

Father of 4% Rule Shares 8 Steps to Finding the Right Retirement Spending Rate



By [Jane Wollman Rusoff](#) Q&A August 25, 2025 at 12:01 PM

Bill Bengen, famed in the industry for conducting the research that spawned the "4% rule" for portfolio withdrawals in the first year of retirement, hasn't stopped digging in since his pivotal paper on the subject was published in 1994.

At times, he has shifted his recommendation higher or lower.

In 2020, he raised it to 4.7%. In 2022, he [reduced that](#) to 4.4% or 4.5%. Now, he argues, even 4.7% is way too low for a 30-year retirement.

"I recommend somewhere around 5.5% per person retiring today; 4.7% is very meager," he says in an interview with ThinkAdvisor.

In the interview, Bengen, a 25-year financial advisor with his own firm who retired in 2013, discusses the eight elements of the personal retirement withdrawal plan he recommends in his new book: "[A Richer Retirement: Supercharging the 4% Rule to Spend More and Enjoy More](#)." (In the work, he recommends 4.7% for the first year of 30 years of retirement.)

He also explains Safemax — the Safe Maximum Withdrawal Rate — which he says, is “the highest withdrawal rate you can take for your portfolio that guarantees it will last according to your plan horizon.”

In our conversation, Bengen goes on to reveal four “free lunches,” as he dubs them, to enhance retirement portfolios and why mutual funds and ETFs are providing “a nirvana for investors.”

Here are highlights of our interview:

THINKADVISOR: You argue that your research work is science. Do you mean as opposed to your opinion?

BILL BENGEN: I’m trying to take a scientific approach — to observe things, determine patterns, relationships between variables.

It’s not a comfortable kind of science compared to, say, physics, where you use mathematics and formulas. We don’t have anything like that in economics.

It’s empirical, based upon experience and experimentation rather than theoretical concepts.

THINKADVISOR: You write much about Safemax, calling it “the single most important parameter of [one’s] personal withdrawal plan.” Please elaborate.

BENGEN: A concept rooted in history, it’s the highest withdrawal rate you can take from your portfolio that guarantees it will last according to your planning horizon. Every individual has their own Safemax.

THINKADVISOR: You've "been unable to identify a single retiree candidate for likely failure of the 4.7% rule," you write. What's the reason?

BENGEN: I don't see anything right now that indicates retirees have to worry about withdrawing less than 4.7%. It doesn't look like we have the environment where we need to be concerned, like we were in [during the late '60s](#) when we had a decade of 8% or 9% inflation.

The rule applies to the first year of retirement, and after that you give yourself a cost-of-living increase. It works kind of automatically.

THINKADVISOR: So you're sticking with the 4.7% rate and not being conservative figuring that it might be too high?

BENGEN: Actually, that's an ultra-conservative number. In the current environment, I recommend somewhere around 5.5% per person retiring today; 4.7% is very meager.

That's based on today's conditions. As market valuations change and inflation prospects change, that number will change.

If you take out 4.7%, you'll probably have a huge amount of cash in your account when you're in your 90s wondering, "Why didn't I spend more?"

THINKADVISOR: Walk us through the eight elements of the personal retirement withdrawal plan that you recommend in your book. First, there's Withdrawal Scheme.

BENGEN: These are the mathematical rules you use to figure out how much you're going to withdraw each year.

The most common scheme is the cost-of-living adjustment scheme, which operates just like Social Security, where you apply a percentage, whether 4.7%, 5% or 6%.

That will give you the withdrawal percentage for the first year and then after that, you add the inflation adjustment so you can keep up with it.

THINKADVISOR: The next one is Planning Horizon.

BENGEN: It's essential for people to recognize that this is different from their life expectancy. You don't want to [run out of money in your 90s](#), wishing you had taken a longer time horizon.

If you think your life expectancy is 25 years, plan for 35 or even 40. It's going to reduce your withdrawal rate, but will give you that margin of safety in case you live much longer than you'd expected.

THINKADVISOR: Then there's Taxable vs. Non-taxable Portfolios. You recommend "computing your average income tax rate and using it as the basis for computing Safemax for your portfolio." How does the 4.7% rule play into that?

BENGEN: I've done most of my work about tax-advantaged or tax-free portfolios, and this is where the 4.7 % rule applies.

If you have a taxable account, it will reduce the balance in the account and the withdrawal rate.

THINKADVISOR: Leaving a Legacy to Your Heirs is another element.

BENGEN: The 4.7% rule assumes that your money will run out in 30 years. That's not necessarily what some people prefer. They would like to be able to leave their heirs an inheritance, a balance in their account when they pass on.

If you do, it's easy to calculate the effects on your withdrawal rate. The more you want left in your account, the lower the withdrawal rate will be.

THINKADVISOR: The fifth element you present is Asset Allocation.

BENGEN: The kinds of investments you have are very important to your overall portfolio and withdrawal rate. You really want to focus on a well-diversified portfolio of global assets of different company sizes, not just United States assets.

Today, you may want to get into gold, other commodities, bitcoin or real estate investment trusts [REITs]. There are lots places to invest your money.

The lesson in my book is if you build a highly diversified portfolio of high-quality assets — mutual funds and exchange-traded funds — you should be OK.

Today, there are so many great funds available at such low cost that it's, kind of, a nirvana for investors. They can get just about any asset class they want on the cheap.

THINKADVISOR: Will increasing the number of asset classes increase the 4.7% to a higher percentage?

BENGEN: It will, but it won't be large. Ultimately, we're going to tap out somewhere at around 5%.

THINKADVISOR: The sixth element you write about is **Portfolio Rebalancing**.

BENGEN: Professional investors will typically bring their portfolios back to the original allocation maybe every two, five or six months. I prefer a year.

I think every year works best for retirees across all kinds of conditions, though if you retire in a bull market, you might want to delay rebalancing to give your investments a chance to compound.

I'm not necessarily saying to do that. But if you're retiring in a new big bull market, there's an opportunity for improving the situation if you rebalance less frequently.

THINKADVISOR: No. 7 is **Striving for Above-Market Returns**.

BENGEN: That's the subject of much debate today. A lot of active managers are having difficulty meeting their benchmarks.

Therefore, are you willing to accept an index return that's available at very, very low cost; or do you want to take the risk of getting more aggressive and invest in individual stocks or other higher-risk assets?

The danger there is if you make a mistake and don't get the returns you hope for, you will really hurt yourself.

THINKADVISOR: The eighth element is Withdrawal Timing.

BENGEN: If, for some reason, you decide that each year you want to take out all your [annual] money at the beginning of the year, you'll need to have a lower withdrawal rate than if you waited till the end of the year.

Most people are somewhere in between. They withdraw money on a regular basis as if they were working.

THINKADVISOR: There's no free lunch, the saying goes. But you point out four free lunches, as you call them, in your book: diversification, timely rebalancing, tilting your equity allocation slightly toward small companies and micro-company stocks, and rising glide path investing. What do investors reap?

BENGEN: With those, you provide a little boost to your portfolio, based on my analysis of historical data.

It's nice to know there are things you can do in your portfolio without having to take additional risk.

Every little bit helps in retirement.