

Find Your Fun Number!

Deep-dive into the “Secure Retirement Income Process”



Detroit Area Bogleheads

October 18, 2025

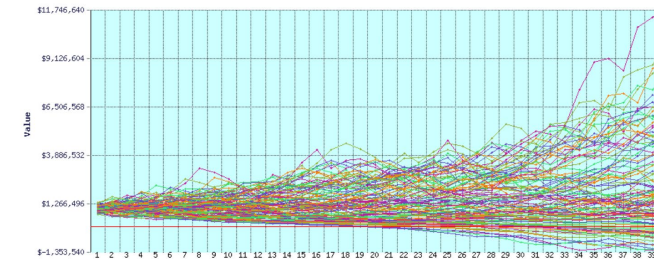
Mike Gaunt

Topics to Cover

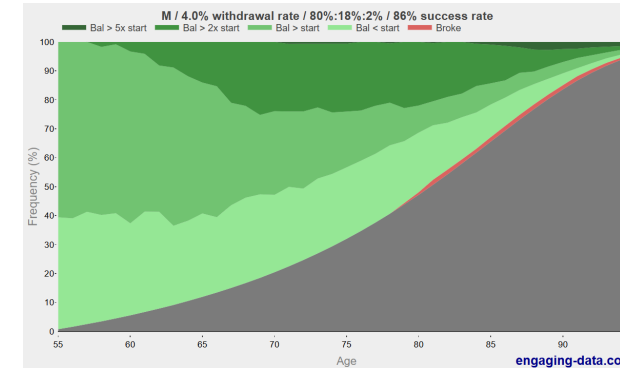
- My journey to this approach
- Secure Retirement Income Process
 - Why
 - What
 - How
- Examples

My 35-year Journey

- Early Years
 - Started with % of salary replacement
 - Accumulation, Burn rate spreadsheets
 - Target number
- Changing thoughts
 - Accumulating → Spending
 - 4% SWR, Dynamic withdrawals, Mont Carlo
 - Something not right
 - Cut spending, Delay spending, Fear of spending
- Now
 - Essential expenses covered
 - Increase early spending



