Building a Volatility Buffer to Preserve Your Portfolio's Lifespan

LIFE BROKERAGE

There are two common mistakes that erode an investment portfolio during retirement:

1. Selling assets in a down year.
2. Pulling money out before knowing the actual rate of return.

The Financial Industry Consists Of 2 Superpowers:

1. Banks & Wire houses (Rate of Return)
2. Insurance Companies & Actuarial Science (Mortality Risk & Pooling)

Retirement Planning:

There are 2 rates that make up everyone's Retirement Income:

- **Accumulation Rate**
- **Distribution Rate**

Understanding how retirement income streams work (distribution) defines how to pack your bag in Pre-Retirement. **Begin with the end in mind**.

If you were going to climb a mountain, would you get a guide? What if the guide said to you that they were pretty sure you would get to the top of the mountain, but they weren't sure how you would get back down? Would you use that guide or find a different one?

Your retirement plan needs a safe route back down the mountain: Drawing on a volatility buffer, a pool of assets that moves independently of stocks, so you can cover spending during a market slump instead of selling investments at a loss.

What Is A Volatility Buffer?

A non-correlated asset that a retiree may spend in retirement in the years following a negative return in the stock market to support their retirement lifestyle.

Types Of Buffer Assets:

1. **Cash value whole life, current assumption life, or indexed universal life insurance**

2. **Cash**

How Does A Buffer Preserve Wealth?

Bear markets are short-lived — The average length is 289 days (9.6 months). Half of the S&P's best days occurred during a bear market. Having a buffer asset gives retirees the confidence never to have to sell equity assets in a down market year.

Sequence of Return Analysis - Mr & Mrs Client Both Age 44

Building Assets/Accumulation Phase
Withdrawals: None
Starting Value for Portfolio A and B: $162,598

Taking Withdrawals/Distribution Phase
Withdrawals: $76,000
Starting Value for Portfolio A and B: $1,000,000

Age	Portfolio A		Portfolio B		Age	Portfolio A		Portfolio B	
	Annual Return	Year-End Value	Annual Return	Year-End Value		Annual Return	Year-End Value	Annual Return	Year-End Value
44	-9%	$147,964	19%	$193,492	69	-9%	$840,835	19%	$1,099,554
45	-12%	$130,208	18%	$228,320	70	-12%	$673,051	18%	$1,207,788
46	-22%	$101,563	22%	$278,551	71	-22%	$465,696	22%	$1,380,775
47	14%	$115,781	-8%	$256,266	72	14%	$444,247	-8%	$1,200,389
48	19%	$137,780	15%	$294,706	73	19%	$438,208	15%	$1,293,041
49	5%	$144,669	8%	$318,283	74	5%	$380,314	8%	$1,314,399
50	17%	$169,263	23%	$391,488	75	17%	$356,041	23%	$1,523,225
51	1%	$170,955	-3%	$379,743	76	1%	$282,836	-3%	$1,403,803
52	-3%	$165,827	16%	$440,502	77	-3%	$200,627	16%	$1,540,246
53	22%	$202,308	19%	$524,198	78	22%	$152,038	19%	$1,742,446
54	19%	$240,747	30%	$681,457	79	19%	$90,480	30%	$2,166,374
55	6%	$255,192	10%	$749,603	80	6%	$15,343	10%	$2,299,406
56	-15%	$216,913	-15%	$637,162	81	-15%	-$51,563	-15%	$1,889,890
57	10%	$238,604	6%	$675,392	82	10%	-$140,324	6%	$1,922,719
58	30%	$310,186	19%	$803,717	83	30%	-$281,228	19%	$2,197,589
59	19%	$369,121	22%	$980,534	84	19%	-$425,108	22%	$2,588,333
60	16%	$428,180	-3%	$951,118	85	16%	-$581,291	-3%	$2,436,958
61	-3%	$415,335	1%	$960,630	86	-3%	-$637,577	1%	$2,384,562
62	23%	$510,862	17%	$1,123,937	87	23%	-$877,705	17%	$2,701,012
63	8%	$551,731	5%	$1,180,133	88	8%	-$1,030,007	5%	$2,756,258
64	15%	$634,490	19%	$1,404,359	89	15%	-$1,271,914	19%	$3,189,501
65	-8%	$583,731	14%	$1,600,969	90	-8%	-$1,240,086	14%	$3,549,385
66	22%	$712,152	-22%	$1,248,756	91	22%	-$1,605,631	-22%	$2,709,236
67	18%	$840,339	-12%	$1,098,905	92	18%	-$1,984,330	-12%	$2,317,244
68	19%	$1,000,000	-9%	$1,000,000	93	19%	-$2,451,799	-9%	$2,039,527
	8%	$1,000,000		$1,000,000		8%	$0	8%	$2,039,527

No difference on final portfolio even though the patternof market performance varied significantly

Significant difference in how long the portfolio lasted based on the pattern of market performance

Charts are hypothetical and for illustrative purposes only and are not intended to indicate future investment results

Ready to build your volatility buffer?

Reach out to LIFE Brokerage's advisor support team for case design, carrier options, and prospect-friendly materials—so you can help retirees spend confidently through every market cycle.

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