



# How much is enough?

Funding your lifestyle and your lifestyle goals.



Whether you're still accumulating wealth, thinking about transitioning to the next phase of your life, or you already retired, chances are you wondered:

“When it comes to my lifestyle, both now and in the future, how much do I need?”

For many, forecasting that magic number is either a back-of-the-envelope calculation or an invocation of the 4% rule,<sup>1</sup> which has long been considered the typical safe amount that you can withdraw each year from your capital gains while keeping a savings account balance that keeps pace with inflation.

And while that math isn't necessarily wrong, the problem is, it doesn't take into account taxes, inflation, timing, market performance, cash flow, lifestyle changes, fees, or a 20-, 30-, or even 40-year time horizon. Most important, the easy math doesn't account for or manage how each of the aforementioned variables changes over time (see scenario below). So while calculating a number is easy, securing a lifestyle is hard.

<sup>1</sup>1994 Journal of Financial Planning, William Bengen.

## You can't afford to be wrong

One of the biggest fears most adults will face is that they will outlive their savings. Most people have a constant mental evaluation of their income and expenses, as well as stress over what the future will hold. However, there is an alternative to that exhausting method.

To make sure you can continue to live your lifestyle while staying on sound financial footing, you have to ask the right questions. Start with: “How much do I need to support my current lifestyle and fund my future lifestyle goals?” Then follow a guided planning process that will help create a more actionable and flexible path to success.

After working with hundreds of wealthy individuals and families facing this dilemma, we discovered it was most helpful to ask our clients to articulate separate visions and goals for themselves, their family and their community. After organizing a client's assets around these individual outcomes, we create separate financial portfolios for each of the goals.

“When a client wants to make a lifestyle change or alter a goal, we can readily show the potential trade-offs,” said Jeff Ladouceur, director, SEI Private Wealth Management Solution Development. “And, since all goals are not created equal, a single portfolio isn't really an effective way of managing for the future.”

## How do you know if you're right?

### Try on decisions.

Using a sophisticated modeling and scenario analysis tool, our clients are educated on how key assumptions for spending, time horizon (longevity) and the type of investment experience they desire (preservation vs. growth) affects their portfolio. That makes it much easier for them to understand the answer to the “how much do I really need?” question.

### Build the right portfolio for the right job.

After extensive research, we determined that goals-based portfolios increase the likelihood of achieving specific lifestyle outcomes. We discovered that our clients feel more secure during times of financial uncertainty because their lifestyle portfolios are typically constructed to manage market volatility and to maintain their value within a prescribed range. This investment approach is very different than the 1994 Bengen “4% thesis,” which included the higher risk 60% equity/40% fixed-income portfolio.

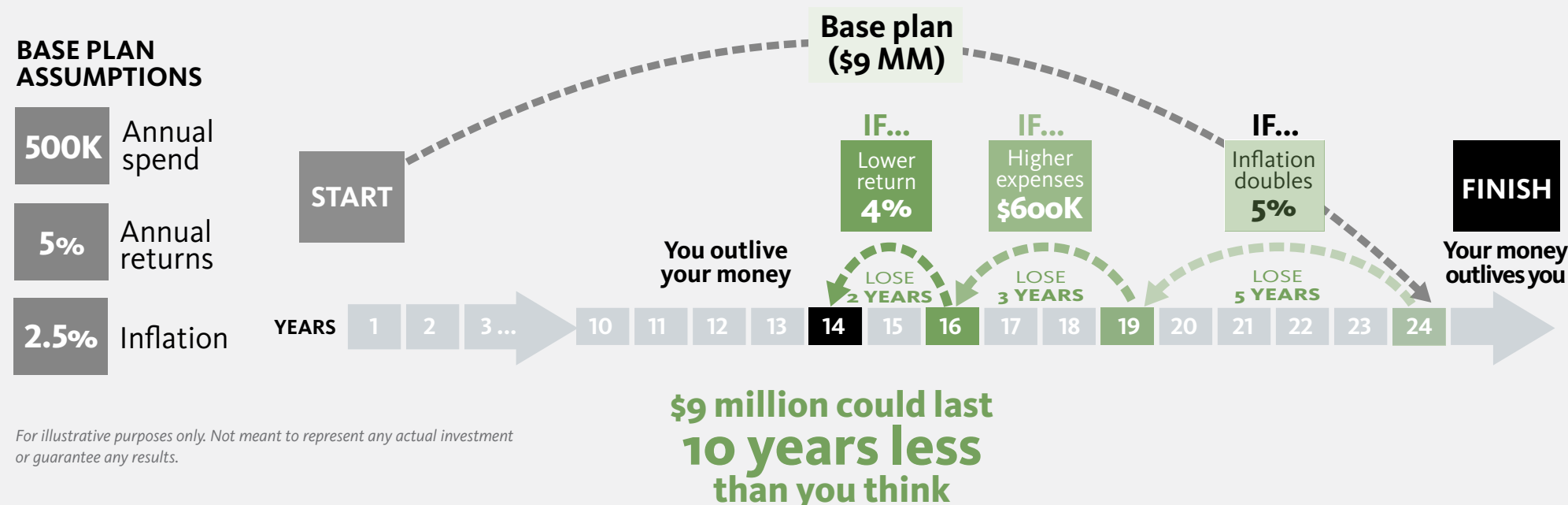
### Monitor all the variables.

Ultimately, peace of mind comes with knowing that key variables are constantly monitored and adjusted when necessary. When it comes to lifestyle, you shouldn't have to spend time worrying about “what if” or “am I sure.” Instead, most want the ability to live the lifestyle they want and the freedom to take advantage of opportunities when they arise. But who's going to sound the alarm, or even know there's an alarm to sound if something changes?

Michael Farrell, managing director, SEI Private Wealth Management, believes this is one of the biggest reasons clients are drawn to SEI. “Our wealth management system is designed to constantly re-evaluate our clients' portfolios, cash flow and financial assumptions, and create notification triggers when something needs to change. These triggers help reassure our clients that we're constantly monitoring and measuring their lifestyle variables to make sure they're optimized against their goals while maintaining a tax-efficient status.”

At SEI, we believe that when you solve for lifestyle or the “how much is enough?” question, client confidence increases, doubt decreases, goals come into sharper focus and better decisions are made. As a result, people gain a sense of freedom that allows them to take advantage of other opportunities like helping family, starting a business or making an impact on a charitable cause. Most importantly, clients feel a sense of clarity and security about their future.

## SCENARIO: How long will \$9 million last?



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1 Freedom Valley Drive  
P.O. Box 1100  
Oaks, PA 19456  
888-551-7872

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or contact a member of the Private Wealth Management  
team at **888-551-7872**.

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