FireCalc

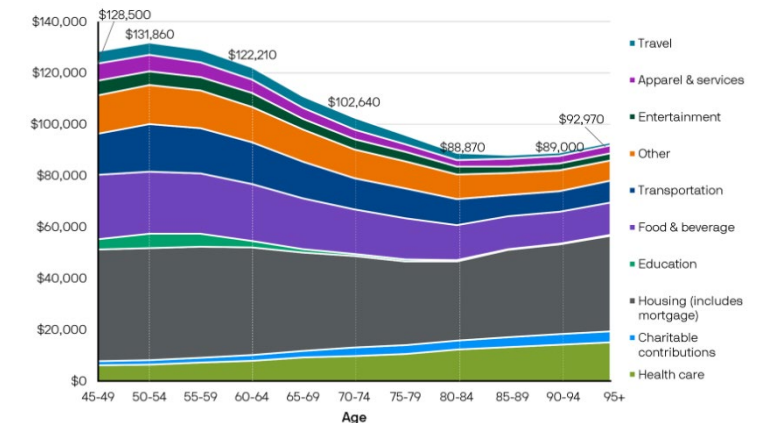


Rich-Broke-Dead



S&P 500 Index

Annual average household spending by age

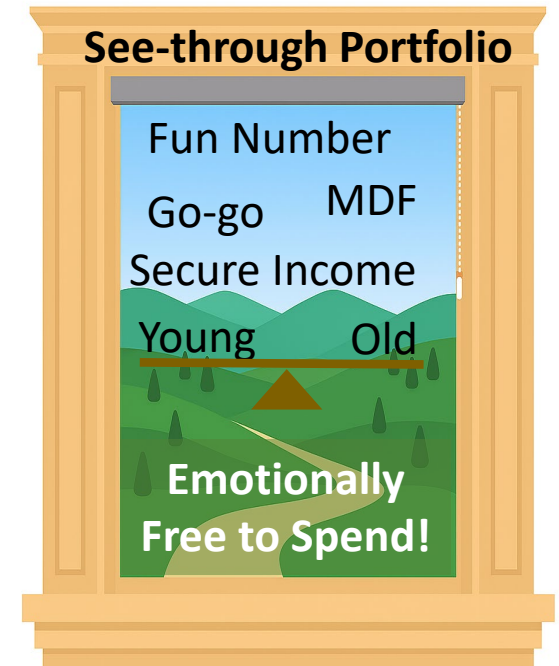


JP Morgan

Secure Retirement Income Process

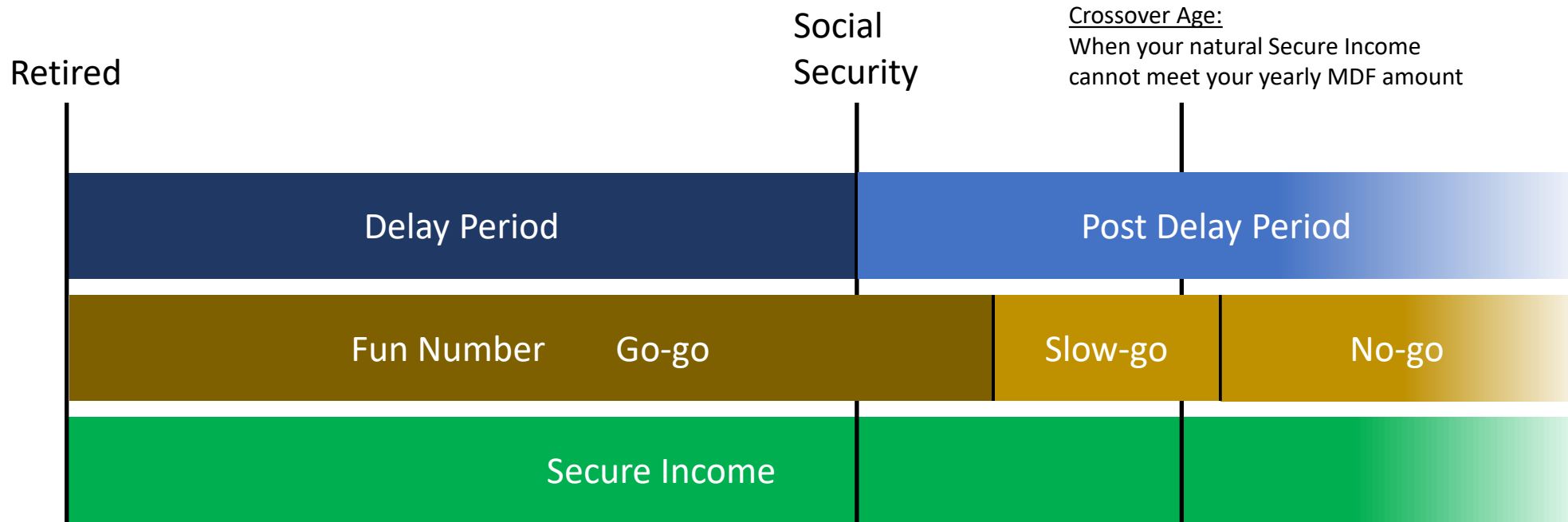
(The Fun Number Approach to Retirement Planning)

- Approach
 - Liability Matching
 - Seesaw balancing: Younger-you and Older-you
- Concepts
 - **Minimum Dignity Floor**
 - **Fun Number:**
 - The part of your portfolio you can freely spend
 - No rules. No budgets. No SWR
 - Distribution instead of Accumulation
 - See-through Portfolio
 - Go-go, Slow-go, No-go spending phases
 - Delay and Post-Delay Periods
 - Spending Segmented Investing
- Goals
 - Support Minimum Dignity Floor w/ Secure Income
 - Determine Fun Number to spend
 - Provide emotional comfort to spend



Secure Income + See-through Portfolio = Freedom to Spend!

Spending/Timing/Definitions



Minimum Dignity Floor (MDF):

Your essential expenses for life

5 Categories

- Food
- Utilities
- Transportation
- Housing
- Healthcare

Secure Income (funds the MDF):

1. Pre-determined and known
2. Cannot go down. Can stay constant or go up
3. Backed by a deep-pocketed 3rd party. Risk pooled (Pension, Social Security, Annuity)

