

SINGH PWM GUIDE

The Portfolio Decumulation Flowchart

A Year-by-Year Framework for Which Bucket to Draw From,
and How Much

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Your Personalized CFO

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Get the fillable worksheet and be notified when the 2027 numbers publish: singhpwm.com/guides/portfolio-decumulation-flowchart

What this guide answers

Most retirement withdrawal advice answers one question: how much can you spend? This guide answers the question that comes after, which account do you actually draw from this year, and does this year's market performance change the answer? The order you draw down taxable, tax-deferred, and Roth accounts matters for taxes, covered in our companion Retirement Tax Playbook. It also matters for something separate: sequence-of-returns risk, the well-documented fact that the same average return, in a different order, can produce a dramatically different retirement outcome. This guide covers a three-bucket structure for managing that risk, a dynamic guardrail framework for adjusting spending as markets move, and the year-by-year decision flowchart that ties both together.

IN SHORT

- The first decade of retirement carries most of the sequence-of-returns risk. Research finds it explains roughly 77% of a portfolio's final outcome.
- A fixed, inflation-adjusted withdrawal is not the only option. Dynamic guardrail frameworks let you start higher and adjust with the market instead of guessing conservatively for 30 years.
- A three-bucket structure, cash, bonds, growth, gives you a place to draw from in a down market without selling equities at the bottom.

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1. The Decision in Front of You

You have decided how much you can spend, or your advisor has. The question this guide answers is narrower and comes up every single year after that: which account do you actually sell from to fund this year's spending, and does it matter that the market was down, or up, this year? Most retirees either draw proportionally from everything without a plan, or draw from whatever account they happen to look at first. Neither manages sequence-of-returns risk, the well-documented risk that a bad decade early in retirement does outsized damage regardless of how good the following twenty years are.

3.9%

Morningstar's 2026 base-case safe withdrawal rate for a 30/50% equity portfolio over a 30-year retirement

~77%

Share of a portfolio's final retirement outcome explained by just the first 10 years of returns, per sequence-of-returns research

4.6% to 5.6%

Illustrative starting withdrawal rate range under a dynamic guardrail framework, versus a fixed, inflation-only approach

This guide is not a substitute for deciding your spending level in the first place, that depends on your specific balance, expenses, and goals. It is the operating system for what happens after: which bucket to draw from, when to raise or cut spending, and how to keep a bad market year from becoming a permanent hole in the plan.

THIS IS WRONG FOR YOU IF

You have a pension, annuity, or other guaranteed income covering most of your fixed expenses, in which case sequence-of-returns risk matters much less, your guaranteed income does not care what the market did this year. This framework matters most for households funding the bulk of their spending from an investment portfolio.

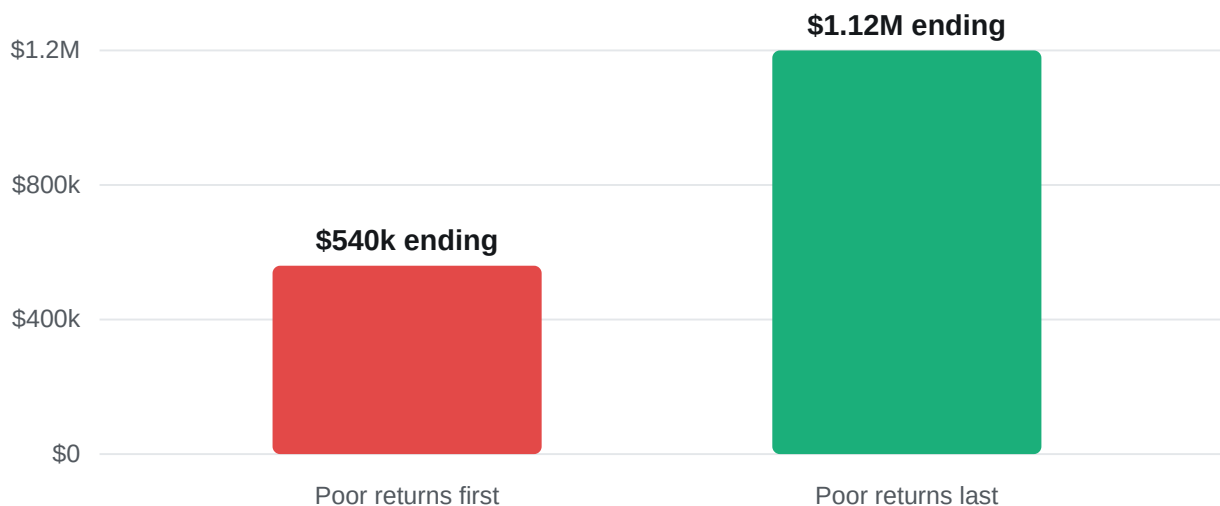
Want this run against your actual accounts?

