Franklin|Madison
PRIVATE WEALTH

How We Calculated a $240,000 "SLEEP-WELL" Number Before an Executive Left a seven figure career

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The question wasn't **whether he had accumulated enough**

At 52, this technology executive had built the kind of financial life that looked successful from the outside.

He earned more than $1 million annually, had accumulated several million dollars across retirement and taxable investment accounts, and continued to receive a meaningful portion of his compensation through company stock.

However, he didn't want to continue working indefinitely simply because the paycheck was difficult to replace.

His goal was to leave full-time employment at 55.

The long-term retirement projection suggested that the family had accumulated enough to support that decision. Nevertheless, the projection didn't answer the question that mattered most to him:

How would money reliably move from the portfolio into the family's checking account once salary, bonuses, and equity compensation stopped?

A portfolio can appear sufficient over a 30- or 40-year projection while leaving the first several years of retirement operationally unclear.

The family didn't simply need a retirement number.

They needed a retirement paycheck.

Early retirement **created a long bridge period**

Retiring at 55 meant the executive would leave work well before most traditional retirement-income sources began.

Social Security was still more than a decade away. Medicare wouldn't begin until age 65. In addition, much of the family's wealth was held inside accounts that needed to be accessed carefully.

Meanwhile, the family would still need to fund health insurance, taxes, travel, housing costs, and its normal lifestyle.

This created a retirement-income bridge: the period between the final paycheck and the arrival of later income sources.

How many years would your own bridge need to cover before Social Security, Medicare, pensions, or required distributions begin?

That question couldn't be answered with a standard withdrawal-rate assumption.

Instead, the answer depended on how much the family expected to spend, which income would continue, where the available assets were held, and what other planning decisions needed to occur during those years.

We began **with the lifestyle**

The family estimated that maintaining its desired lifestyle would require approximately $240,000 per year, or about $20,000 per month, after the executive left work.

That amount wasn't calculated by replacing a standard percentage of his seven-figure income.

Much of his working income had been directed toward taxes, retirement contributions, brokerage savings, and equity accumulation. Replacing 70% or 80% of his salary would have materially overstated what the household needed to spend.

Instead, we worked backward from the life the family expected to maintain.

That included its normal household expenses, travel, insurance, housing costs, and discretionary spending.

The analysis also separated recurring lifestyle costs from items that would need to be funded independently, including taxes, major purchases, and other known obligations.

Is the cash you've labeled for retirement actually available for monthly spending, or is the same pool also expected to cover taxes, tuition, health insurance, and large purchases?

That distinction would ultimately affect how much liquidity the family needed before the executive could confidently leave work.

We identified what **the portfolio needed to provide**

Although the executive planned to retire, his spouse expected to continue earning approximately **$80,000 per year after taxes.**

Therefore, the portfolio didn't need to replace the family's entire $240,000 lifestyle immediately.

The initial calculation looked like this:

Annual household spending: $240,000

Less continuing household income: $80,000

Initial annual portfolio need: $160,000

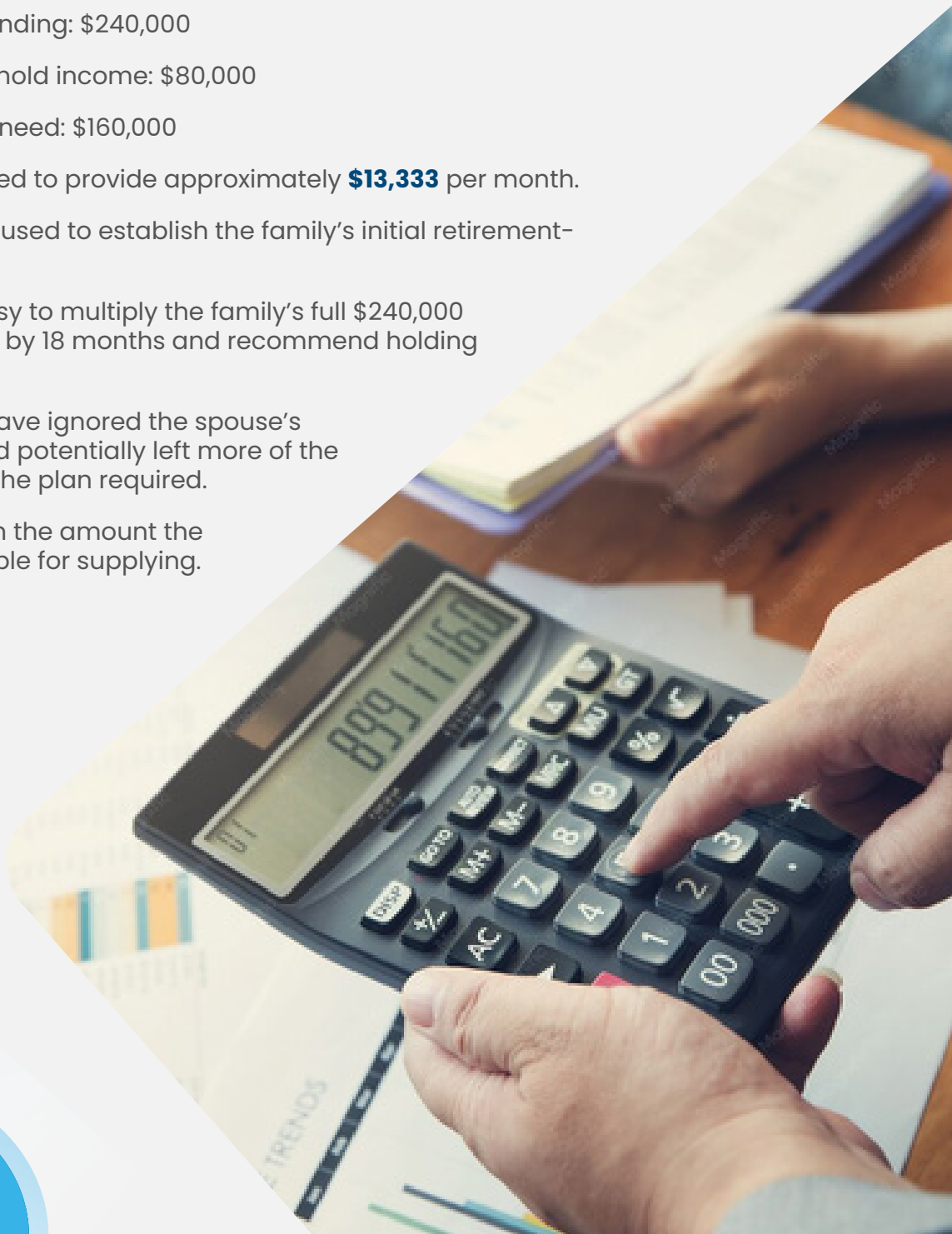
The portfolio would need to provide approximately **$13,333** per month.

This was the figure we used to establish the family's initial retirement-paycheck reserve.

It would have been easy to multiply the family's full $240,000 spending requirement by 18 months and recommend holding $360,000 in cash.

However, that would have ignored the spouse's continuing income and potentially left more of the portfolio in cash than the plan required.

Instead, we focused on the amount the portfolio was responsible for supplying.



The family's initial **sleep-well number was $240,000**

We wanted the family to begin retirement with approximately 18 months of its anticipated portfolio withdrawals available in cash and short-term reserves.

The calculation was:

$160,000 annual portfolio need × 1.5 years = $240,000

That established an initial **$240,000 sleep-well number**.

The reserve was designed to give the family time.

If markets declined shortly after retirement, the household could continue receiving its portfolio paycheck without immediately selling long-term investments after their values had fallen.

The reserve also created flexibility around the family's concentrated employer stock.

Rather than allowing monthly bills to determine when company shares had to be sold, the diversification decision could be evaluated separately based on taxes, concentration risk, market conditions, and the broader portfolio strategy.

However, arriving at $240,000 didn't finish the planning.

The figure still had to be tested against the family's tax obligations, health-insurance costs, investment structure, stock-sale strategy, and the timing of other major cash needs.