Spending/Timing/Definitions

Above the Line

Minimum Dignity Floor

Guaranteed Inheritance

Funded By Secure Income

Below the Line

Aging/LTC

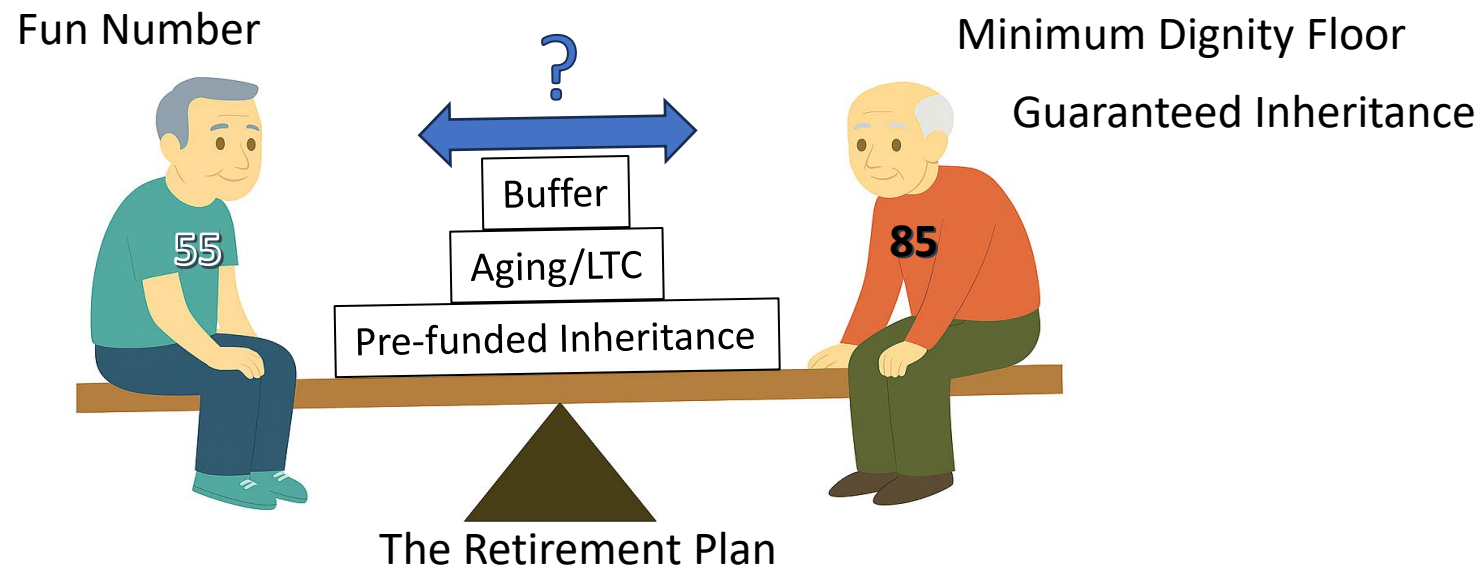
Buffer Reserve

Pre-funded Inheritance

Funded By Portfolio Positioning

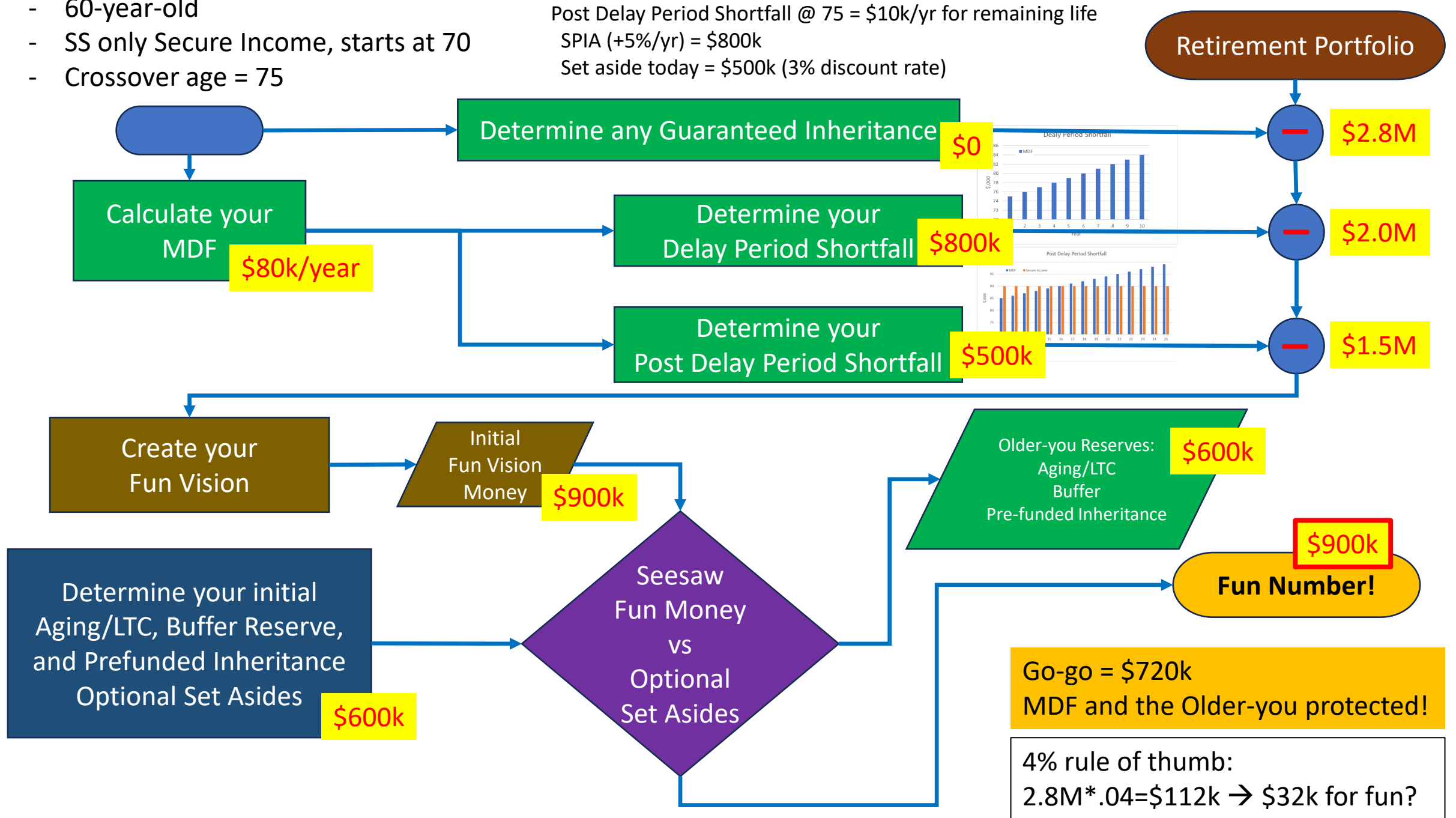
Seesaw Decision

- The younger-you gives an explicit promise to the older-you that your needs are covered
- The older-you gives implicit permission to the younger-you to spend
- Fun Money vs Optional Set Asides