The bucket sizes and guardrail triggers below are illustrative. Yours depend on your actual balances, spending, and account mix.

[Schedule a Strategic Fit Interview](#)

The same average return, in a different order, produces a dramatically different ending balance once withdrawals are involved.

Figure 1. Same average return, opposite order: two illustrative \$1M portfolios taking \$50,000 annual withdrawals.



Illustrative. Both portfolios start at \$1M, withdraw \$50,000 a year adjusted for 3% inflation, and earn an identical average annual return over 20 years, one experiencing the weak years early, the other experiencing the identical weak years late. The gap is sequence-of-returns risk, not a difference in average performance.

Source: Sequence-of-returns risk research (Kitces.com; Morningstar 2026 State of Retirement Income). Retrieved September 16, 2026.

Scenario	Starting balance	Annual withdrawal	Ending balance, year 20
Poor returns first	\$1,000,000	\$50,000, inflation-adjusted	\$540,000
Poor returns last	\$1,000,000	\$50,000, inflation-adjusted	\$1,120,000

2. How the Three Approaches Actually Work

Three distinct decisions get bundled together under "withdrawal strategy": how much to spend, which account to sell from for tax reasons, and which account to sell from to manage market risk. This guide focuses on the third, and shows where it intersects with the other two.

Approach 1: Proportional withdrawals

Sell a little from every account, in proportion to its share of the portfolio, every year. Simple, rebalances the portfolio automatically, and completely ignores both taxes and sequence risk. It is the default only because it requires no decision, not because it is optimal.

Approach 2: Tax-bracket-ordered withdrawals

Draw from taxable accounts first, then tax-deferred, then Roth last, adjusted every year for your current bracket and any conversion opportunity, covered in full in our companion guide, *The Retirement Tax Playbook*. This approach optimizes for lifetime tax paid. It does not, by itself, address sequence-of-returns risk, you can follow perfect tax-bracket ordering and still be forced to sell equities at the bottom of a bear market if that is where the money happens to be.

Approach 3: The three-bucket structure with dynamic guardrails

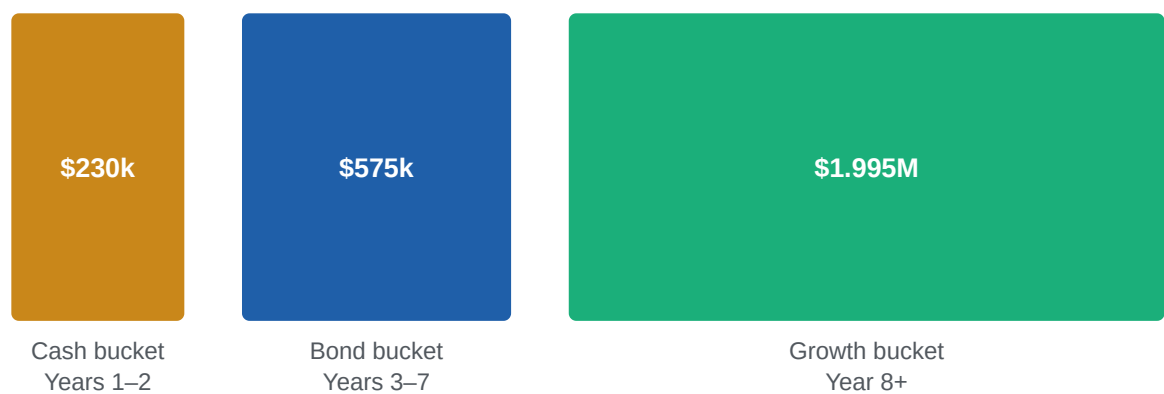
Divide the portfolio into three buckets by time horizon: cash and cash equivalents for near-term spending, high-quality bonds for the next several years, and growth assets for everything beyond that. Spend from cash first. Refill cash from bonds on a schedule, and refill bonds from growth only after a positive-return year, never by selling growth assets at a loss to fund current spending. Layer a dynamic guardrail framework on top, a version of the Guyton-Klinger rules, that raises or trims the withdrawal amount itself based on how the portfolio has actually performed, rather than a fixed inflation adjustment every year regardless of market conditions.