Would your current reserve still be sufficient if markets declined shortly after you retired—or is that answer dependent on selling a concentrated investment at the right time?

If the reserve proved too small, the family could be forced to sell company stock during a decline or take an unplanned retirement-account distribution that pushed income into a higher tax bracket.

That was the more important question.

The sleep-well number wasn't simply a cash balance. It had to remain viable under conditions that might be materially different from the day the executive retired.

We recreated the **paycheck without recreating the salary**

The spouse's income would continue flowing into the household checking account.

Then, approximately **$13,333 per month** could be transferred from the investment reserve to cover the remaining spending need.

Together, those cash flows would provide the family's anticipated monthly lifestyle:

- **Continuing household income:** approximately $6,667 per month
- **Portfolio paycheck:** approximately $13,333 per month
- **Total available cash flow:** approximately $20,000 per month

The purpose wasn't to replicate the executive's previous salary.

It was to replace the portion of that salary the family had actually relied on to fund its lifestyle.

That distinction made the transition more understandable. The household wouldn't need to decide what to sell every time money was needed.

Instead, a scheduled transfer could create a predictable retirement paycheck while investment and tax decisions were handled separately.

The harder question **was how the reserve would be replenished**

The $240,000 reserve wasn't intended to sit untouched forever.

As monthly transfers were made, it would gradually decline. Therefore, the family needed a process for determining when and how the reserve would be restored.

Potential funding sources included investment income, maturing fixed-income holdings, portfolio rebalancing, appreciated taxable investments, & planned sales of employer stock.

However, those sources weren't interchangeable.

Selling one investment could create capital gains. Selling another could increase concentration risk elsewhere in the portfolio. Meanwhile, a distribution from a retirement account could affect taxable income, future Roth-conversion capacity, or Medicare premiums.

The family also needed to decide how the replenishment process should change during a prolonged market decline.

A reserve that works during a rising market may behave very differently when the assets intended to refill it have fallen in value.

For that reason, the reserve couldn't be managed separately from the investment and tax plans.

We developed a replenishment framework for the family, but the right framework depended on circumstances specific to its portfolio, tax exposure, & retirement timeline.

Cash management **protected the planning window**

The first years after the executive left work could create an important tax-planning opportunity.

His salary, bonus, and ongoing equity compensation would end. Meanwhile, Social Security and required minimum distributions hadn't yet begun.

That temporary decline in taxable income could create opportunities to complete Roth conversions, realize capital gains, or reposition assets more efficiently.

However, the family could only take advantage of that window if it had enough liquidity to fund both its lifestyle and the taxes created by those decisions.

A poorly designed cash plan could force the household to choose between maintaining its spending and pursuing a longer-term tax strategy.

The $240,000 reserve reduced that tension.

It gave the family a source of near-term spending money while allowing future withdrawals, conversions, and stock sales to be evaluated more deliberately.

Still, the reserve itself didn't determine which account should be used next.

That decision would need to be revisited as income, tax brackets, market values, and the family's goals changed.

The number **wasn't permanent**

The $240,000 sleep-well number reflected the family's circumstances at the beginning of retirement.

It would change. If the spouse retired, the portfolio-funded spending requirement could increase. Once Social Security began, the amount required from the portfolio could decline.

The number could also change because of inflation, a different spending pattern, a major purchase, or a shift in how much liquidity the family needed to feel comfortable.

Therefore, the sleep-well number wasn't a one-time calculation placed in a financial plan and forgotten.

Instead, it became part of the ongoing retirement-income process.

Each year, the family's spending, dependable income, known obligations, tax strategy, portfolio structure, and available reserves would need to be reviewed together.

Where the **value was created**

The value wasn't simply placing $240,000 into cash and short-term investments.

The value came from determining what that reserve needed to cover—and what it didn't.

We identified the family's actual lifestyle cost, separated continuing income from the amount the portfolio needed to provide, and established a reserve for the initial retirement bridge.

Then, we coordinated that reserve with the family's concentrated stock, tax-planning window, healthcare costs, and longer-term withdrawal strategy.