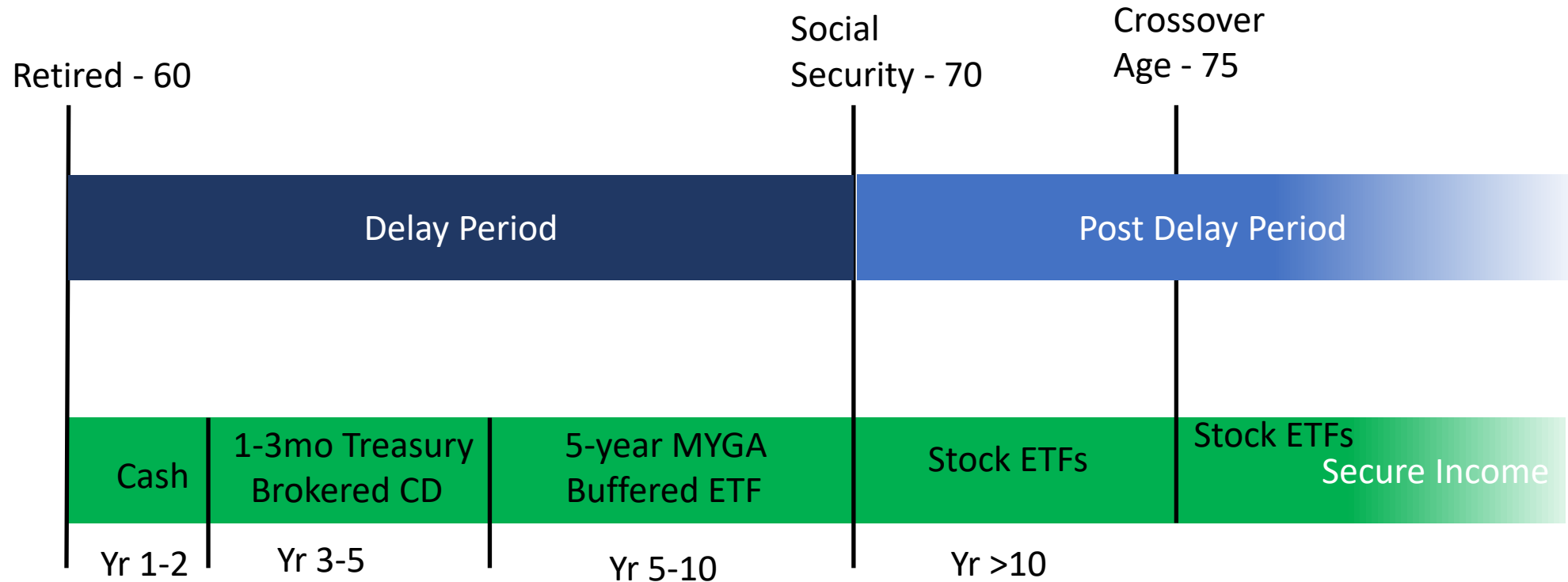


- 60-year-old
- SS only Secure Income, starts at 70
- Crossover age = 75

Post Delay Period Shortfall @ 75 = \$10k/yr for remaining life
 SPIA (+5%/yr) = \$800k
 Set aside today = \$500k (3% discount rate)



