The 3 Keys to Not Running Out of Money in Retirement

And How to Implement Them

Viking Financial Group

"Let your light so shine before men, that they may see your good works, and glorify your Father in heaven." — Matthew 5:16 NKJV

Why Do People Run Out of Money in Retirement?

Most people assume that if they save enough and invest reasonably, they'll be fine in retirement. But three quiet forces can drain a retirement account faster than most people expect: **sequence-of-returns risk, taxes, and fees.**

And when the people managing your money are more focused on their commission than your outcome, the damage multiplies. When a two-time NASCAR champion loses $8.6 million on a poorly designed life insurance policy, it's proof that the product isn't the problem — **THE PEOPLE DESIGNING THEM ARE.**

Sequence-of-returns risk means that *when* you get bad market years matters just as much as your average return. If the market drops early in retirement while you're withdrawing money, your account can't recover the same way it would during your working years. Two retirees with the same average return over 25 years can have completely different outcomes depending on whether the bad years came first or last.

Taxes quietly eat into your income. Most people don't realize that up to 85% of their Social Security benefits can be taxable, or that pulling money from a 401(k) or traditional IRA can push them into higher tax brackets and increase their Medicare premiums.[1,2]

Fees compound against your returns. Even a small difference in annual fees — say 0.5% vs. 1.5% — can cost tens of thousands of dollars over a 25-year retirement.

The good news: all three of these risks can be managed. Here's how.

Key #1: Manage Risk — Buy Income, Invest the Difference

The idea is simple: use a portion of your savings to create guaranteed income that covers your essential monthly expenses (housing, food, insurance, utilities). Then invest the rest for growth.

The Two-Bucket Framework

Income Floor Bucket	Growth Bucket
Covers essential expenses Guaranteed income (annuity + Social Security) Cannot lose value in a market crash Typically 50–60% of savings in many cases	Covers discretionary spending & legacy Invested in diversified market portfolio Subject to market ups and downs Typically 40–50% of savings

The exact split depends on your goals, income needs, and risk tolerance — there is no one-size-fits-all answer. But the principle is proven: adding guaranteed income to a retirement plan can significantly improve the probability of covering stable expenses throughout retirement.[3] J.P. Morgan's research found that households with more guaranteed income tend to spend more confidently in retirement, likely because they feel secure knowing essential costs are covered regardless of what the market does.[4]

When an Annuity Might NOT Fit

- You need full liquidity access to all your savings (medical emergency, etc.)
- Your primary goal is leaving a large inheritance rather than income
- You have a serious health condition that significantly reduces life expectancy
- You already have enough guaranteed income from Social Security and pensions
- You haven't explored the fees, surrender charges, and limitations of the specific product

Want to see how this framework applies to your situation? Book a free call — no obligation, no pressure.

Key #2: Control Taxes — Keep More of What's Yours

Most people focus on what they *earn* in retirement. What matters more is what you *keep*. Here are the three biggest tax traps retirees fall into:

Social Security Taxation

If your combined income exceeds $34,000 (single) or $44,000 (married filing jointly), up to 85% of your Social Security benefits become taxable. These thresholds have never been adjusted for inflation since 1993, which means more retirees hit them every year.[1]

Medicare IRMAA Surcharges

Medicare uses your income from *two years ago* to determine your premium. If you had a big income year — maybe you sold property, cashed out an IRA, or had a large capital gain — you could pay hundreds more per month in Medicare Part B and Part D premiums for the next two years. This is called IRMAA (Income-Related Monthly Adjustment Amount).[2]

Roth Conversions: Get the Tax Bill Over With

A Roth conversion means moving money from a traditional IRA or 401(k) into a Roth IRA. You pay taxes on the converted amount now, but it grows tax-free and comes out tax-free for the rest of your life. This can dramatically reduce your future tax burden — especially if tax rates rise.

Important: Do Roth conversions *before* you lock in guaranteed income floors, because annuity income counts as income and can reduce your room for low-tax conversions.

Will tax rates go up? Nobody knows for sure. But the Social Security Trustees Report shows significant funding gaps in the trust funds, and future policy changes are possible to address them.[5] Planning for the possibility of higher rates is just smart risk management.

Key #3: Cut Fees — Stop the Silent Leak

Fees are the one thing in investing you can actually control. The problem is most people don't know what they're paying.

Total investment costs typically include: the advisor's fee, the expense ratios of the funds you're invested in, and sometimes additional platform or administrative fees. Research from Kitces.com shows that total all-in costs for advised portfolios commonly range from about 1.5% to over 2% annually when all layers are included.[6]

Over 25 years, the difference between paying 1% and 2% on a $500,000 portfolio can exceed $150,000 in lost growth. That's real money that could have been retirement income.

Goal: Aim for about 1% total on the managed market portion, and avoid layered fees.

Questions to Ask About Fees

- What is your advisory fee, and is it charged on all assets or just invested assets?
- What are the expense ratios of the funds I'm invested in?
- Are there platform, custodial, or transaction fees on top of that?
- Are there surrender charges on any products I own?
- What is my total all-in cost per year, in dollars?

Implementation: Your Simple 7-Step Plan

Step 1: Calculate your monthly needs. Add up housing, food, insurance, utilities, healthcare, and any fixed obligations. This is your essential spending number.

Step 2: Identify guaranteed income you already have. Social Security, pensions, and any existing annuities. Add them up.

Step 3: Find the gap. Monthly needs minus guaranteed income = the gap you need to fill.

Step 4: Evaluate annuity options for the gap. Work with a professional to find a product that fills your income gap without overcommitting your savings.

Step 5: Invest the difference for growth. The remaining savings go into a diversified market portfolio for long-term growth and discretionary spending.

Step 6: Tax strategy. Determine your Roth conversion window and distribution sequencing. Do conversions before locking in income floors when possible.

Step 7: Fee audit. Get a clear, written answer on your total all-in cost. If it's over 1.5%, ask why.

Simple Example (For Illustration Only — Not a Guarantee)

Item	Amount
Total savings at retirement	$500,000
Monthly essential expenses	$4,000/mo
Social Security income	$2,000/mo
Income gap to fill	$2,000/mo
Annuity allocation (~50%)	$250,000 → ~$1,600–2,200/mo*
Growth bucket (~50%)	$250,000 invested for growth

*Annuity payout rates vary based on age, product type, and current interest rates. This is a simplified illustration, not a projection or promise.

Ready to see what this looks like with your real numbers?
Book a Free Strategy Call
No pressure. No sales pitch. Just a real conversation about your future.

Sources & Citations

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