THESE THREE ARE NOT MUTUALLY EXCLUSIVE

The account you draw from for tax reasons (Approach 2) and the bucket you draw from for sequence-risk reasons (Approach 3) can be the same account or different accounts. A retiree can hold their cash bucket inside a taxable account and their growth bucket split across tax-deferred and Roth, then apply bracket-ordered logic within that structure. The two frameworks answer different questions and are meant to run together.

A three-bucket structure gives you a place to spend from in a down market without selling growth assets at the bottom.

Figure 2. An illustrative three-bucket structure on a \$2.8M portfolio.



Illustrative. Bucket sizes are one common starting framework, not a fixed rule; the right sizing depends on your spending rate, other income, and risk tolerance.

Source: Bucket-strategy retirement income research; Singh PWM planning framework. Retrieved September 16, 2026.

Bucket	Time horizon	Illustrative size
Cash and cash equivalents	Years 1–2	\$230,000
High-quality bonds	Years 3–7	\$575,000
Growth assets	Year 8 and beyond	\$1,995,000

3. What the Numbers Say in 2026

The research behind dynamic withdrawal frameworks has moved considerably past the original fixed 4% rule. These are the current figures behind the framework in this guide.

2026 decumulation research figures

Figure	Value	Source
Morningstar 2026 base-case safe withdrawal rate	3.9%, up from 3.7% in 2025	Morningstar, 30/50% equity, 90% success, 30-year horizon
Morningstar 2026 flexible-withdrawal rate	Up to 5.7%	Morningstar, dynamic spending adjustments
Share of final outcome explained by first 10 years	~77%	Sequence-of-returns risk research (Kitces.com)
Correlation, first-decade real returns to safe withdrawal rate	0.79	Kitces.com sequence-of-returns research
Guyton-Klinger illustrative starting withdrawal range	4.6% to 5.6%	Guyton-Klinger dynamic guardrail research
Guyton-Klinger guardrail trigger	Withdrawal rate 20% above or below the initial rate	Guyton-Klinger decision rules
Guyton-Klinger adjustment	10% cut or raise to the dollar withdrawal	Guyton-Klinger decision rules