Spending Segmented Investing



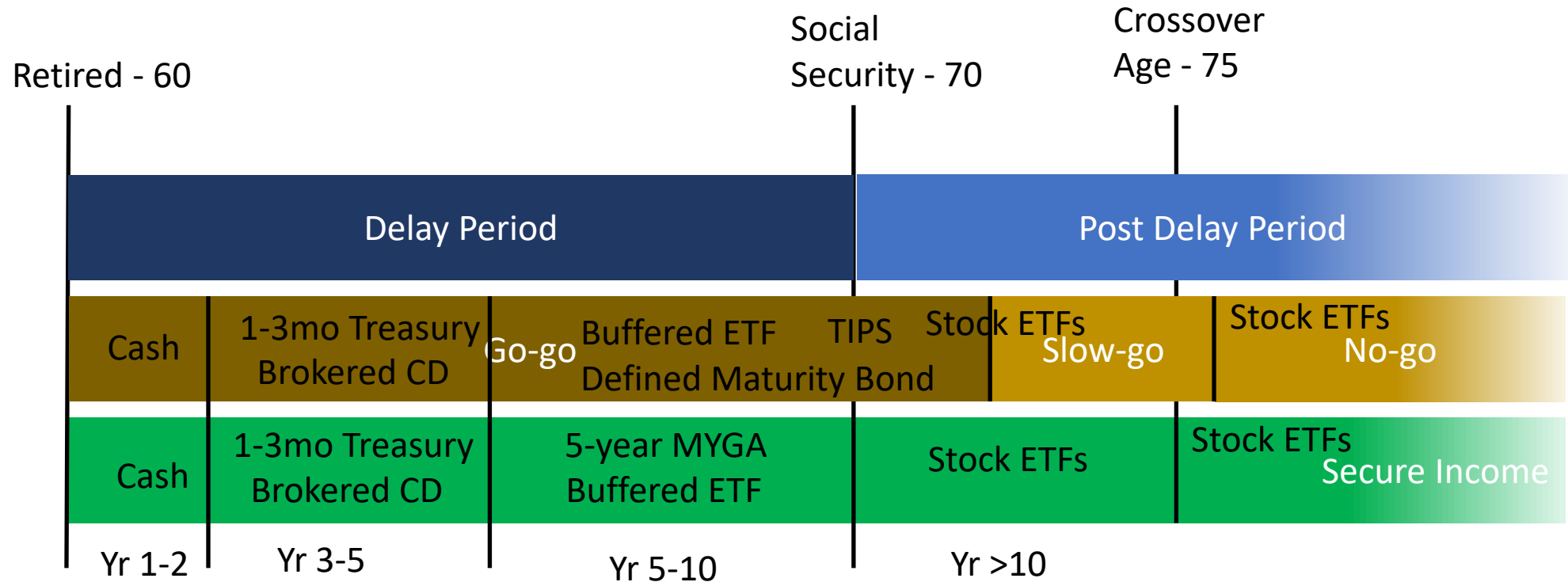
Secure Income – Delay Period 10 years

Low risk capacity = principle protected,
completely liquid spending ladder

Post-Delay Period MDF Reserve – Crossover Age 75

Risk Capacity: Mod to high based on discount rate (3%)
Stock ETFs to start

Spending Segmented Investing



Secure Income – Delay Period 10 years

Low risk capacity = principle protected,
completely liquid spending ladder

Post-Delay Period MDF Reserve – Crossover Age 75

Risk Capacity: Mod to high based on discount rate (3%)
Stock ETFs to start

Fun Number Go-go Spending – 12 years

No rigid annual budget
1-2 years liquid, Some principal protection
Really big year: Easy access, low taxes, low penalties

2000 Retiree

Would you be emotionally comfortable spending on Fun?

Social Security starts



Examples based on My Work

- 55 years old
- Scenarios
 - #1 Marginal/Planning to Retire (\$1.5M)
 - #2 Enough (\$3M)
 - #3 More than enough (\$5M)
- Far from Retirement? Other frameworks and processes may be better
 - Bogleheads investing philosophy
 - How much to save?
 - 4% rule of thumb, Monte Carlo, ...

My Work - MDF Calculation

I show these values above inflation	My inflation above CPI. This is for MDF spending! It may go up	Food+Household goods		1.0%	1.0%	1.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%
		Utilities		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
		Transportation		1.0%	1.0%	1.0%	0.5%	0.5%	-0.5%	-2.0%	-2.0%	-2.0%
		Housing+Income taxes		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
		Healthcare		10.0%	3.0%	3.0%	3.0%	4.0%	4.0%	4.0%	5.0%	5.0%
		Age	55	60	65	70	75	80	85	90	95	100
	Initial values came from Spending Spreadsheet	Food+Household goods	8,000	8,408	8,837	9,288	9,762	10,058	10,312	10,572	10,839	11,113
		Utilities	2,000	2,102	9,209	2,322	10,440	2,565	2,696	11,833	2,978	3,130
		Transportation	4,500	4,730	4,971	5,224	5,437	5,574	5,546	5,090	4,601	4,159
		Housing+Income taxes	10,000	15,510	16,046	11,610	12,202	12,824	18,478	14,166	14,889	15,648
		Healthcare	6,000	9,663	6,172	7,155	8,295	9,804	11,928	14,512	18,522	33,639

#1 Marginal/Early Planning

Reduce buffer, remove earmarks,
and work 3 more years

Fun Number Calculator (today's numbers):		Comments
Starting Portfolio	1,500,000	
Starting age	55	
SS @ 70	37,500	
Pension per year 65 to 70 avg	10,000	From Projections tab, average
MDF per year	50,000	From Projections tab, average
Death	95	I didn't use 100 because it may be too conservative
Delay Period	15	
Delay Period MDF Total	750,000	MDF*(Delay Period)
Delay Period Shortfall	700,000	Subtracted out Pension. Fund with TIPS Ladder
Post Delay MDF Total	1,250,000	
Post-delay Period MDF Shortfall Reserve	187,500	From Projections tab. (Average shortfall)*(Death - 70)
Preliminary Fun Vision	612,500	
Aging	LTC set aside	164,386 LTC costs \$100k/year now. 3 years. Subtract SS
Aging	House and lifetsyle	380,000 Typical spend is 1-3% of home value per year. See Aging House+Lifestyle tab for calc.
Prefunded Inheritance	-	
Buffer	250,000	5 years of additional MDF
Additonal earmarks	100,000	Charity
Fun Number!	(281,886)	
	1,781,886	Set asides

Fun Number Calculator (today's numbers):		
Starting Portfolio	2,000,000	
Starting age	58	
SS @ 70	37,500	
Pension per year 65 to 70 avg	10,000	
MDF per year	50,000	
Death	95	
Delay Period	12	
Delay Period MDF Total	600,000	
Delay Period Shortfall	550,000	
Post Delay MDF Total	1,250,000	
Post-delay Period MDF Shortfall Reserve	187,500	
Preliminary Fun Vision	1,262,500	
Aging	LTC set aside	168,764
Aging	House and lifetsyle	380,000
Prefunded Inheritance	-	
Buffer	200,000	
Additonal earmarks	-	
Fun Number!	513,736	
	1,486,264	

4% rule: 60k – 50k = \$10k

#2 Enough

Fun Number Calculator (today's numbers):		
	Starting Portfolio	3,000,000
	Starting age	55
	SS @ 70	37,500
	Pension per year 65 to 70 avg	10,000
	MDF per year	50,000
	Death	95
	Delay Period	15
	Delay Period MDF Total	750,000
	Delay Period Shortfall	700,000
	Post Delay MDF Total	1,250,000
	Post-delay Period MDF Shortfall Reserve	187,500
	Preliminary Fun Vision	2,112,500
Aging	LTC set aside	164,386
Aging	House and lifetsyle	380,000
	Prefunded Inheritance	-
	Buffer	250,000
	Additonal earmarks	100,000
	Fun Number!	1,218,114
		1,781,886

4% rule: 120k – 50k = \$70k

Fun Number Go-go (80%) = \$975K

Which do you prefer?

