

Financial Planning for a Long Life

â??I once had a client tell me his goal was to die with just enough money to pay his very last doctorâ??s bill,â?• says CAPTRUST Financial Advisor Mike Gray. Even though the comment was made in jest, the client was serious about not exhausting his money too soon. Gray says this is a common concern.

After all, no one knows how long theyâ??re going to live. So how do they know they wonâ??t run out of money?

â??We recommend people do their financial planning with the assumption that theyâ??re going to live a long time because of better preventive medicine and better treatments,â?• says Gray, whoâ??s based in Raleigh, North Carolina.

Many retirees today need sufficient liquid investments to last 20 to 40 years. Otherwise, they face a *longevity risk*, which means they might survive longer than expected and outlive their resources.

â??You may not live to 100,â?• says Gray. â??But what if you live to 97, and you only planned for your money to last until you were 90? Then youâ??ll spend the last seven years broke. You donâ??t want to be down to your last nickel.â?•

Thatâ??s a scary thought, but it can happen, says Gray. â??Iâ??m currently working with a client whose mother is 93 and has had dementia for seven years. She has survived COVID-19 three times. Now sheâ??s living in an expensive long-term-care facility, and heâ??s watching her burn through her

---

assets.â?•

His client doesnâ??t want to be in the same situation.

Recent surveys reinforce the wisdom of long-term financial planning. In America, the average retirement age is 62 to 65 years old. A 65-year-old man can expect to live to age 82.5 (about 17.5 years in retirement), and a 65-year-old woman can expect to live to age 85 (about 20 years in retirement), according to the Centers for Disease Control and Prevention.

Although a small percentage of people currently make it to 100, a 2024 report from the Pew Research Center says there will be many more centenarians in the coming decades.

Calculating Expenses

Several factors go into fiscal planning for a century-long life, from expenses and asset allocation to inflation and market volatility. As a financial planner, Nick DeCenso, CAPTRUST senior director of wealth solutions, says estimating how much retirees will spend is the hardest part of developing a plan.

â??We know our clientsâ?? assets,â?• says DeCenso. â??We know what their income looks like. We know their Social Security benefits. We know their liabilities. But anticipating spending is tough.â?•

GET A HANDLE ON SPENDING

Monitoring expenditures is key to avoiding a financial shortfall in retirement.

One way to determine the amount you spend regularly is to look at the annual summary of expenses provided by credit card companies and financial institutions. Expenditures are usually divided into categories such as groceries, shopping, travel, entertainment, and wellness.

On top of these costs, there will be other recurring expenses, including mortgages, taxes, utilities, and insurance.

"In everybody's budget, there are some non-negotiable items such as power bills and health insurance, but the travel budget, discretionary entertainment, and dining out may be flexible," Gray says.

People are sometimes surprised when they examine their spending. One couple Gray worked with dined out constantly, and when they looked at the amount, they said, "Holy cow, we need to change that."

"We've had some situations where there were problems that were going to happen if they kept on the same excessive spending path, so we helped them right the ship," says Gray. "If your money can't last until your 90s, then your spending may have to be adjusted down so you can get there." A financial advisor can help you run the numbers and find places where you can cut back.

â??For the first three to five years of retirement, we often see a spike in spending,â?• he says. â??A lot of folks are taking trips theyâ??ve put off, leaning into their lifelong hobbies, or buying big-ticket items theyâ??ve always wanted. They tend to spend less later in retirement.â?•

Figuring out expenses is important, says Briana Smith, a CAPTRUST financial advisor in Raleigh, North Carolina. Smith helps clients develop plans for a life expectancy of 95.

â??We want to get as accurate a number as possible,â?• she says. â??For instance, we need to know if youâ??re spending $15,000 a year on groceries and $30,000 a year on travel.â?•

What might seem like a small difference on paper can have a significant impact when you grow these expenses with inflation over long periods. Smith says some people like to create a detailed budget. Others just want a general understanding of how much they spend.

Adding Costly Items

Beyond regular living expenses, each personâ??s long-term financial plan needs to incorporate occasional large expenditures, such as buying a second home or helping adult children purchase property, paying for weddings or grandchildrenâ??s educations, or some combination of those things.

These expenses are important because they have big potential to move the needle, jeopardizing the chance youâ??ll achieve your financial goals. â??You may end up paying for a wedding thatâ??s so expensive it impacts your retirement lifestyle,â?• Gray says.

Today, more clients are making big gifts to their children, grandchildren, and charities during their lifetimes, says DeCenso. â??If I live to 100, for example, that means my two daughters are going to be 70 before they get an inheritance. If Iâ??m able to give them financial gifts while Iâ??m still alive, then I get to see some of the fruits of those gifts.â?•

Some parents opt to give each child or grandchild the maximum annual amount that you can give without reporting it to the Internal Revenue Service. In 2024, that amount is $18,000 from one parent or $36,000 from both. â??Thatâ??s fine as long as it doesnâ??t put the parentsâ?? retirement plan in jeopardy,â?• Smith says.

Gray suggests taking care of yourself first. â??Make sure youâ??re comfortable with your resources and planning so you can have the lifestyle you want and eliminateâ??or at least mitigateâ??your risk of creating a financial shortfall.â?•

Models and Scenarios

Advisors use financial planning software to give clients a reasonably reliable look into the future.

The software considers factors such as age, assets, living expenses, charitable donations, automobile expenses, education costs, and gifting to family. Once all your expenses and sources of income are in the system, it can calculate different long-term financial scenarios, adjusting for inflation, market volatility, increased healthcare costs, and other factors.