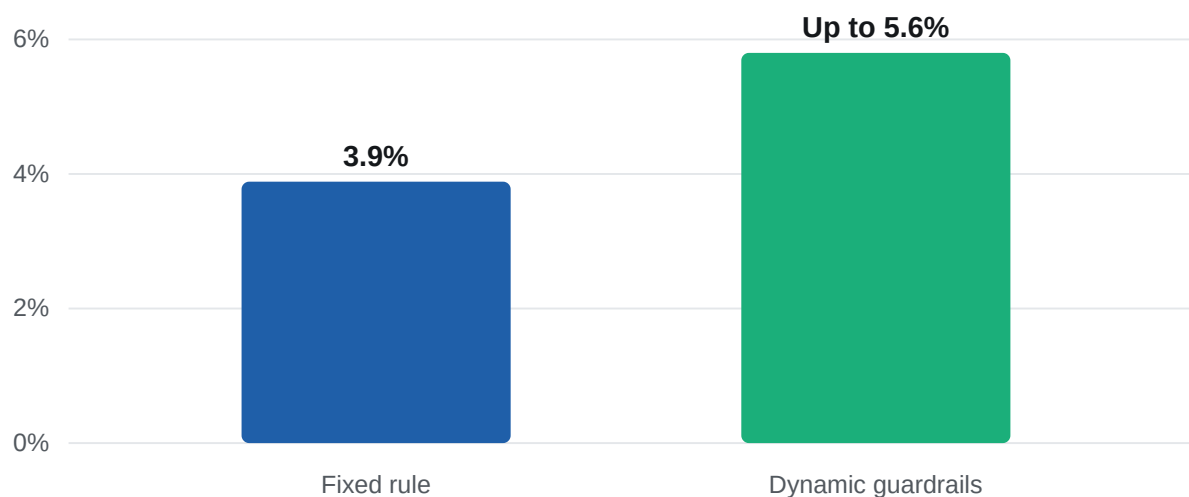
WHAT A GUARDRAIL ACTUALLY DOES

The lower guardrail (the "capital preservation rule") triggers when a down market pushes your withdrawal rate 20% above where it started, cutting the dollar withdrawal by 10% to protect the portfolio. The upper guardrail (the "prosperity rule") triggers when strong markets push your withdrawal rate 20% below where it started, raising the dollar withdrawal by 10%, and often creating room for a larger Roth conversion that same year. Most frameworks also skip the annual inflation raise entirely in any year following a negative trailing return, and avoid lower-guardrail cuts in a plan's final 15 years.

Want to see how these guardrails would apply to your portfolio? Schedule a Strategic Fit Interview.

A dynamic guardrail approach lets a retiree start spending more than a fixed rule allows, in exchange for adjusting when the market moves sharply.

Figure 3. Illustrative starting withdrawal rate: fixed rule versus dynamic guardrails.



Illustrative. The fixed-rule figure is Morningstar's 2026 base-case safe withdrawal rate. The dynamic-guardrail figure is the upper end of the commonly cited Guyton-Klinger starting range and assumes the retiree accepts the framework's spending-cut rules when triggered.

Source: Morningstar 2026 State of Retirement Income; Guyton-Klinger dynamic guardrail research. Retrieved September 16, 2026.

Framework	Illustrative starting rate
Fixed, inflation-only rule	3.9%
Dynamic guardrails	Up to 5.6%

4. The Worked Example

Carol and Dennis Meyer, 63 and 62, are a fictional household built to illustrate how the three-bucket structure and dynamic guardrails work together. They retired this year with \$2.8M: \$1.6M tax-deferred, \$700,000 taxable, and \$500,000 Roth. They plan to spend \$115,000 a year, a 4.1% initial withdrawal rate.

Setting up the buckets

The Meyers hold two years of spending, \$230,000, in cash and cash equivalents. The next five years of spending, \$575,000, sits in high-quality bonds. The remaining \$1,995,000 stays invested for growth, for year eight and beyond. Illustrated in Figure 2. Spending comes from the cash bucket first, every year, regardless of what the market did.

Year 3: a down market triggers the lower guardrail

A sustained market decline pushes the Meyers' portfolio value down enough that their withdrawal rate, on the now-smaller balance, rises 20% above their original 4.1%. The lower guardrail triggers: they cut their dollar withdrawal by 10%, to roughly \$103,500, and skip that year's inflation adjustment entirely, per the guardrail rules. They keep

drawing from the cash bucket, not from the growth bucket, so no equities get sold at the bottom.

Year 5: refilling cash after recovery

Markets recover. With the cash bucket running low and the growth bucket now showing a gain, the Meyers refill two years of cash by trimming the growth bucket, a rule they follow only after a positive-return year, never during or immediately after a decline.

Year 8: strong markets trigger the upper guardrail

A strong multi-year stretch pushes their withdrawal rate down 20% below their original rate. The upper guardrail triggers: they raise their dollar withdrawal by 10%. In the same year, since their bracket has room, they also run a larger Roth conversion than usual, per the bracket-fill framework in our companion Playbook guide, using the low-withdrawal year to move additional dollars out of the tax-deferred bucket.

WHY THE BUCKETS AND THE GUARDRAILS WORK TOGETHER

The bucket structure decided which account funded year 3's spending, cash, not growth. The guardrail rules decided how much to spend that year, 10% less than planned. Neither decision depended on the other, and neither one is the tax-ordering decision covered in the companion Playbook, all three run in parallel, not in sequence.

Want your own bucket sizes and guardrail triggers calculated?

The Meyers are fictional. The mechanics, when to cut, when to refill, when to convert, are the same ones we run for real households.

[Schedule a Strategic Fit Interview](#)

5. The Four Ways This Goes Wrong

Not hypothetical risks. Each one shows up repeatedly in real retiree portfolios, and each one is preventable with a rule decided in advance, before the market forces a reaction.

