

## The State of Retirement Income: 2025

Our 'base case' for starting safe withdrawal rates is 3.9%, but retirees can withdraw up to 5.7% of their starting portfolio balance by adopting a more flexible approach.

### Portfolio and Planning Research

Dec. 3, 2025

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### Key Takeaways

- ▶ Morningstar's 2025 research suggests that 3.9% is the highest starting safe withdrawal rate for retirees seeking a consistent level of inflation-adjusted spending from year to year (assuming a 90% probability of having funds remaining at the end of an assumed 30-year retirement period). As in the past, we incorporated forward-looking asset-class return and inflation assumptions to arrive at a starting safe withdrawal rate for new retirees, excluding Social Security or other nonportfolio income sources.

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- ▶ Using a more flexible approach to retirement withdrawals can significantly boost the starting safe withdrawal rate. We tested four additional flexible spending methods this year, two of which lifted the starting safe withdrawal rate to 5.7%. However, the right level of flexibility in a retiree's spending system will depend on the individual's tolerance for spending changes, including the extent to which fixed expenses are covered by nonportfolio income sources.

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**Exhibit 6** Starting Safe Withdrawal Rate %, by Asset Allocation and Time Horizon, 90% Success Rate

Equity Weighting %	10 Years	15 Years	20 Years	25 Years	30 Years	35 Years	40 Years
100	8.4	5.8	4.6	3.8	3.4	3.2	3.0
90	8.6	6.0	4.7	3.9	3.5	3.2	3.0
80	8.8	6.1	4.9	4.1	3.6	3.3	3.1
70	9.1	6.3	5.0	4.2	3.7	3.4	3.2
60	9.3	6.5	5.2	4.3	3.8	3.4	3.2
50	9.5	6.6	5.3	4.4	3.9	3.5	3.3
40	9.7	6.7	5.3	4.4	3.9	3.5	3.2
30	9.8	6.8	5.3	4.4	3.9	3.5	3.2
20	9.8	6.8	5.3	4.4	3.8	3.4	3.1
10	9.7	6.7	5.2	4.3	3.7	3.3	3.0
0	9.6	6.5	5.0	4.1	3.5	3.0	2.7

Source: Morningstar. Data as of Sept. 30, 2025.