WIN A COPY OF WAT$

Write your answer to the **WAT$** Challenge on the back of your business card and drop in the bowl. The person closest to the actual answer will win a free copy of **WAT$** ($1,995 value).

Two consolation drawings for the color box and the paddle wheel timer – no answer necessary to win.

The **WAT$** Challenge

The maximum sustainable withdrawal rate in retirement with a 30-year horizon is 3.99%.* That assumes the goal is to not go broke with a historical success rate of 100%.

The Challenge: What is the maximum sustainable withdrawal rate if the goal is to have at least as much money left at the end of the 30 years as you had at the beginning (not adjusting for inflation)?

Hint: The answer is between 1 and 4%.

* Using Ibbotson data from 1946 to 2000, we have 26 observations to consider (1946-1975, 1947-1976, …, 1971-2000). We are looking for the first year withdrawal amount** (as a percentage of initial account value) such that the account value at the end of the 30 years is at least as great as at the start, in all 26 observations.

** Subsequent year withdrawals are adjusted by actual inflation rates, calculated according to the equation $WD_{Y2} = WD_{Y1} * [1 + INF_{Y1}]$, read, the withdrawal amount for year 2 is equal to the amount for year 1 adjusted by the year 1 inflation rate.

Assets considered for the WAT$ Challenge are Large Cap Stocks, Corporate Bonds and T-Bills. Any investment or index with historical return data can be run in WAT$.