

Are You *Actually* On Track?

A plain-English framework for understanding what your retirement number really means — and the two risks that most people never account for until it's too late.



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A decorative graphic on the right side of the page, consisting of a dark blue triangle pointing upwards, a white circle, and a dark blue triangle pointing downwards, all arranged vertically.

You probably have a number.

Most people approaching retirement do. It might be something you calculated yourself, something a financial article told you, or a number that has been sitting in the back of your mind for years that somehow feels right. A million dollars. Two million. Whatever it is.

This guide isn't here to tell you that number is wrong. It might be right. But most of the time, when I sit down with someone for the first time and we actually work through it — the number is either missing something, built on an assumption that doesn't hold up, or disconnected from an actual plan.

That's not a criticism. Nobody teaches this clearly. So here's what we're going to do. We're going to walk through the things that actually determine whether your retirement plan holds up — the risks most people don't see, the inputs most people leave out, and the questions worth asking before you need the answers. At the end there's a short checklist. Answer it honestly and you'll have a clear picture of where you actually stand.

SECTION ONE

The number problem.

Here's something almost nobody in this industry says out loud: most retirement numbers are a guess dressed up as a plan.

That's not an accusation. It's just the reality of how most people arrive at a retirement target. Someone heard that you need 80% of your pre-retirement income. Someone else read about the 4% rule and worked backwards. A lot of people just picked a round number that felt ambitious but not impossible.

None of those approaches are necessarily wrong. But they share a common problem: they produce a number without producing a plan. And a number without a plan is just a target you're hoping to hit without knowing what you're really aiming at.



"The number isn't the plan. The plan is the plan. The number is just what falls out of it when you do the work honestly."

What a real retirement number requires is working backwards from your actual life — what you'll spend, when you'll spend it, what other income you'll have, and what risks could derail the whole thing. Most people have never done that exercise. This guide walks you through it.

SECTION TWO

The two risks pulling against each other.

Picture walking into a room. On your right, there's something loud and obviously threatening — the kind of risk that commands your full attention the moment you see it. On your left, over in the corner, there's something smaller. Quieter. Most people walk right past it. That one might actually be more dangerous.

That's retirement risk. Understanding both sides of that room — not just the loud one — is the difference between a plan and a hope.

The loud one: sequence of returns risk.

Most people know that markets go up and down. What most people don't know is that when the down years happen matters enormously — far more than the average return over time.

Two people retire on the same day. Same portfolio size, same average return over 30 years, same monthly withdrawal. The only difference: Person A gets the good years first. Person B gets the bad years first. Person A's portfolio compounds through the early years while it's still intact. Person B is selling investments at a loss to fund withdrawals before the recovery ever comes. By year 20 they're in completely different places — not because of anything either of them did wrong, but because of the order the years arrived.

This is called sequence of returns risk. It's the reason the first few years of retirement are so disproportionately important. You can't control it. You can only control how your plan is structured going into it.

The quiet one: inflation.

The other risk doesn't make headlines. It doesn't trigger breaking news alerts. It just works, slowly and quietly, every single year.

My grandfather retired in the early 1990s with roughly a million dollars saved and kept most of it in CDs. Safe, predictable, protected. Today that money is worth around \$1.3 million in nominal terms. That sounds fine — until you remember what a million dollars bought in 1992.



If your money isn't outpacing the cost of living going up, it is mathematically the same as burying it in a treasure chest. Completely flat. The chest doesn't know inflation exists.

This is not an argument for being aggressive when you're not. It's an argument for being precise. On one end you have the risk of too much volatility — a major market crash in the early years of retirement, selling at a loss, the plan falling apart. That risk is real. It's just the one you notice because it's loud.

On the other end is the risk of playing it too safe — retreating to security in a well-meaning way, slightly overdoing it, and leaving yield on the table for no reason other than a lack of precision. A 1% difference in annual return sounds small. Compounded over 25 or 30 years, it isn't small at all.

Both risks are real. Neither is more frightening than the other. The job — the actual work of retirement planning — is navigating deliberately between them. It's both wasteful and irresponsible to future you to skip that.

SECTION THREE

What your number actually needs to include.

