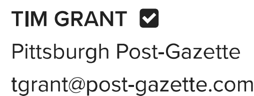
# How much can retirees safely withdraw from their nest eggs? Financial experts weigh in.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For anyone nearing retirement, one question looms large:

How much can I spend from my nest egg without running out of money?

For decades, the answer was 4% annually, according to financial experts. But as inflation creeps higher and new economic challenges — including tariffs — emerge, that golden rule is getting a reset.

A new report from Chicago-based financial services firm Morningstar advises retirees in 2025 to aim for just 3.7%.

That small adjustment might not seems like much. But over a 30-year retirement, it could mean the difference between financial security or outliving your cash in your 80s or 90s.

“We pegged 3.7% as a baseline safe starting withdrawal percentage for people who are just embarking on retirement,” a Morningstar spokesperson said.

President Donald Trump’s economic policies are giving financial planners whiplash. His proposed tariffs on a variety of goods could drive up everyday prices, financial experts have warned.

On the other hand, his tax plan — which could include ending taxes on Social Security — might put more money in retirees' pockets.

"Should this come about, it will of course add incrementally to a retiree's income, which would support a higher (5%) withdrawal rate," said David Root Jr., CEO of DBR & Co., Downtown.

## No one-size-fits-all solutions

Still, financial advisers have wildly different opinions on how much retirees should spend.

A healthy 65-year-old with a pension needs a different strategy than an 80-year-old relying on savings, they say. Some experts push for conservative spending, while others argue that retirees should spend more early, while they're still active.

"For me as a personal bean counter, I tell clients it makes me a bit anxious if you do spend over 5%," said Matt Yanni, owner of Yanni & Associates Investment Advisors in Pine.

"For clients who actively withdraw over 5% and knowingly run the risk of depleting principal over time, usually their circumstances or desires warrant that higher withdrawal rate," Mr. Yanni said.

The 4% rule is a helpful guide, but not a one-size-fits-all solution, advisers say.

"It's unfortunately not that simple for the average client to just assume they can live on 4% forever," said Nick Subich, president and CEO of YTS Wealth Management in Export.

Mr. Subich believes retirement withdrawals shouldn't be based on a simple percentage, but on a bigger-picture strategy. Health conditions, long-term care costs, and legacy goals all play a role in deciding how much to withdraw.

Some retirees may need to preserve more for future medical needs, he said, while others may want to gift wealth to family while they're still around to enjoy it. He stressed that insurance tax and estate planning should all be mapped out before setting a withdrawal rate.

"Four percent could be right for someone whereas 6% could be right for someone else," he said. "If someone is 75 and doesn't expect to live until 95, they could absolutely start at a higher withdrawal rate.

"What could start as a 4% withdrawal rate could end up needing to be 8% 20 years later with increased income needs and potential underperformance in the capital markets," Mr. Subich said.

## Suggested rates = a moving target

Sewickley-based Fragasso Financial Advisors still uses a 4% baseline withdrawal rate, “as we would rather err on the side of conservatism,” said Michael Godwin, the firm’s chief investment officer.

“That being said, the withdrawal rate doesn’t have to be the same year in year out,” he said. “New retirees typically spend more in their earlier years as they often want to enjoy retirement and their withdrawal rate will typically decline as they age.”

Health conditions and lineage also play a role in withdrawals.

“Those who are projected to live into their 90s may need to be cognizant of how much they are withdrawing from their portfolios each year to ensure they have enough funds into their 90s,” Mr. Godwin said.

Morningstar’s recommended safe withdrawal rate has been a moving target that has shifted with market conditions.

In late 2021, it was as low as 3.3% — a signal to retirees to tap the brakes on withdrawals as bond yields plunged and stock valuations soared. Then came 2022’s market selloff, where those who could afford to withdraw less benefited by leaving more assets in place for the rebound in 2023.

That recovery led Morningstar to boost its starting withdrawal rate back to 4% — a more traditional level — thanks to stronger bond yields and easing inflation.

Now, in 2025, the suggested rate sits at 3.7%. But what really matters isn’t the percentage — it’s the actual dollars retirees can spend. And with portfolio values rising for two years, that number is looking better than it did at lower rates in the past.

Economists, however, expect U.S. inflation to increase this year, and for the foreseeable future, due to concerns that broad tariffs on imports pledged by Trump, and deporting millions of undocumented immigrants could raise prices for households.

“Our contention is a ‘safe withdrawal rate’ can actually be higher for a conservative individual or couple retiring at age 65 for 30 years,” Mr. Root said. “This rate can be as high as 5% — while maintaining only 30% of their assets in equities.”

This method requires the retiree to back into what they can spend, he said.

“If they have $1 million in savings, then they can spend $50,000 a year plus their Social Security benefits … and should be OK with that,” Mr. Root said.

## ‘No one knows when their time will come’

Financial adviser Donna Kline at HBKS Wealth Advisors in Pine, believes a guaranteed income stream is the key to making a retirement nest egg last.

With higher interest rates, her firm is seeing more success using annuities, which provide a lifetime withdrawal guarantee based on the lump sum used to purchase them.

She uses planning software to produce a statistically calculated chance for success for her clients.

"'Success' means you don't outlive your money," she said. "We use age 95 as our default."

Annuities have had a bad reputation for high fees and low benefits, but with today's improved payout rates, they're becoming a smarter tool for retirees looking for financial security in uncertain times, advisers say.

"Recent products have been introduced that offer minimum monthly income plus a possible growth in the minimum based on market conditions," Ms. Kline said, adding that other annuity products offer an enhanced income payment for clients who need long-term care.

There are lots of unknown factors — expected returns, tax rates, emergencies — and the biggest being lifespan.

"No one knows when their time will come and as we all know, everyone has an expiration date," Mr. Yanni said.

His role is to explain the potential consequences of a client's overall withdrawals, he said.

"I can explain the math behind the withdrawal if a client chooses to spend their money on a vacation compared to home modifications," Mr. Yanni said. "But it's not up to me to judge how they spend their monies."

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