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Retirement Income Blueprint: Turn Your Savings Into a Paycheck That Lasts 30 Years

Saving for retirement and drawing from retirement are two completely different jobs. Most households spend decades optimizing the accumulation side and arrive at retirement with no clear system for converting savings into sustainable income. This blueprint builds that system: four coordinated income buckets, a tax-efficient withdrawal sequence, a bucket strategy that matches assets to time horizons, a disciplined approach to RMDs before they force your hand, Social Security timing math, and withdrawal rates calibrated to your actual allocation. Work through it with real numbers and you will have a written income plan — not a vague intention — before the end of the week.

1. Foundation

Retirement income planning starts with a single uncomfortable truth: a portfolio that grew well does not automatically pay you efficiently. Without a deliberate system, retirees tend to pull money from whatever account is most accessible, skip tax-efficient sequencing, delay Social Security past the optimal window, and get blindsided by Required Minimum Distributions that push them into higher brackets they did not see coming. The blueprint prevents those defaults by giving each dollar a role in a coordinated strategy.

The four retirement income buckets organize every asset you own into a functional role. Bucket one holds Social Security income, pension payments, and any annuity that generates a predictable monthly check regardless of what markets do. These guaranteed-income sources are the foundation because they cover fixed expenses without requiring portfolio withdrawals in bad markets. Bucket two holds qualified dividends and interest from bonds, dividend-paying equities, and any rental income. Bucket three is your tax-deferred accounts — traditional 401(k), traditional IRA, 403(b) —

which will eventually become RMD-subject accounts. Bucket four is your Roth accounts, which grow and distribute tax-free and have no RMD requirement during the owner's lifetime. Knowing which bucket an asset belongs to tells you how it should be invested, when it should be tapped, and how it is taxed. Most households have assets scattered across all four without a plan for coordinating them.

Withdrawal sequencing is the most tax-leveraged decision most retirees never make explicitly. The conventional sequence — taxable accounts first, then tax-deferred, then Roth — works well as a default because it defers taxes as long as possible and allows Roth accounts to compound for decades. Taxable brokerage accounts come first because long-term capital gains rates are typically lower than ordinary income rates, and the assets there have already partially been taxed. Tax-deferred accounts come second because every dollar withdrawn is ordinary income, but deferring those withdrawals gives you more years at lower brackets. Roth accounts come last because qualified distributions are tax-free, making them the most valuable dollars you own. The exception to this sequence is the Roth conversion window between retirement and age 73 when RMDs begin, a period when deliberately pulling from traditional accounts at low brackets — and converting the excess to Roth — can permanently reduce future tax exposure.

Sustainable withdrawal rates depend on your asset allocation, not just the 4% rule. William Bengen's research and the Trinity Study established 4% as a reasonable starting point for a 30-year retirement with a 50–75% equity allocation, but the actual safe rate shifts materially with allocation and time horizon. A portfolio holding 30% equities historically supports a lower sustainable withdrawal rate, roughly 3.5%, because bond-heavy portfolios have less growth potential to recover losses. A portfolio at 70–80% equities has historically supported slightly above 4% over very long horizons, but it requires tolerating significant short-run volatility. A 25-year retirement has a higher safe withdrawal rate than a 35-year retirement. A 40-year early-retirement horizon should use 3.3–3.5% to get the same historical survival probability. These numbers are starting points, not guarantees. The real value of knowing them is that they tell you what your spending level actually costs at different portfolio allocations, which is the first step in building a realistic income plan.

2. Step-by-Step System

1

Map every income source you expect in retirement

Before touching investment accounts, list every income source that will exist independent of portfolio withdrawals. Your estimated Social Security benefit at ages 62, 67, and 70 — pull the actual numbers from your Social Security statement at ssa.gov/myaccount. Any pension, its monthly payout at normal retirement age, and the survivor benefit options available. Any annuity income you already own or plan to purchase. Rental income net of taxes, insurance, maintenance, and vacancy. Part-time work or consulting income and a realistic expected duration. Write each amount as an annual figure and note whether it is inflation-adjusted. Social Security has a cost-of-living adjustment; most pensions do not. Once you have the list, add the guaranteed income total and compare it to your projected annual spending. The gap between spending and guaranteed income is the amount your portfolio must fund. That gap is the number that drives everything else in this blueprint.

2

Design the bucket strategy around your time horizons

The bucket strategy divides your portfolio into three segments based on when the money will be needed. Bucket one covers the next 1 to 2 years of living expenses beyond guaranteed income. Keep this in cash, money market funds, or short-term CDs — instruments that do not lose nominal value even in a market crash. If guaranteed income plus part-time work covers 80% of spending, bucket one only needs to cover about 2 years of the remaining 20% gap, which might be \$25,000–\$40,000 for a typical household. Bucket two covers years 3 through 10. Hold intermediate bonds, bond funds, I Bonds, short-duration bond ETFs, or dividend-focused equity ETFs. The goal is modest growth that outpaces inflation while being stable enough to refill bucket one during a stock market downturn without locking in equity losses. Bucket three covers year 11 and beyond — this is 100% equity-focused for long-term growth. In a bad market, you draw from buckets one and two while bucket three recovers. When markets are good, rebalance by trimming bucket three gains to replenish buckets one and two. This system transforms market volatility from a retirement threat into a mechanical rebalancing trigger.