#3 More than Enough

Fun Number Calculator (today's numbers):		
	Starting Portfolio	5,000,000
	Starting age	55
	SS @ 70	37,500
	Pension per year 65 to 70 avg	10,000
	MDF per year	50,000
	Death	95
	Delay Period	15
	Delay Period MDF Total	750,000
	Delay Period Shortfall	700,000
	Post Delay MDF Total	1,250,000
	Post-delay Period MDF Shortfall Reserve	187,500
	Preliminary Fun Vision	4,112,500
Aging	LTC set aside	164,386
Aging	House and lifetsyle	380,000
	Prefunded Inheritance	-
	Buffer	250,000
	Additonal earmarks	100,000
	Fun Number!	3,218,114
		1,781,886

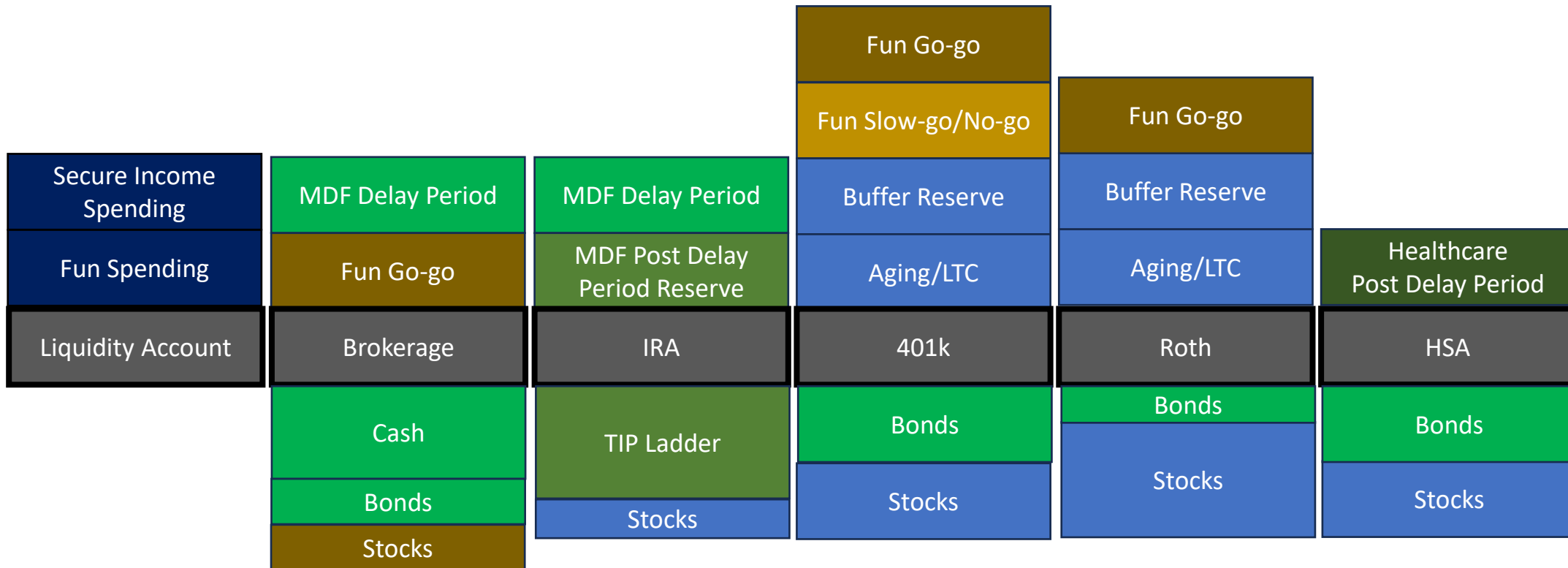
Raise MDF? Raise Buffer/Earmarks? Early Inheritance?

Fun Number Calculator (today's numbers):		
	Starting Portfolio	5,000,000
	Starting age	55
	SS @ 70	37,500
	Pension per year 65 to 70 avg	10,000
	MDF per year	100,000
	Death	95
	Delay Period	15
	Delay Period MDF Total	1,500,000
	Delay Period Shortfall	1,450,000
	Post Delay MDF Total	1,250,000
	Post-delay Period MDF Shortfall Reserve	187,500
	Preliminary Fun Vision	3,362,500
Aging	LTC set aside	164,386
Aging	House and lifetsyle	380,000
	Prefunded Inheritance	500,000
	Buffer	500,000
	Additonal earmarks	200,000
	Fun Number!	1,618,114
		2,881,886

Multiple Accounts (Podcast EDU #2516)

- Bank, Brokerage, 401k, IRA, Roth, ...
- Understand your cash flow needs and tax situation to determine how to position each account
- Tax Planning for 2-1-0
- Typical order: Maybe Taxable → Always Taxable → Never Taxable
- Liquidity Account
 - It is used at the end of the year to reconcile taxes and next year's cash flows
- Carve out long term positions in the appropriate accounts first

My Work - Multiple Accounts



Options based on values and tax planning:

