

## SWEETWATER FINANCIAL ADVISORS GUIDE

# 5 Questions to Help You Find Your Retirement Number

How much do you really need to retire comfortably? The answer is more personal than you think.

"How much do I need to retire?" is the question we hear most often — and the honest answer is: it depends. It depends on your lifestyle, your health, your income sources (such as Social Security and pensions), and your goals. This guide walks through the five questions that will help you build a realistic picture of your own retirement number.

## QUESTION 1

### How much income will I need in retirement?

Most financial planners use 70-80% of pre-retirement income as a starting estimate. But this varies significantly. If you plan to travel extensively or support family members you may need closer to 100%. If your mortgage is paid off and your lifestyle is modest you may need considerably less. Start with your actual current spending — not a percentage — and adjust for what retirement will look like for you specifically. Building in some flexibility for unexpected expenses is always wise.

## QUESTION 2

### What is the 4% rule — and should I use it?

The 4% rule is a widely used guideline suggesting that you can withdraw 4% of your portfolio in the first year of retirement and adjust for inflation each year, with a high probability of not outliving your money. It is a useful starting framework — not a guarantee. To apply it: divide your annual income needs from your investments by 0.04. If you need \$60,000 per year from investments, the 4% rule suggests a target of \$1,500,000. Your specific withdrawal rate should account for your investment mix, life expectancy, other income sources (such as Social Security and pensions), and flexibility to adjust spending.

## QUESTION 3

### How do Social Security and pensions change my number?

Social Security and pension income directly reduce how much your portfolio needs to generate. If your monthly expenses are \$5,000 and Social Security will pay \$2,500, your portfolio only needs to cover the \$2,500 gap. A \$500 per month increase in Social Security income is worth approximately \$150,000 in additional portfolio value at a 4% withdrawal rate — which is why Social Security claiming strategy matters so much.

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#### QUESTION 4

### Should I pay off my mortgage before I retire?

Our answer is yes — and we feel strongly about it. Entering retirement with a paid-off home is one of the most powerful financial decisions you can make. It immediately reduces your monthly income needs, eliminates one of your largest fixed expenses, and removes a significant source of financial risk from your retirement. There is no market that can take your home away from you if it is paid off. No bad year. No sequence of returns problem on that portion of your life. Just security. Some financial arguments exist for carrying a low-rate mortgage and investing the difference — but they depend on consistently achieving investment returns that exceed your mortgage rate, every single year, without flinching during downturns. Most people cannot do that in practice, even when they can on paper. Debt in retirement is a burden, not a strategy. If paying off your mortgage is within reach before you retire, make it a priority. Your future self will thank you.

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#### QUESTION 5

### How do I protect my retirement from a bad market at the wrong time?

This is the risk most people do not think about until it is too late — called sequence of returns risk. If the market drops significantly in the first few years of your retirement and you are drawing income from your portfolio, you may be forced to sell investments at depressed prices before they can recover. The damage can be permanent and difficult to overcome. The most effective strategies to protect against this: maintain 12 months of living expenses in cash so you are never forced to sell in a downturn; build a well-diversified portfolio that does not move in lockstep with the stock market; maintain a flexible spending plan so you can reduce withdrawals temporarily if markets fall; and work with an advisor who has a clear plan for exactly what to do when markets decline — not if. A bad market at the wrong time is one of the most powerful reasons to have a disciplined investment strategy and a trusted advisor before you retire, not after.

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### Want to know your specific retirement number?

Schedule a free 20-minute call — we will walk through your actual numbers and give you a clear, honest picture of where you stand.

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