



What's The Minimum I Need To Retire?

by Jason Whitby, CFP, CFA, MBA, AIF ([Contact Author](#) | [Biography](#))

Can I retire with \$1 million dollars? Of course you can. Truth be told, you might be able to retire with much less. Then again, you might not be able to retire with \$1 million or \$2 million or perhaps even \$10 million. It all depends on your personal situation. One thing is sure: you want to make sure your golden years are golden, not merely a struggle for existence. (To learn more read, [10 Steps To Retire A Millionaire.](#))

Most advisors and financial professionals have been able to boil it down to one number, also known as the holy grail of retirement analysis: the amazing 4% sustainable withdrawal rate. Essentially, this is the amount you can withdraw through thick and thin and still expect your portfolio to last at least 30 years, if not longer. This will determine how long your retirement savings will last, and will help you determine how much money you need for the retirement you want.

So, I Can Retire With \$1 Million?

If you are 65 with \$1 million, you can expect your portfolio of properly diversified investments to provide \$40,000 per year (in today's dollars) until you are 95. Add that to your [Social Security](#) income and you should be bringing in roughly \$70,000 a year. (Find out how much additional income you can expect in [How Much Social Security Will You Get?](#))

Now, if this isn't enough for you to maintain the lifestyle you want, you have come to your unfortunate answer rather quickly: no, you cannot retire with \$1 million.

Now wait a minute, you say, what about my spouse, who is also getting Social Security? What if I'm 75, not 65? What if I want to die broke? What if I'm getting a government pension and benefits? What if I'm planning to retire in Costa Rica? There are many "what ifs", but the math is still the math: If you plan on needing a lot more than \$40,000 from your retirement nest egg, then the probability of a successful retirement on \$1 million is not good.

Projecting Future Expenses

There are a lot of books and articles that discuss [longevity risks](#), sequence of returns, healthcare costs and debt. But knowing how much you need to retire still boils down to projecting your future expenses until the day you die. Ideally, that yearly figure will add up to less than 4% of your nest egg.

So a \$1 million dollar portfolio should give you, at most, \$40,000 to budget. If you are forced to take out more than \$40,000 adjusted for time during your retirement, you are tempting fate and relying on luck to get you by. So, if you want at least \$40,000 per year, \$1 million is really the least amount of money - the bare minimum - you should have before you launch into retirement.

[Retirement planning](#) means maximizing your lifestyle while maintaining a high probability of being able to maintain that lifestyle until the day you die. So scraping together a bare minimum nest egg is like an explorer heading into the jungle for a week with just enough supplies. What if something happens? Why not take extra? As a result, for the vast majority of people, \$1 million is not enough if you want a high probability of a great retirement. (For a deeper analysis of this issue, see [Can You Retire On \\$1 Million?](#))

Three Types Of Retirees

Typically, we see three categories of people trying to decide if they are ready to retire:

1. **"Of course you can retire! Live it up and enjoy!"** If you are at least in your 70s with reasonable expenses, then there is a good chance you and your \$1 million fall in this category.
2. **"The probability for your retirement looks good. Just don't go crazy and buy a Porsche."** If you are at least 62 and have always lived a frugal lifestyle, then you and your \$1 million are likely going to fall in this category.
3. **"Let's redefine retirement for you."** This is just about everyone else - including early retirees with \$1 million living frugally and 70-year-olds with \$1 million spending lavishly.

Early retirement, meaning before Social Security and [Medicare](#) kick in, with only \$1 million is extremely risky. You leave yourself with so few options if things go terribly wrong. Sure, you can go to Costa Rica and eat fish tacos every day. But what if you want to move back to the U.S. someday? What if you want to change? Having more money set aside will provide you with more flexibility and increase the likelihood of continued financial independence to do what you want within reason until the day you die. If you are forced to stay in Costa Rica or get a job, then you didn't make a good decision and plan. (Learn more about a working retirement in [Stretch Your Savings By Working Into Your 70s.](#))

So, once you have your \$1 million, concentrate on what you can control - or at least affect. You can't control when you die but you can affect your health costs by doing your best to stay healthy until you qualify for Medicare. You can't control investment returns but you can affect the range of returns. You can't control [inflation](#) but you can affect your fixed costs and your variable costs.

Spending and Expenses

A few quick bits on expenses and spending. To a certain extent, retirement planning is the art of accurately matching future income with expenses. People seem to ignore certain expenses. For example, family vacations and a grandchild's wedding gift count the same as dental surgery and car repairs in retirement planning, but people neither include these enjoyable expenses when they are projecting their costs nor do they recognize how hard it is to cut them - try telling one child that you can't help with his wedding after paying for your other children's weddings!

Conclusion

As a general rule, people who try to determine the minimum amount of retirement savings are usually the least likely to retire. Just getting by isn't a good way to start 30+ years of unemployment and diminishing employability. If something unexpected happens, what are your options? Re-enter the work force, change your lifestyle or get more aggressive with your investments? Most people try the latter and pray. Some get lucky, but most don't. This is the equivalent of doubling down in black jack.

If you want to retire with \$1 million dollars, it is going to come down to a combination of 1) how you define retirement, 2) your personal inventory of everything in your life: assets, debts, medical, family, etc. and 3) what the future holds. Remember, stuff happens in life. Do you really want to start this 30+ year adventure with the bare minimum? Retirement is like most good things, it is much better to be overprepared than to wing it. You can you retire with \$1 million dollars, but it's better to be safe than sorry – shoot for \$2 million!

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Jason Whitby has been working in the financial services industry since 2001, providing financial planning and investment management for high-net-worth clients and institutions. His prior experience encompasses security research, portfolio construction and risk management. Prior to his financial services career, Whitby was employed in the semiconductor industry working in engineering, sales and finance. He has a Bachelor of Science degree in chemical engineering from Purdue University and an MBA from Santa Clara University with a concentration in finance. Additionally, he is a Certified Financial Planning practitioner as well as a Chartered Financial Analyst and an Accredited Investment Fiduciary. Whitby is an active volunteer and speaker for the community outreach program sponsored by the Financial Planning Association of Miami-Dade, a former University of Miami adjunct faculty member, a past board member for the Financial Planning Association, and is a member of the CFA Institute. You can contact Jason Whitby through this page or locate him at www.investorsolutions.com.

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