

Retirement Researcher

# Retirement Income Funding Plan – Optimization Map

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*This is part of our series highlighting the importance of retirement income frameworks and discussing our own framework: The Retirement Income Optimization Map.*

The next item the RIO Questionnaire covers is the Retirement Income Funding portion of the RIO framework, which is expressed in the next column as a series of arrows connecting the retirement assets to the retirement liabilities.

This is where you assess the path to your destination. Here you want to explore how well it all comes together, if you are “on track,” and what changes, if any, need to be made to your retirement journey.

This is the financial planning portion of your RIO Map. It is the map’s compass to help set you on your course to determine if your preferred tactics are more probability-based or safety-first. It is about making sure that assets are used efficiently to meet goals and cover liabilities. It is also about making sure that you are ready to make any necessary changes over time as your situation and plans evolve.

This analysis moves well beyond just considering the investment portfolio and its asset allocation.

For the retirement income funding portion, specific issues we look at include:

- your flexibility about changing your spending habits to achieve other objectives (Retirement Income Flexibility),
- your outlined plan for success and the coordination of your chosen tactics (Retirement Funding Analysis),
- your current views about the various financial planning strategies and tactics used to fund retirement income (Goal Funding Strategies), and

- your understanding of the link between your retirement income strategy and your goals (Financial Planning Context).

How do your chosen tactics complement each other in your Retirement Income Framework? Have you optimized the tactics within Reliable Income in light of the other sections of the RIO map and their underlying tactics?

You really want to take a step back and see the bigger picture here to get a better sense of how all the moving pieces can best fit together.

Because retirees generally will still have a number of lifestyle and legacy goals that they want to accomplish on their RIO Map, it is frequently important to maintain investments in the stock market. However, proper planning will include layering in other income sources to provide alternative methods of retirement income funding that help decrease sequence of returns and longevity risks.

Only focusing on the investment portfolio can lead to suboptimal outcomes. With this retirement income funding framework in place, you no longer have to hope for the best from your investments.

Although market returns are still important, the RIO Map has identified ways to buffer market volatility and other external shocks while still achieving your retirement income success.