

## RETIREMENT

### Forget the 80% Rule When Budgeting for Retirement: Think 80-70-60

Spending in retirement often starts off strong then tapers off, so why rely on planning methods that assume it stays constant? Here's a more realistic approach.



For decades, people planning for retirement have been told they need to replace about 80% of their pre-retirement income. That number suggests the annual amount required to maintain your current lifestyle, based largely on the idea that some expenses will decrease in retirement.

While it's a useful rule of thumb, the 80% rule is flawed in that it assumes spending remains constant for 25 or 30 years. In reality, spending in retirement evolves.

Most households move through distinct retirement phases: Higher spending in the early, active years, followed by a gradual tapering as life naturally slows. One practical way to reflect that pattern is the 80-70-60 framework for planned spending.

#### Breaking down the retirement phases

The 80-70-60 approach allows for realistic budgeting, countering the myth that spending remains flat in retirement and helping retirees avoid depriving themselves in their most active years. This framework accounts for the natural, gradual decline in discretionary spending as retirees age and become less active.

It also provides sufficient income replacement while accounting for reduced taxes and the eliminated need to save for retirement. The descending percentages of income needed through different stages of retirement can help with the longevity of the portfolio.

Adopting a flexible approach that reduces withdrawals over time can potentially extend the lifespan of your retirement portfolio compared to a fixed withdrawal strategy.

Let's apply the 80-70-60 framework to a household earning \$150,000 a year before retirement.

- **The go-go years:** Around 80%. In the early, most active years of retirement, people often spend more because they are healthier and eager to fulfill long-held dreams such as traveling, more family experiences, pursuing hobbies or renovating their homes. At 80% of \$150,000, annual spending would equal roughly \$120,000.
- **The slow-go years:** Around 70%. As retirees move into their late 70s and early 80s, spending frequently tapers. Travel may shift closer to home, while large purchases become less frequent. Many households have fully paid-off mortgages by this stage. At 70% of \$150,000, spending would be about \$105,000 a year.
- **The no-go years:** Around 60%. In later retirement, daily life often centers on home, family and health care. Discretionary categories, such as travel and remodeling, shrink. Medical expenses and long-term care costs can create an uptick later in life, but for most retirees, total spending remains below early retirement levels. At 60% of \$150,000, annual spending would be about \$90,000.

An important note: The 80-70-60 rule should be adapted for personal health and lifestyle. For example, if you anticipate high travel costs later in retirement or have significant debt, you may need to adjust these percentages.

### **How Social Security changes the equation**

Let's look at how Social Security benefits will affect your savings withdrawal strategy. Assume a married couple receives \$55,000 a year in combined Social Security benefits.

- **Early retirement (\$120,000 spending):** Portfolio covers \$65,000
- **Mid retirement (\$105,000 spending):** Portfolio covers \$50,000
- **Late retirement (\$90,000 spending):** Portfolio covers \$35,000

Notice how the portfolio's burden declines over time as spending decreases. Using a conservative withdrawal approach and planning for roughly 25 years of retirement, a portfolio in the range of \$1.6 million to \$2 million may reasonably support this phased strategy, with added cushion for market volatility and the potential loss of one Social Security check.

For a single retiree receiving \$32,000 annually in Social Security, reliance on the portfolio is greater. In that case, a more prudent portfolio target may fall closer to \$2 million to \$2.4 million, depending on longevity and risk tolerance.

### **Why this framework matters**

The goal of the 80-70-60 framework isn't to encourage saving less; it's to replace an overly rigid rule with a more realistic understanding of how retirees actually spend. This approach provides a straightforward roadmap for estimating future needs without requiring complex spreadsheets or deep financial research.

Remember, retirement spending rarely stays flat for three decades. Planning in phases, rather than relying on a single static percentage, can help retirees build income strategies that better match real life and approach retirement with greater clarity.

**NYSUT NOTE: Preparing for retirement is an important step in life planning. After all, it isn't just going to fall into place without some structure. If you want an expert to help ensure you're making the right calls, the NYSUT Member Benefits Corporation–endorsed [Financial Counseling Program](#) from Stacey Braun Associates is ready. Their advisers' unbiased, objective, and customized advice will give you the playbook to a secure financial future.**

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*As Founder of Elevated Retirement Group, Inc., Scott Dougan has built a comprehensive retirement planning company focused on helping clients grow and preserve their wealth. Under Scott's leadership, a team of experienced financial advisers, Certified Financial Planners (CFP®) and CPAs use tax-efficient strategies, professional investment management, income planning and proactive health care planning to help clients feel confident in their financial future — and the legacy they leave behind. Scott has also written*

*a book titled “Exceptional Retirement: Tools and Strategies for Retiring on Your Terms”. You can find Scott on YouTube, where he creates educational videos for those near retirement.*

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