3

Optimize Social Security timing for your household

Social Security benefits grow roughly 8% per year for each year you delay claiming beyond Full Retirement Age (FRA), up to age 70. FRA is 67 for anyone born 1960 or later. Claiming at 62 permanently reduces your benefit to about 70% of the FRA amount; claiming at 70 increases it to about 124% of FRA. The breakeven point — where delaying pays off more in total lifetime benefits — is typically around age 80 to 82, depending on FRA benefit size. For a single earner in good health, delaying to 70 is usually the best strategy because the higher monthly benefit acts as longevity insurance: you cannot outlive it. For married couples, the higher earner should almost always delay to 70, because that is the benefit the surviving spouse will collect for the rest of their life. The lower earner can claim earlier to provide bridge income. Run the actual numbers with [opensocialsecurity.com](https://www.opensocialsecurity.com) using your real benefit estimates and your household's ages, health expectations, and other income sources. The difference between optimal and suboptimal claiming can easily be \$100,000 to \$200,000 in lifetime income for a typical household.

4

Execute the Roth conversion window before RMDs begin

The years between retirement and age 73 — when Required Minimum Distributions begin — represent a tax planning opportunity that most retirees underuse. If you retire at 62 with modest other income, your taxable income may be near zero, which means you can convert traditional IRA or 401(k) money to Roth at the 10%, 12%, or 22% bracket without triggering the higher brackets that RMDs will force later. The math: assume a \$1.2 million traditional IRA growing at 6% annually. By age 73, it will have grown to about \$2.15 million. The RMD on that balance in year one is roughly \$81,000 — all ordinary income. If you have other income, much of that could land in the 22-24% bracket. By contrast, converting \$50,000-\$80,000 per year during the gap years at 12-22% permanently reduces the traditional IRA balance, reduces future RMDs, and fills Roth accounts that will compound tax-free indefinitely. Model the conversion amount by filling your current bracket to just below the next threshold. Then compare the projected RMD tax cost against the conversion cost today. In most cases, the gap-year conversion wins significantly, especially if you expect taxes to rise.

5

Build the RMD planning system for age 73 and beyond

Required Minimum Distributions are calculated using IRS Uniform Lifetime Table factors applied to the account balance on December 31 of the prior year. At age 73, the distribution factor is 26.5, meaning a \$500,000 traditional IRA requires a \$18,868 minimum withdrawal that year. At 80, the factor drops to 20.2, requiring \$24,752 from the same \$500,000 balance. RMDs stack on top of all other income — Social Security, pension, rental, part-time work — and can push you into higher brackets, trigger a higher Medicare premium surcharge (IRMAA), and make a larger share of Social Security benefits taxable. The planning response is threefold. First, reduce traditional account balances before age 73 through Roth conversions. Second, plan distributions in a way that keeps you in the lowest feasible bracket each year — sometimes taking slightly more than the RMD in good income years to prevent bracket compression later. Third, consider qualified charitable distributions (QCDs): if you are 70½ or older, you can donate up to \$105,000 per year directly from a traditional IRA to a qualified charity. The QCD counts against your RMD but is excluded from taxable income, making it the most tax-efficient charitable vehicle available to retirees.

6

Set withdrawal rates by allocation and sequence risk

The sustainable withdrawal rate for your portfolio is not the same as the historically tested 4% — it depends on your allocation, retirement duration, and flexibility. A 30-year retirement with a 60/40 portfolio has historically supported about 4.0–4.2% initial withdrawal with 90%+ success in Monte Carlo simulations. A 35-year retirement at the same allocation drops to about 3.7–3.9%. A 40-year horizon at 60/40 should use 3.3–3.5% for comparable safety. Sequence-of-returns risk — the damage done by large losses in the first five years — is the biggest threat to withdrawal sustainability. Guard against it with three tactics: maintain a 1-2 year cash bucket so you never sell equities in a down market, use a flexible withdrawal approach where you reduce spending by 5–10% in years when the portfolio is down, and set a hard floor below which you will not cut spending (usually 85–90% of your initial amount) so you have a lower bound for planning. Document your target withdrawal rate, your floor, and the adjustment rule before you retire, then review it annually alongside your portfolio balance and the current market environment.

3. Key Worksheets & Checklists

Use these worksheets with your actual account statements and Social Security estimates. The income map is the foundation; all the sequencing and tax decisions flow from those numbers. Update the bucket allocation annually and after any large market move that shifts your bucket ratios by more than 10 percentage points.