Even if you understand both risks, your retirement number can still be wrong — not because of the math, but because of what's missing from the inputs. Here are four things most retirement numbers leave out.

The withdrawal rate question.

The 4% rule is probably the most cited piece of retirement guidance in existence. It's also probably the most misapplied. It came from a specific study, a specific historical period, a specific portfolio mix, and a 30-year time horizon. It was a starting point. Somewhere along the way it became gospel.

Your sustainable withdrawal rate depends on your actual age at retirement, your health and expected longevity, what other income you have coming in, and what your portfolio actually looks like. Getting it wrong by even half a percent compounds into a meaningfully different outcome over two or three decades. It's worth getting right.

All the income sources, accurately.

Your portfolio doesn't have to fund your entire retirement — it only has to fund the gap between what you spend and what you have coming in from other sources. Social Security. A pension if you have one. Rental income. Part-time work if that's part of the plan.

The problem is that most people treat these as afterthoughts — things that "will help" without ever quantifying exactly how much and exactly when. Your Social Security benefit varies meaningfully depending on when you claim it. The timing of these income sources directly determines how hard your portfolio has to work. Build them in as specific numbers, not general assumptions.

Retirement shouldn't spend flat.

Most people estimate their retirement spending as a single monthly number, held constant for 30 years. Retirement doesn't work that way. Early retirement tends to be active and expensive — travel, hobbies, helping kids or grandkids get started. Mid-retirement stabilizes. Late retirement often sees discretionary spending drop while healthcare costs rise.

There's also a more immediate problem. Most high-income people don't honestly know what they spend in a given month, let alone on a random month

three years into retirement. So the estimate almost always anchors on a bare-minimum figure — the amount they'd need on a month when nothing unexpected happens and nobody travels. They retire into a life that doesn't feel like the freedom they were picturing, because the number was never quite honest to begin with.

Taxes don't stop in retirement.

A million dollars in a traditional IRA is not a million dollars. It's a million dollars minus whatever your effective tax rate is when you withdraw it. A million in a Roth is genuinely a million. A million in a taxable brokerage account has its own treatment entirely. Most retirement numbers I see are just totals — they've never asked the first question: where does this money actually live, and what does the IRS get before it reaches you?

Beyond account type, there are real strategies available in the years before and after retirement that can meaningfully reduce your lifetime tax bill — Roth conversions during low-income years, strategic timing of Social Security to manage bracket exposure, coordinating withdrawals across account types. These aren't loopholes. They're planning decisions available to anyone willing to be intentional about them. The window to act is finite.

Eight questions worth answering honestly.

These aren't trick questions. They're the ones that tend to reveal, pretty quickly, whether someone's retirement picture is complete or just feels complete. Answer them honestly — "I don't know" counts as a no.

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- 1 Do you know, within \$500 a month, how much income your investments will actually provide in retirement?
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- 2 Have you modeled what happens to your plan if markets drop significantly in the first two or three years after you retire?
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- 3 Do you have a specific strategy for Roth conversions in the early years of retirement, before required distributions begin?
-
- 4 Do you know what percentage of your retirement savings will go to taxes before it reaches you?
-
- 5 Have you accounted for the fact that your spending in retirement probably won't stay the same from decade to decade?
-
- 6 Have you thought through when you'll claim Social Security and how that timing fits the rest of your plan?
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- 7 Have you stress-tested your number against inflation — not just for one year, but compounded over 20 or 30?
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- 8 Is your portfolio built around a plan — or is your plan built around your portfolio?
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If you answered no — or "I'm not sure" — to more than two or three, your picture probably has some gaps. That's not a problem. It's just information. And most of those gaps are fixable with the right help.

LIVE CALCULATOR

There's a live calculator at talleywealth.com/calculator where you can plug in your specific numbers — including what happens if markets drop early in retirement — and see whether your projected balance lasts a full 30 years.

Stress-test your specific situation in about 2 minutes.

[Try the calculator](#) →

If this resonated — talk to someone who does this every day.
Someone who can answer the questions you can't quite verbalize yet.

If that's us, great. If not, just don't wait.

[Start a conversation](#) →

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