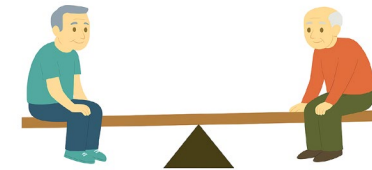
- Only one Position in one Account
- Partition an Account for each Position
- Unique funds for a Position in an Account

Summary – Secure Retirement Income Process

- Liability-matching w/ spending segmented investing
- Return ON your money → Return OF your money
- Money left over is life unlived (No Debbie-downer, No regrets)
- Strengths
 - Emotional Freedom to Spend the Fun Number!
 - Balances the needs and wants between the younger-you and older-you
 - Prioritizes Go-go spending
- Weaknesses
 - Sweet spot is +/- 5 years from retirement (know your retirement expenses)
 - No software, very few advisors
 - Complexity of positioning across accounts (more so at the beginning)
 - Lower returns



www.TheRetirementandIRAShow.com



Podcasts:

Our Retirement Planning Philosophy and Approach:

- EDU #2416 Intro (13-part series); EDU #2436 Part 11 – Positioning; EDU #2437 Part 12 - Positioning
- EDU #2506 Condensed Version

EDU #2514 Weather Market Downturns

Thank You!

Framework Definitions

- **Minium Dignity Floor**
 - Your essential expenses required to be funded to live a dignified life
 - 5 Categories
 - Food
 - Utilities
 - Transportation
 - Housing
 - Healthcare
- **Secure Income (Pension, SS, Annuity)**
 - Income for life
 - Can never go down, can stay the same or go up
 - From a deep pocketed 3rd party
- **Delay Period**
 - Time between retirement and when last of the natural secure income is turned on
 - Known and finite
- **Post Delay Period**
 - Time after the Delay Period
 - Ending date is not known
- **Cross-Over Age**
 - Your age when your natural Secure Income cannot meet your yearly MDF amount
 - Inflation is usually the cause
 - Typically, the 78-83 age range
- **Post Delay Period MDF Reserve**
 - Money set aside at retirement age for the potential need of more money to support your MDF after the Cross-over Age
 - Will typically be used to buy a SPIA

