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# Managing that Important Cash Flow in Retirement

## *Create a sustainable retirement paycheck that supports your lifestyle*

Retirement is a significant transition, and managing cash flow effectively is critical to ensuring financial security. Instead of receiving a paycheck from an employer, retirees must create their own income stream from savings, Social Security, pensions, and investments. By implementing strategic withdrawal plans and tax-efficient strategies, retirees can ensure their savings last throughout their lifetime.

### Turning Savings into Reliable Income

One of the biggest challenges retirees face is converting their nest egg into a steady, reliable paycheck. Here are several methods to consider:

1. **The 4% Rule:** This strategy involves withdrawing 4% of the retirement portfolio each year, adjusting for inflation. While simple, it does not guarantee success in volatile markets.
2. **The Bucket Strategy:** This approach divides assets into short-, medium-, and long-term buckets. The short-term bucket contains cash for immediate expenses, while the medium-term holds bonds for stability, and the long-term holds equities for growth.
3. **Annuities for Guaranteed Income:** Purchasing an annuity can provide a stable income stream, much like a traditional pension.
4. **Systematic Withdrawals:** Setting up regular withdrawals from investment accounts can mimic the structure of a paycheck.

### Social Security, Pensions, and Investments

Social Security and pensions provide a foundation of income, but how and when you claim them can significantly impact your overall financial security.

- **Social Security Optimization:** Delaying Social Security benefits beyond full retirement age increases monthly payouts. For example, waiting until age 70 can maximize benefits.
- **Pension Decisions:** If you have a pension, consider whether a lump sum or monthly payout better suits your needs.
- **Investment Withdrawals:** A diversified portfolio can support sustainable withdrawals. Stocks provide growth potential, while bonds and cash offer stability.

### Withdrawal Strategies to Minimize Taxes and Maximize Longevity

Taxes play a crucial role in retirement income planning. Consider these strategies to optimize withdrawals:

- **Tax-Efficient Withdrawals:** Withdraw from taxable accounts first, then tax-deferred accounts like IRAs and 401(k)s, and finally tax-free accounts like Roth IRAs.
- **Roth Conversions:** Converting traditional IRA funds to a Roth IRA during lower-income years can reduce future tax liabilities.
- **Required Minimum Distributions (RMDs):** Planning for RMDs can prevent forced large withdrawals that push retirees into higher tax brackets.

By carefully structuring retirement income, retirees can create a sustainable cash flow that supports their lifestyle while minimizing financial risks.



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