Twain



“Have you heard? There’s talk about raising the retirement age to 170?”

CartoonStock.com

For this month’s outlook, I’d like to focus on a financial planning question many current and pre-retirees have on their mind. How long will my money last?

Back in the mid 90’s William Bengen, largely considered the pioneer in measuring sustainable withdrawal rates, began using long-term historical returns from a 50/50 stocks/bonds asset allocation to measure sustainability. At the time a 5% withdrawal

rate over a thirty year time period was a bit too aggressive failing approximately 25% of the time, while a 4% withdrawal rate had a 100% success rate. Hence the 4% rule.

Today, Mr. Bengen is back with an updated version of his withdrawal rule and there is good news for retirees. Please see article “Reconsidering a ‘Safe’ Withdrawal Rate” published in Barrons below.

Reconsidering a ‘Safe’ Withdrawal Rate

By Elizabeth O’Brien

Barron’s

August 14, 2025

Bill Bengen has good news for retirees: You can probably withdraw more from your savings. Bengen, creator of the ubiquitous “4% rule” for retirement withdrawals, has raised his benchmark rate to 4.7%.

Those retiring today could start even higher, he says, at around 5.25%.

Those rates mean that retirees can safely withdraw more than the rubric that has held sway for decades. Even in a stock market that’s looking pricey, Bengen’s math indicates that you can pull at least 4.7% a year from your portfolio, indexed for inflation, over a hypothetical 30-year retirement.

For those just starting to withdraw, the math looks even better. On a \$1 million portfolio, a 5.25% withdrawal rate would mean you could withdraw \$52,500 in the first year of retirement. The next year, you’d withdraw \$54,075, assuming 3% inflation.

The upward revisions are in Bengen’s new book, *A Richer Retirement: Supercharging the 4% Rule to Spend More and Enjoy More*.

Your actual “safe” withdrawal rate depends on many factors, of course, including market valuations and performance.

In Bengen’s view, safe means that you can maintain a certain withdrawal rate over a 30-year period, no matter how the market performs. The math assumes that your portfolio would dwindle to zero at the end in a worst-case scenario.

Historically, Bengen says the average safe withdrawal rate for all retirees over the past 100 years was a tad over 7%. But at today’s valuations, he doesn’t think that’s realistic. The S&P 500 index is trading at 22 times earnings for the next 12 months. That’s well above its 30-year average of 17, according to J.P. Morgan Asset Management. “Major bear markets usually occur after the stock market is very expensive,” Bengen says.

A bear market early in retirement poses a bigger threat than a downturn later in retirement. That's because of sequence-of-returns risk—the concept that the timing of market returns can matter just as much as the returns themselves. (Bengen's methodology assumes an allocation of 55% stocks, 40% bonds, and 5% cash.)

When you're forced to make withdrawals from a declining portfolio, it will deplete your nest egg faster than withdrawing from assets that are appreciating or even flat. If that happens early in retirement, your savings are diminished from the get-go.

Bengen tested his withdrawal rate against all market conditions from 1926 to the present. It would have worked during the Great Depression and an even worse scenario—the stagflation of the 1970s.

Although the market crash was more severe during the Depression, deflation helped mitigate the effects, Bengen says.

Granted, there are no guarantees on any “rule.” Some strategists see stagflation —that combination of inflation and stagnant economic growth—brewing as a result of President Donald Trump's economic policies. Tariffs may just be starting to work their way through inflation figures. The markets are counting on lower interest rates to help keep the economy afloat, along with Republicans' tax cuts. But it may not take much bad news to derail the upbeat narrative in the stock market, knocking it off today's lofty perch.

If that happens, retirees should control what they can, Bengen says. You might feel better reducing your withdrawal rate and watching your spending. You could also work longer, if that's an option.

Bengen's methodology assumes retirement at the age of 65. If you plan to stop working in your 70s or beyond, you may be able to withdraw more, since you presumably have fewer years to live off your nest egg.

Consider using the 4% rule (or a similar figure) as a framework. Preretirees also need to consider their asset mix, expected longevity, projected retirement date, and legacy plans. Those who plan to leave a bequest may need to withdraw less.

Still, the flexibility of bigger starting withdrawals should bring some peace of mind. “The higher the withdrawal rate, the less people have to save, and the more people can enjoy today,” Bengen says.

ASSET CLASS & SECTOR OPINIONS		
OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Cash & Money Markets	Mortgage-Backed Securities	Leverage Loans (Floating Rate Debt)
U.S. Treasury Notes & Bonds	Investment Grade Corporate Bonds	Treasury Inflation Protection Securities
Large Capitalization Technology	Consumer Discretionary Sector	High Yield Corporate Bonds
U.S. Real Estate & Related Equities	Communication Services Sector	Local Currency EMG Bonds
Utilities	Leisure & Hospitality	Small Capitalization Stocks
Financial Services Sector	Materials Sector	International Developed Market Equities
Consumer Staples	Healthcare	Emerging Markets Equities
Precious Metals	Energy Related Equities	
	Aerospace & Defense	

Sincerely,
Justin Kobe, CFA
Founder, Portfolio Manager & Adviser
Pacificus Capital Management



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