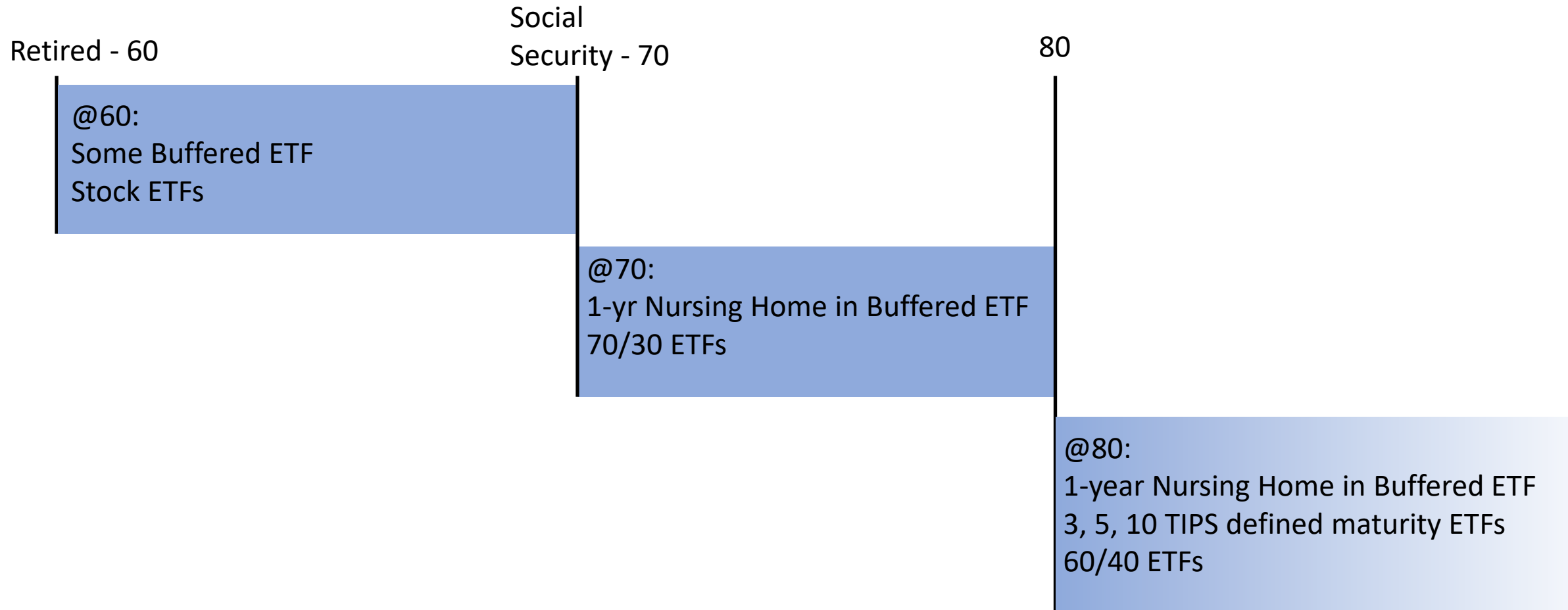
Framework Definitions

- Fun Vision
 - Your initial amount of money you desire to support your best life.
- Guaranteed Inheritance
 - A mandatory amount
 - Typically for a special-needs child, charity
- Aging/LTC
 - Optional set-aside for potential needs
 - Aging: Help with tasks you may not be able to do as you age
 - Long-term Care
- Buffer Reserve
 - Optional set-aside for unknown unknowns
 - Helps the emotional aspects of spending your Fun Number
- Pre-funded Inheritance
 - An Optional Set-aside
- Fun Number
 - The amount of money remaining to freely spend at any time
- Go-go, Slow-go, No-go
 - Phases of Fun Number spending through your retired life
 - Go-go (70-90% of Fun Number): Typically, Retirement age to 75
 - Slow-go (5-20%): Age 75-85
 - No-go (5-10%): >Age 85
- TSIR (Targeted Spending Inflation Rate)
 - Each position is assigned a TSIR
 - The minimum annualized return rate the investment supported the category is trying to beat

Asst Allocation – Spending Segmented Investing

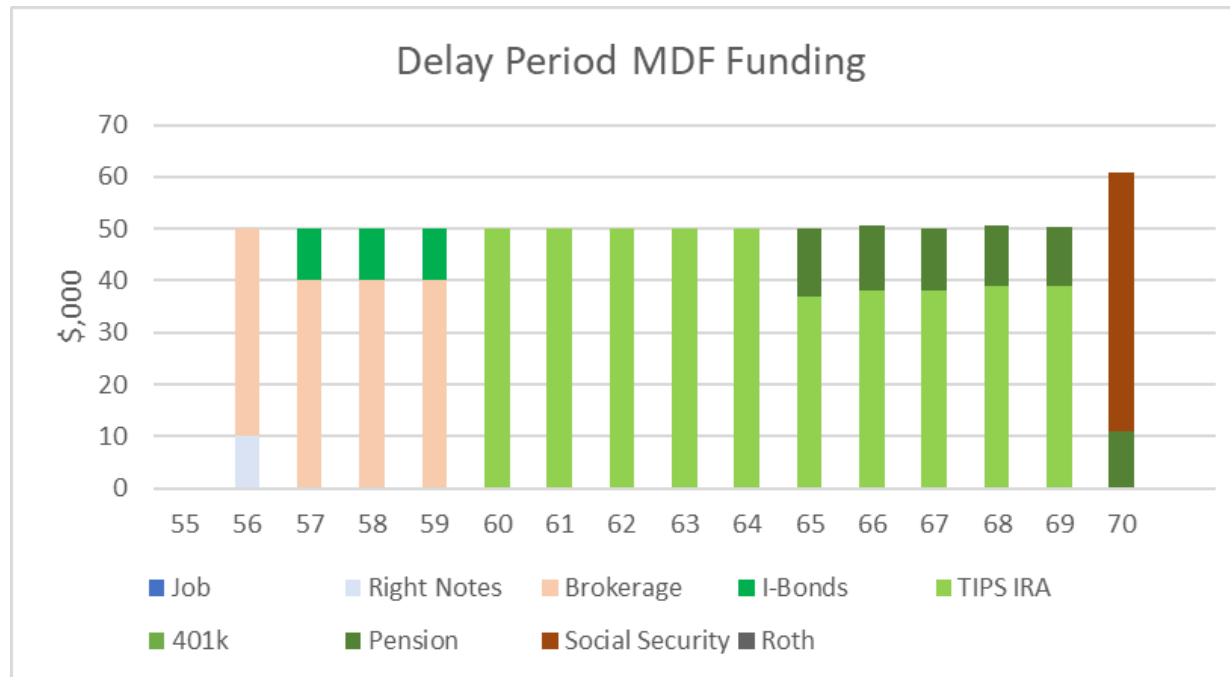
- Secure Income – Delay Period 10 years
 - Low risk capacity, principle protected, completely liquid, spending ladder
 - Years 1-2: Cash-like investment
 - Years 3-5: Something that is going to mature at the start of year 3
 - Brokered CD
 - Treasury bond
 - Years 6-10:
 - Five-year MYGA
 - Buffered ETF
 - 1-3 month treasury ETF
 - >10 years:
 - Stock ETFs if higher risk tolerance
- Post-Delay Period MDF Reserve
 - Needed at Crossover age. 15-18 years away
 - Risk Capacity: Moderate to high
 - Stock ETFs to start, depending on discount rate

Spending Segmented Investing - Aging/LTC/Buffer Reserve



My Work - Delay Period MDF Funding

	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
Job																
Right Notes		10	Remaining is for smoothing withdrawals													
Brokerage		40	40	40	40											
I-Bonds			10	10	10											
TIPS IRA						50	50	50	50	50	37	38	38	39	39	0
401k	Transfer to TIPS IRA															
Pension											13.0	12.6	12.1	11.7	11.3	10.9
Social Security																50
Roth																
MDF (goal = \$50k, inflation adjusted)		50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.6	50.1	50.7	50.3	60.9



LTC Self Funding

- \$100k year today (LTCPV)
- Increases 3%/year (i) above inflation
- 3 years (Y) starting at 85 (N)
- Investing begins at 55 (Age)
- Assume 4.5% real return (r) on investment
- Subtract SS from need (SS)

$$LTC \text{ Set Aside Today} = \frac{Y * [(LTCPV * (1+i)^{(N-Age)} - SS)]}{(1+r)^{(N-Age)}} = \$164,000$$