The goal is to model multiple versions of the future so you can prepare accordingly. â??From there, we can determine how growth-focused each client needs to be, how much money theyâ??ll need available at key moments in their life, and how much of their total portfolio should be allocated to different types of investments,â?• Gray says.

For a lot of people, modeling creates peace of mind.

â??Weâ??ve worked with people who were absolutely petrified about the future, and after using these software tools, they were comfortable living a lifestyle that was considerably nicer than they thought they could ever afford,â?• says Gray.

Customizing Investments

Despite what many online calculators might say, when it comes to investments during retirement, there is no one-size-fits-all strategy. â??The best mix depends on each personâ??s unique assets and liabilities,â?• says DeCenso. â??Now more than ever, people are retiring with multiple assets beyond their homes and employer-sponsored retirement accounts.â?•

Besides Social Security and, in some cases, pensions, retirees might have other income streams, such as rental properties, business partnerships, or severance from a company. They might also be consulting or working full or part time.

â??All of this factors into how we decide on the right mix of equities and fixed income in investments,â?• says DeCenso.

Sometimes, retirees go too far in one direction. â??I see folks who are at each of the extremes,â?• he says. â??They think, Iâ??m retired, so Iâ??m going to be as conservative as possible with my investments.â?•

â??Other folks are too aggressive,â?• he says. â??They keep too high of a percentage of their assets in equities after retirement, which can create substantial risk.â?•

Thereâ??s a lot to consider when making investment decisions. Someone whoâ??s getting Social Security and has a pension and other sources of income might need to withdraw less from their portfolio. This person can afford to take more risks. But a retiree who receives smaller Social Security benefits and has no pension canâ??t afford to take as much risk.

Dividing Investments into Buckets

Smith suggests thinking about investments as buckets:

The Cash-Flow Bucket: Keep one to three years of your retirement withdrawal needs in cash or cash-equivalent accounts, such as a money market fund orâ??in todayâ??s interest rate environmentâ??an exchange-traded fund (ETF) that tracks a three-month Treasury bill. â??This can help retirees avoid selling stocks if thereâ??s a dip in the market,â?• Smith says.

The Income Bucket: This is money for the intermediate term. â??We recommend having roughly seven yearsâ?? worth of withdrawal needs in a more income-focused bucket, something that includes a balanced asset allocation with a mix of stocks and bonds,â?• she says. â??It could even include some private credit alternatives to boost yield.â?• This asset allocation is dependent on the retireeâ??s risk tolerance. â??You have a nice waterfall effect with dividends and interest flowing from

the income bucket to the cash-flow bucket,â?• Smith says.

The Growth Bucket: The first two buckets should fund the first 10 years of retirement. â??This creates peace of mind and allows clients to be more growth oriented with their longer-term assets in the third bucket,â?•
she says.

Avoiding a Financial Shortfall

The *4 percent rule* is a guideline that says if retirees withdraw 4 percent annually from their portfolios, they wonâ??t exhaust their savings. â??In general, this is a good budgeting strategy,â?• Gray says. â??However, itâ??s prudent to check your withdrawal percentage regularly. If your rate starts to creep up, then 4 percent might not be sustainable.â?•

In some cases, clients arenâ??t worried about running out of money. Theyâ??re more concerned with preserving investments to pass on to their heirs or favorite charities.

Smith suggests clients might want to live off dividends and interest to preserve the current buying power of their portfolio. She says financial advisors often coordinate with a clientâ??s estate planning attorney.

â??Sometimes, we need to help strategize the most tax-efficient estate plan,â?• Smith says. â??This could include setting up and funding certain types of trusts or simply considering which assets should be directed toward heirs versus charities.â?•

In some cases, people choose to leave homes to their children. Other retirees downsize during their golden years and use some home equity to cover expenses.

â??My mother-in-law is retired and conscious about her spending,â?• says DeCenso. â??She lives in a 3,000-square-foot house that is worth $1 million and is almost paid off. If she needs more money, she has a lot of equity to work with.â?•

Regular Check-ins

Retirement planning is not a one-time exercise. â??That would be nice, but itâ??s not realistic,â?• says DeCenso. â??Nothing will go precisely as planned. The markets wonâ??t move in a straight line and may do better or worse than everyone thought. Also, your spending will fluctuate and evolve. There will be times when you spend more or less than expected.â?•

Smith says she tells clients to revisit their plans annually or any time they have a major life change, such as moving to another state, having more grandkids, getting divorced, or having a death in the family.

DeCenso says some have a clear mental picture of the portfolio amount theyâ??re determined to stay at or stay above. â??They think: If I dip below my peak savings amount, it feels like Iâ??m trending toward zero,â?• he says. Sometimes, this type of thinking can cause more harm than good, causing

people to underspend and worry unnecessarily.

â??You saved for your retirement, so enjoy it,â?• he says. â??This is what those long years of saving were meant for.â?•



Scan this QR code with your mobile device camera to learn more about the three-bucket strategy.

Written by Nanci Hellmich.

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.

Legal Notice
This document is intended to be informational only. CAPTRUST does not render legal, accounting, or tax advice. Please consult the appropriate legal, accounting, or tax advisor if you require such advice. The opinions expressed in this report are subject to change without notice. This material has been prepared or is distributed solely for informational purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. The information and statistics in this report are from sources believed to be reliable but are not warranted by CAPTRUST Financial Advisors to be accurate or complete. All publication rights reserved. None of the material in this publication may be reproduced in any form without the express written permission of CAPTRUST: 919.870.6822.

Â© 2026 CAPTRUST Financial Advisors