Without that process, the family could have held more cash than necessary and reduced the portfolio's long-term growth potential.

Alternatively, it could have entered retirement with a cash balance that appeared adequate but was also expected to fund taxes, large purchases, and market-dependent stock sales.

Instead, the executive left work with a defined monthly paycheck and an initial $240,000 reserve designed around the family's actual circumstances.

The **takeaway**

For high-income executives, determining whether the portfolio is large enough is only part of the retirement decision.

The more immediate questions are often harder:

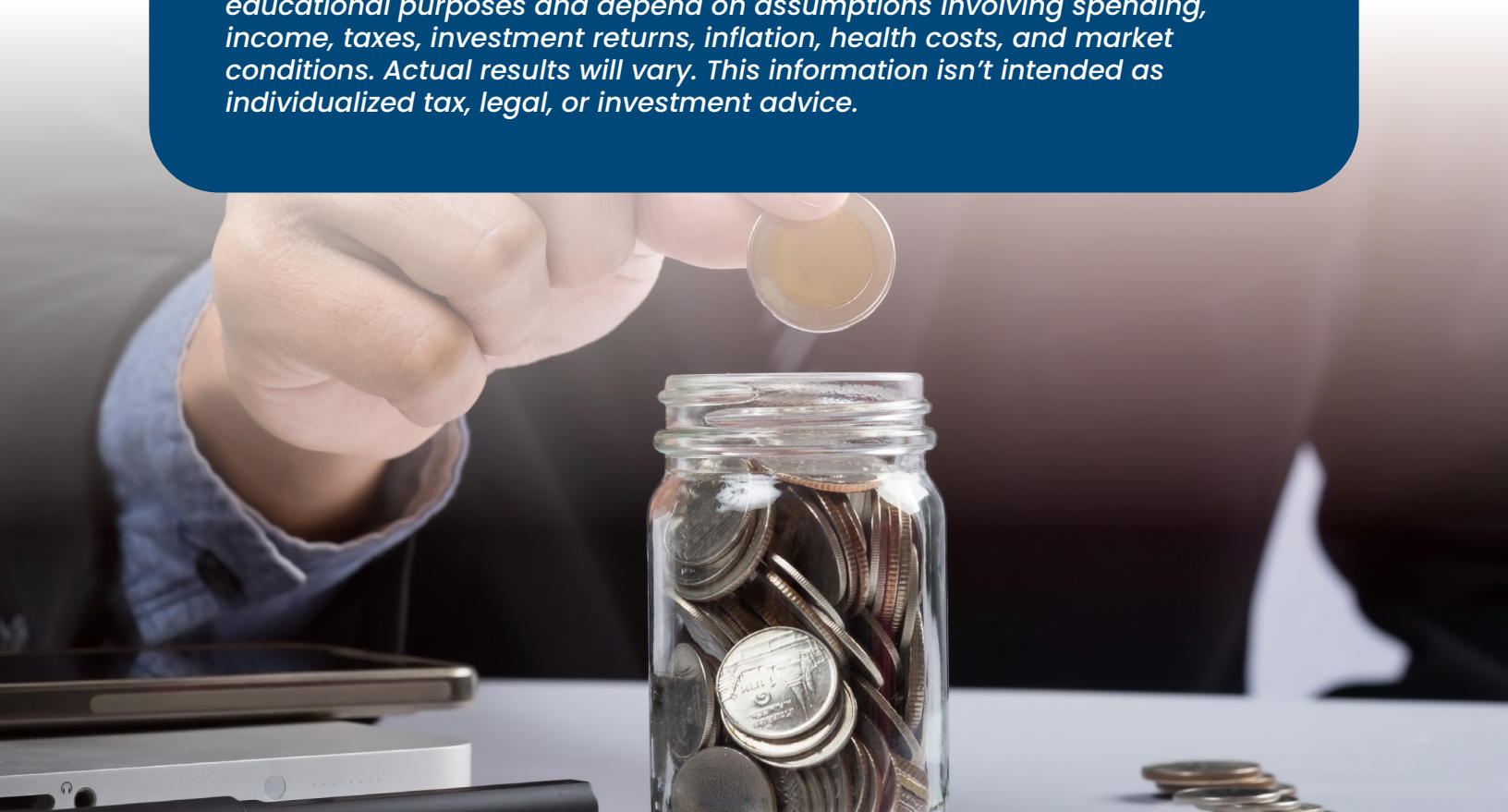
- How many years must the portfolio fund before other income begins?
- Which expenses belong inside the reserve, and which require separate funding?
- What assets will replenish the reserve if markets decline?
- And how will the withdrawal process interact with taxes, concentrated stock, and the opportunities created after employment income ends?