1

The forced-sale spiral

Drawing proportionally from everything, including growth assets, during a down market because there is no bucket structure telling you to spend cash first. Selling depressed equities to fund current spending locks in the loss permanently instead of giving the position time to recover.

2

The refill-at-the-bottom mistake

Refilling the cash bucket from the growth bucket on a fixed calendar schedule rather than waiting for a positive-return year. This turns a bucket structure meant to protect against selling low into a mechanism that does exactly that.

3

Ignoring the guardrails in both directions

Treating the lower guardrail as optional, and continuing to spend through a sustained decline instead of cutting, is the failure most people picture. But ignoring the upper guardrail is a real

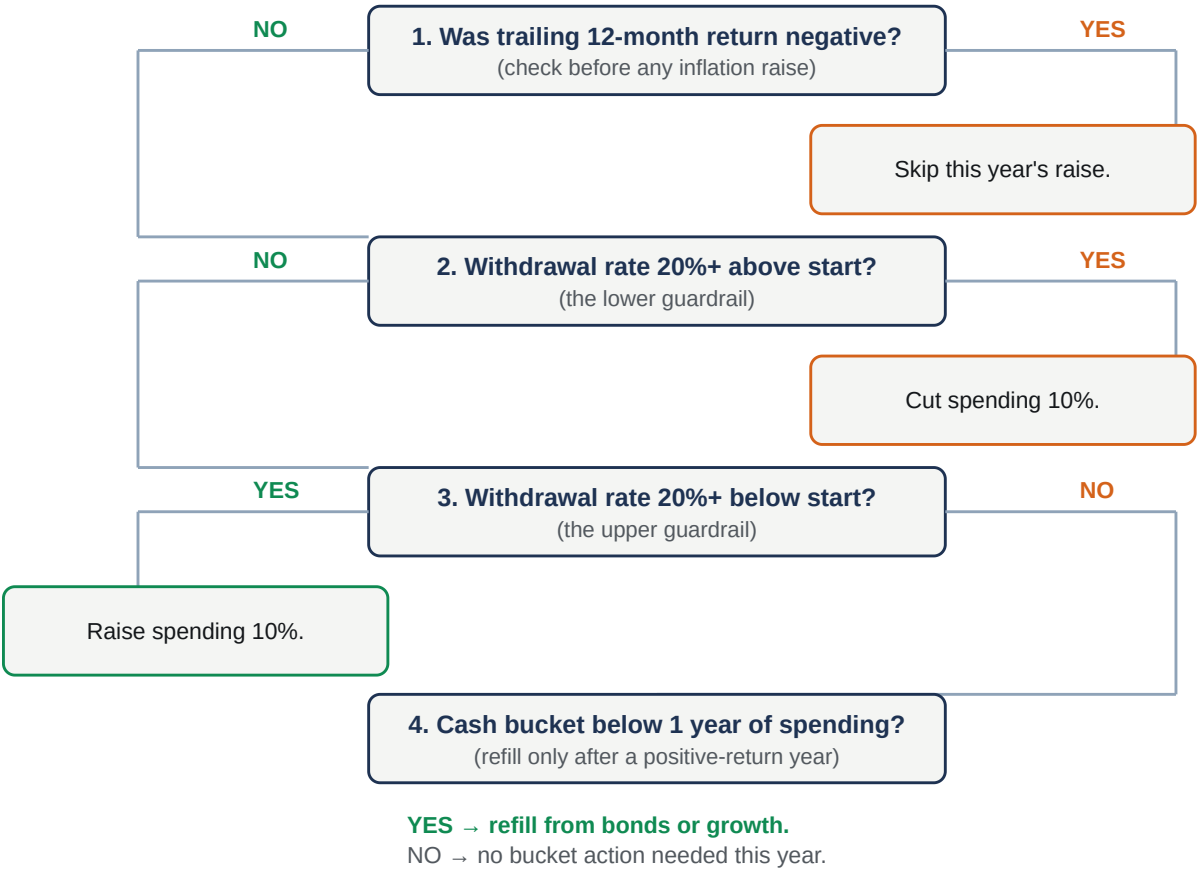
cost too: a household that never raises spending or converts more in strong years is quietly over-conservative and leaves flexibility, and often Roth conversion room, unused.

