



The #1 Strategy for Successful Investing

1. **Lifestyle Cost In Retirement:** This is the amount of money you estimate your cost of living to be per year when you retire.

Most people estimate their cost of living in retirement per year to be 80%-100% of what they are currently living on now per year.

2. **Guaranteed Income Per Year:** This is how much guaranteed money you'll make per year.

This includes:

- Social Security
 - Use the social security online calculator
www.socialsecurity.gov/retire2/estimator.htm
- Defined Benefit Pension Plan (if you have one)

3. **Retired Investment Income in Current Dollars:** This is the extra money you will need, in addition to your **Guaranteed Income**, to support your **Lifestyle Cost in Retirement** per year.

$$\begin{aligned} & \text{Lifestyle Cost of Living} \\ & - \text{Guaranteed Income} \\ & = \text{Required Retired Investment Income} \end{aligned}$$

4. **Rate of Inflation:** This is a sustained increase in the general price of goods and services in an economy over a period of time. The overall cost of living per year is contingent on the current rate of inflation.

*This is fixed at 3.6% on the spreadsheet, which is an accurate average rate of inflation based on previous years and the current economic projections for the future.

5. **Years Before Retirement:** This is amount of years between now and when you plan to retire.



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6. **Years in Retirement:** This is how many years you estimate being in retirement.

Be optimistic that you'll be around awhile; if you're healthy at 65 then you'll probably live into your 90's.

7. **Investment Capital Today:** This is the total amount of capital you have to invest today. The average baby boomer has \$87,000.

8. **Additional Capital to Save Each Year:** This is the amount of additional capital you think you will be able to save each year.

The average 45-55 year old can save \$1,000 per month, which is a total of \$12,000 in additional capital savings per year.

9. **Rate of Return on Capital While Working:** This is the average rate at which your capital will grow, while you are working, for the duration of working years you have remaining before retirement.

*This is fixed at 7% in the "Work and Save" Column C, Row 11 because 7% has been the average rate of return of the stock market, plus dividends, for the last 100+ years.

*This is fixed at 15% in the "Work and Invest" Column D, Row 11 because 15% is the average rate of return using Rule One Investing strategies.

10. **Capital Available to Invest at Retirement:** This is the future value of your investment capital in dollars that you will have available to invest when you retire.

This is calculated based on your **Investment Capital Today**, **Additional Capital to Save Each Year**, and the **Rate of Return on Capital While Working**, for the duration of working years you have remaining before retirement.

11. **Year of Retirement:** This is the year in which you plan to retire and is calculated based on your number of **Years Before Retirement**.

12. **Cost of Living Per Year on Your Retirement Year:** This is your **Required Investment Income** today, in constant dollars, increased to the cost of living based on the **Rate of Inflation**.

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13. Rate of Return During Retirement: This is the rate of return on capital per year during retirement.

*This is fixed at 5% in the “Work and Save” Column C, Row 15 on the spreadsheet, which is less than the average stock market return of 7% because you will have more bonds in your investment portfolio.

*This is fixed at 10% in the “Work and Save” Column D, Row 15 on the spreadsheet based on investing Rule One style instead of investing in a bunch of bonds.

14. Rate of Inflation During Retirement: This is fixed at 3.6% in the spreadsheet, which is an accurate average rate of inflation based on previous years and the current economic projections for the future.

15. Net Return After Inflation: This is the rate of return on capital during retirement less the rate of inflation during retirement.

$$\begin{aligned} & \text{Rate of Return on Capital During Retirement} \\ & - \text{Rate of Inflation During Retirement} \\ & = \text{Net Rate of Return After Inflation} \end{aligned}$$

16. Run Out of Money After This Many Years: This is how many years in retirement you will have before you run out of money (except social security).

17. Years Without Money: This is how many years in retirement you will be without money (except for social security). This is calculated by how many years you project you will be in retirement less the number of years in retirement you will have before you run out of money.

18. YOUR NUMBER: This is the amount of money you need to have when you retire to produce the **Required Investment Income** every year, in constant dollars, to support your **Lifestyle Cost in Retirement** for the rest of your life.

19. OVER (UNDER): This is the difference between **YOUR NUMBER** and the actual amount you will have.