

The Wealth Compass

Navigating Your Financial Journey

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Life Is Not Lived in Spreadsheets

The 4% Rule Gets an Update — But What Really Matters in Retirement?

For decades, retirees have asked the same pressing question: How much can I safely spend from my savings without running out of money?

In 1994, financial planner William Bengen published research that gave a straightforward answer: start by withdrawing 4% of your retirement nest egg in the first year, then increase that amount each year to keep up with inflation. His analysis, based on decades of market history, showed that this strategy could sustain a 30-year retirement — even through turbulent markets.

The simplicity of this “4% rule” made it incredibly popular. It gave retirees and advisors alike a benchmark for answering a very human question: How do I turn my life’s savings into a reliable income stream?

Why the Rule Still Matters — and Why It Changes

Thirty years later, the rule is still a touchstone. But Bengen has now revisited his research. In his new book, *A Richer Retirement*, he concludes that a more diversified portfolio — one that includes international and small-company stocks alongside traditional U.S. bonds and large-company stocks — could support a higher starting withdrawal rate of 4.7%.

Put another way, a \$1 million portfolio might support \$47,000 in the first year of retirement, compared to \$40,000 under the original rule, with inflation adjustments thereafter.

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Jordan Grumet

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Bengen stresses, however, that no single number applies to everyone. Inflation shocks, like those in the 1970s, can erode purchasing power quickly. Market downturns can force hard choices. And on the other side, strong markets or conservative spending may leave retirees with more than enough. The rule was always meant as a starting point — not a guarantee.

Different Views, Same Lesson

Not all experts agree with Bengen's new figure. Morningstar's most recent retirement income report argues for a more cautious 3.7% rate based on forward-looking market projections. The truth is, whether the right number is 3.7%, 4%, or 4.7%, the lesson is the same: rules of thumb can help frame the conversation, but they cannot replace a personal plan.

Your retirement is not lived in averages. It's lived in your day-to-day needs, your goals, your health, and your unique mix of assets and income sources. That's why our work at NHTrust focuses less on the "universal rule" and more on tailoring a plan to you.

Beyond the Percentages: What Really Matters

This is where I find Jordan Grumet's perspective especially valuable. Grumet is a hospice physician turned financial writer, and his message is clear: spending retirement worrying over the perfect withdrawal percentage misses the bigger picture.

In conversations with patients at the end of life, he rarely heard regrets about money. Instead, the regrets were about time — opportunities not taken, relationships not pursued, passions never followed. His advice: money is a tool to live with purpose, not an end in itself.

He reminds us that while "Big Purpose" (grand goals) can be inspiring, often it's the "small p" purposes — daily joys, family traditions, creative projects, travel, volunteering — that give retirement its meaning. A retirement plan that ignores these isn't really a plan; it's just math.

Bringing It All Together

So where does that leave us? The update to the 4% rule is welcome news — it suggests that retirees may have more flexibility than once thought. But the more important question isn't whether you can withdraw 4% or 4.7%. It's whether your spending reflects the life you want to live.



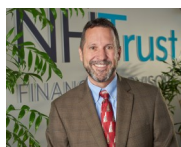
At NHTrust, we help clients balance the two sides of this equation: the financial side that ensures your portfolio can support you through life's uncertainties, and the personal side that makes sure those dollars are aligned with what matters most to you.

Because in the end, the real measure of a successful retirement isn't whether you beat inflation by half a percent. It's whether you look back and say, "I lived my years the way I wanted to."

References

Hall, L. (2025, August 15). *The 4% rule for retirement withdrawals just got an update*. *Money*. <https://money.com/4-percent-rule-retirement-update>

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