How long will savings last?

Start with $24,500 and assume no investment growth, fees or taxes. Withdraw $1,000 at the end of each month in year one. Compare keeping it fixed with raising it by 5% at the start of each later year.

A. Find the first month that falls short

Complete both columns. A full withdrawal is one the savings can cover in full. Month 1 is the first payment.

Over the next three years	0% inflation	5% inflation
Monthly withdrawal in year two		
Number of full withdrawals		
First month with a shortfall		
Amount savings pay in that month		
Amount uncovered in that month		

B. Set a withdrawal that lasts three years

Find the starting monthly amount that would use the $24,500 over 36 months. At 0%, all payments are equal. At 5%, the third-year payment is the starting amount multiplied by 1.05 twice.

0% inflation: _____

5% inflation: _____

Check your results in the linked planner. Enter the same savings, withdrawal and three-year term, then change inflation only.

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These are illustrative cash flows in US dollars. The annual change takes effect in month 13, then again in month 25 for withdrawals that are still funded.

A. The first month that falls short

Over the next three years	0% inflation	5% inflation
Monthly withdrawal in year two	$1,000.00	$1,050.00
Number of full withdrawals	24	23
First month with a shortfall	25	24
Amount savings pay in that month	$500.00	$950.00
Amount uncovered in that month	$500.00	$100.00

0%: After 24 withdrawals of $1,000, $500 is left. It covers half of the next $1,000 withdrawal.

5%: After 12 withdrawals of $1,000 and 11 of $1,050, $950 is left. The next $1,050 withdrawal falls $100 short.

B. The starting amount for 36 months

0%: Divide $24,500 by 36 equal payments to get about $680.56 per month.

5%: Divide $24,500 by 12 x (1 + 1.05 + 1.05 squared) to get about $647.63 initially. There are 12 payments at each annual level.

Discussion: Why does the starting amount go down when rising withdrawals have to fit the same original savings?