Retirement Income Map

Social Security – own benefit	Annual amount at your planned claiming age from ssa.gov. Note FRA benefit and age-70 benefit side by side.
Social Security – spousal/survivor	Higher earner's age-70 benefit becomes the survivor benefit. Record that number separately.
Pension income	Annual amount at normal retirement, survivor option chosen, inflation adjustment (if any).
Annuity income	Annual guaranteed amount, start date, inflation rider (yes/no).
Rental / other guaranteed	Net annual income after taxes, insurance, maintenance, management fees.
Total guaranteed income	Sum of all above sources.
Annual spending target	Current spending plus retirement-specific additions (travel, healthcare) minus eliminated costs (commuting, savings contributions).
Portfolio income gap	Spending target minus total guaranteed income. This is the annual amount your portfolio must fund.
Required portfolio size	Portfolio income gap ÷ your sustainable withdrawal rate (e.g., 0.04 for 4%).

Bucket Strategy Allocation Worksheet

Bucket 1 target (cash, 1-2 yr)	Portfolio income gap \times 2 years. Hold in HYSA, money market, short-term CDs.
Bucket 1 current balance	Total of all cash, savings, and very short-term fixed instruments today.
Bucket 2 target (bonds, 3-10 yr)	Portfolio income gap \times 8 years. Hold in intermediate bond funds, I Bonds, TIPS, dividend ETFs.
Bucket 2 current balance	Total of bonds and bond funds held in retirement accounts and taxable.
Bucket 3 target (equity, 10+ yr)	Remaining portfolio after buckets 1 and 2. Total market, international, and growth equity.
Bucket 3 current balance	Total equity holdings across all accounts.
Rebalancing trigger	Replenish bucket 1 when it falls below 9 months of needs; trim bucket 3 when equities gain 15%+ in a year.

Roth Conversion Planning Checklist

- Pull your current-year taxable income estimate including any part-time or investment income.
- Find the top of your current marginal bracket (12% ends at \$47,150 single / \$94,300 MFJ for 2024).
- Calculate how much traditional IRA or 401(k) you can convert while staying in your current bracket.
- Model the traditional IRA balance at age 73 with no conversions versus with conversions: compare projected RMD tax cost.
- Check whether conversions would trigger IRMAA surcharges on Medicare Parts B or D (income thresholds start at \$103,000 single / \$206,000 MFJ).
- Confirm you have non-IRA cash to pay the conversion tax bill so you are not depleting the account you are converting.
- Schedule conversions in Q4 after you know your full-year income so you can top off the bracket without overshooting.

4. Common Mistakes

Claiming Social Security too early without modeling the cost

Claiming at 62 instead of 70 can permanently reduce monthly income by 40–54% compared to the maximum benefit. For a \$2,400 FRA benefit, that is the difference between \$1,680 and \$2,976 per month — a \$15,552 annual gap that lasts for life, and the surviving spouse inherits the lower number. Run the breakeven math explicitly before making this irreversible decision.

Ignoring the Roth conversion window

The years between early retirement and RMD age are a narrow tax window. Every year it goes unused is potentially tens of thousands of dollars in future taxes that could have been paid at 12% instead of 22–24%. Most households who retire before 65 have an 8–12 year window to do meaningful conversions. Treating it as optional leaves significant lifetime tax savings on the table.

Holding the same allocation throughout retirement

A portfolio that was appropriate at age 60 may be too aggressive at 80 or too conservative at 62. The bucket strategy requires active rebalancing. Without it, a prolonged bull market inflates bucket three until it dominates risk exposure, and a crash at the wrong moment forces selling equities at a loss to fund living expenses — which is exactly what buckets one and two are supposed to prevent.

Underplanning for IRMAA and Medicare costs

Medicare Part B and D premiums increase significantly at certain income thresholds. In 2024, single filers with MAGI above \$103,000 pay a Part B surcharge of \$69.90/month; above \$129,000 the surcharge is \$174.70/month. A large Roth conversion or RMD in a single year can trigger IRMAA for the following year. Plan income by year, not by average, and model the Medicare impact before executing any large distribution or conversion.

5. Next Steps

With your income map complete, your bucket allocations funded, and your Roth conversion schedule documented, run the withdrawal plan through [cFIREsim](#) or [FIRECalc](#) using your actual income sources, planned withdrawals, and allocation. Check the Social Security optimal claiming date at [opensocialsecurity.com](#) with your real SSA benefit estimates. Model the RMD impact and Roth conversion tradeoff using the IRS Uniform Lifetime Table and your current traditional IRA balance projections. Review the full plan annually — update the bucket balances, check whether the conversion target still makes sense given current-year income, and verify that your sustainable withdrawal rate still matches your portfolio allocation and remaining horizon.

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