4 **Treating this as a one-time decision**

Setting a withdrawal rate and a bucket structure at retirement and never revisiting either one. The whole point of a dynamic framework is that it responds to what the market actually does; a static plan applied to a dynamic framework defeats the purpose.

Run these four questions every year, not just once at retirement.

Figure 4. Your annual decumulation flowchart.



A simplified framework, not a substitute for a full retirement income plan built around your actual accounts.

Source: Guyton-Klinger dynamic guardrail research; Singh PWM planning framework. Retrieved September 16, 2026.

Question	If yes	If no
1. Trailing 12-month return negative?	Skip this year's raise	Go to question 2
2. Withdrawal rate 20%+ above start?	Cut spending 10%	Go to question 3
3. Withdrawal rate 20%+ below start?	Raise spending 10%	Go to question 4
4. Cash bucket below 1 year of spending?	Refill from bonds or growth	No bucket action needed

6. Your Decumulation Flowchart

Run the four questions in Figure 4 once a year, at the same time every year, rather than reactively during a market swing. Question 1 governs the annual inflation adjustment. Questions 2 and 3 are the guardrails. Question 4 governs bucket maintenance.

None of these four questions ask what to do about taxes. That is a deliberate, separate decision covered in our companion Retirement Tax Playbook, run alongside this framework, not instead of it. A year in which the upper guardrail raises your spending is also often a good year to look at additional Roth conversion room, as in the worked example's year 8.

Not sure how to apply this to your own numbers?

The 20% triggers and bucket sizes here are illustrative starting points. A Strategic Fit Interview is where we size them for your actual portfolio.

[Schedule a Strategic Fit Interview](#)

7. Your Action Plan

Seven steps, each with an owner and a rough timing trigger.

1. **Set your initial withdrawal rate.** Decide between a fixed rate and a dynamic guardrail range based on your risk tolerance and other income. Before retirement, or now if already retired.
2. **Size your three buckets.** Cash for 1–2 years, bonds for the next several years, growth for the remainder. This quarter.
3. **Write down your guardrail triggers.** The specific dollar or percentage levels that trigger a cut or a raise, decided in advance, not during a market swing. Before you need them.
4. **Run the four-question flowchart annually.** Same time every year, ideally alongside your tax-planning review. Every year, at a fixed date.
5. **Refill cash only after a positive-return year.** Never sell growth assets at a loss to fund current spending. Ongoing rule, checked at each annual review.
6. **Coordinate guardrail years with your conversion plan.** An upper-guardrail year is often a good year for a larger Roth conversion. Annually, alongside step 4.
7. **Revisit the whole framework after any major life change.** A pension starting, a health event, or a large unplanned expense are all triggers to re-run bucket sizing and guardrail levels, not just accept the original numbers forever. As triggered.

8. Worksheet

Fill this in before your next planning conversation.

Total portfolio value	_____
Planned annual spending from the portfolio	_____
Initial withdrawal rate (spending ÷ portfolio)	_____
Cash bucket target (years of spending × annual spending)	_____
Bond bucket target (years of spending × annual spending)	_____
Upper guardrail trigger (withdrawal rate 20% below start)	_____
Lower guardrail trigger (withdrawal rate 20% above start)	_____
Other guaranteed income covering fixed expenses (Y/N, amount)	_____

Notes:

9. What Changes This

This framework is checked on a schedule, not left to run untouched.

- **Every year, on a fixed date:** run the four-question flowchart in Figure 4. Check trailing return, both guardrail triggers, and cash bucket level.
- **Every fall:** Morningstar and other institutional researchers republish updated safe withdrawal rate figures based on current market valuations and interest rates. Re-check your starting assumptions against the current research, not the year you retired.
- **Any year a guardrail triggers:** the dollar adjustment is mechanical, 10% up or down, but the decision of whether to also revisit bucket sizing or the conversion plan is not. Review both.
- **Any major life change:** a pension or annuity starting, a large unplanned expense, or a health event are all triggers to re-run the entire framework, not just the annual check.

Re-check trigger: if your trailing 12-month portfolio return, your withdrawal rate, or your cash bucket level has moved meaningfully since your last review, run the flowchart again, regardless of the calendar.

If this was useful

Share it with someone it would help. And if you want to talk through how it applies to your situation, the door is open.

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The highest compliment for me is that you share my values and views with the ones you care for. Thank you for your Trust!

Sources and disclosures

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