

BILL LOSEY

RETIREMENT SOLUTIONS

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Question: Will a two million dollar portfolio bring in a healthy monthly interest income 20 years from now?

Answer: This is a continuation from last week's column. We assumed that a two million dollar portfolio (in the year 2028) invested in CDs or government bonds may generate 4%-5% annually or \$80,000 to \$100,000 per year in interest income. We also assumed that a diversified portfolio of stocks and bonds may average an 8%-10% rate of return or \$160,000 to \$200,000 per year in growth.

So, will this be enough to live the lifestyle you're planning for? It appears you'd be in the ballpark. But it really depends on how much money you'll need to live on and what the cost of living will be at that time.

For example, let's say your annual income today is \$75,000. Furthermore, let's assume inflation continues to increase at a 3% annual rate and you wish to maintain the same standard of living in 2028 as you do today. With these assumptions, it would cost you approximately \$135,000 per year (in 2028) to maintain the standard of living you have today.

At first blush, it appears that your two million portfolio, assuming it generated at least 7% or \$140,000, would be sufficient enough for you to live the lifestyle you're planning for. However, you're planning on living longer than until 2028 right? What if you live another 20 years after that until 2048? Using the same assumptions of 3% inflation and \$75,000 in today's dollars, you'd need the equivalent of \$182,000 in income by 2038 and \$211,000 by 2043. Still in the ball park.

Bill's Bottom-line: We cannot predict the future with any certainty. Consequently, you are advised to control what you can control. Max out your retirement plans. Invest at least 40% of your money in stocks to try to outpace inflation. Utilize low-cost index funds and enhanced index funds by companies such as Vanguard and SEI. Stay out of debt. Live within your means. Meet with a qualified financial advisor at least annually.



Bill Losey, CFP®, CSA, America's Retirement Strategist™, has nearly 20 years experience in the financial planning industry and has been interviewed on the CBS Radio Network, CNNfn, and FOX's "Hannity & Colmes". Bill publishes *Retirement Intelligence*®, a free weekly award-winning newsletter that reaches over 5,000 subscribers worldwide, and is the author of ***Retire in a Weekend! The Baby Boomer's Guide to Making Work Optional***. Bill can be reached by calling 1-866-786-2521 or online at www.MyRetirementSuccess.com and www.RetireinaWeekend.com.