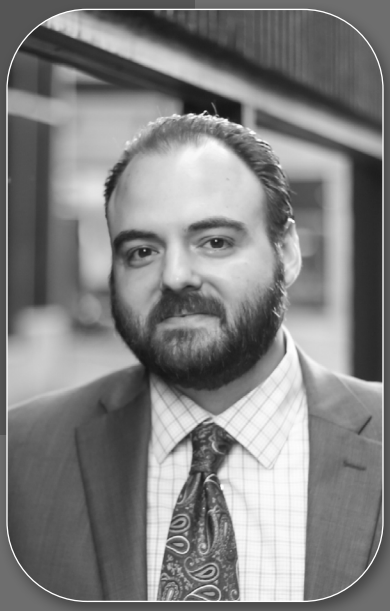
For this family, those questions led to an initial sleep-well number of **$240,000.**

Your number may be materially different.

What's your sleep-well number-and what assumptions would have to remain true for you to trust it?

This case study is a composite based on planning situations we've encountered. Certain facts and figures have been combined or adjusted to protect client confidentiality. The projections and examples are for educational purposes and depend on assumptions involving spending, income, taxes, investment returns, inflation, health costs, and market conditions. Actual results will vary. This information isn't intended as individualized tax, legal, or investment advice.





PETER DONISANU, ChFC®, AIF®
Chief Wealth & Tax Strategist

Franklin Madison Private Wealth

At Franklin Madison Private Wealth, we believe your wealth should work as hard as you do. That's why I created the Premier Wealth Blueprint—to simplify finances, align wealth with your goals, and empower you with confidence for the future.

During my two decades in the wealth management industry, I've seen too many clients overwhelmed by disorganized finances, paying more in taxes than necessary, and lacking the confidence to make informed financial decisions. This stemmed from generic advice that prioritized product sales or investment outcomes over meaningful results.

You've worked hard for your wealth, but without personalized guidance, you're stuck guessing whether your decisions will actually get you closer to your goals.

The Premier Wealth Blueprint is my response to this problem. It's a proven framework that transforms financial chaos into simplicity, providing clarity, confidence, and peace of mind through an end-to-end, professionally curated service.

Because if you're not consistently executing on a clearly defined plan, then every day is a missed opportunity to maximize your wealth and secure your family's future.

Quick Facts

- **Current Role:** Principal at Franklin Madison Private Wealth (2019 – Present).
- **Previous Experience:** Senior Investment Strategy Analyst at Wells Fargo Investment Institute (2001 – 2019).
- **Public Service:** Economic Development Commissioner, Antioch, CA (2015).
- **Education:** MBA in Finance, City University of Seattle; BA in Business, Western Governors University; American College, Certified Financial Planner Education
- **Credentials:** Chartered Financial Consultant®, Accredited Investment Fiduciary®, Series 7 License, Series 65 License
- **Public Speaking & Media:** Bloomberg, Yahoo Finance, PBS Newshour, Nikkei, WSJ, Financial Times
- **Personal Interests:** Marathon, Ultramarathons and Triathlons.

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Investments in certain industries or sectors may involve risks related to sector concentration or allocation. Commodities investing holds additional risks, including regulatory factors, price volatility, changes in interest rates, credit risk, economic fluctuations, and adverse political or financial events.

Fixed-income securities involve risks such as prepayment risk, credit quality declines of issuers, market volatility, and yield fluctuations. Bond prices typically rise when interest rates fall.