FREE GUIDE · $100,000 OR MORE

From Savings to Monthly Income

How to turn an account balance into income that lasts a lifetime.

INSIDE THIS GUIDE

- The paycheck problem every retiree faces
- Find your income gap in four steps
- The three risks that drain savings
- Five ways to turn savings into income, compared
- The bucket approach, with a $250,000 example
- Your income-gap worksheet

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THE PAYCHECK PROBLEM

Saving is one skill. Spending it wisely is another.

For decades, a paycheck arrived every two weeks and your savings grew in the background. Retirement flips that. Now the balance you built has to become the paycheck, and it has to last for a period nobody can predict: 20, 25, even 30 or more years.

A $100,000, $250,000, or $500,000 balance can feel like a lot, until you ask the real question: **how much can I take each month without running out?** This guide walks you through that question step by step.

01 · START WITH THE MATH

Find your income gap in four steps

Step	What to do	Example household
1. Essential expenses	Housing, utilities, food, insurance, health care, transportation, debt payments. Only what you must pay.	$5,200 / month
2. Guaranteed income	Pension (FERS net annuity), Social Security, and any other income that arrives for life.	$2,400 pension + $2,100 Social Security = $4,500 / month
3. The gap	Step 1 minus Step 2. This is what your savings must cover, every month, for life.	**$700 / month** ($8,400 / year)
4. The wants	Travel, gifts, hobbies, helping family. These can be flexible.	$600 / month

The core idea

Cover your **essential** gap with income you can count on no matter what the market does. Pay for the **wants** from money that can grow and flex. When those two jobs are separated, a bad market year becomes an inconvenience rather than a crisis.

02 · WHAT DRAINS SAVINGS

The three risks to plan around

1. Longevity risk: living longer than your money

For a married couple at 65, there is a meaningful chance that at least one spouse lives into their 90s. Planning to age 85 can leave the survivor short at exactly the age when help is most expensive.

2. Sequence risk: a bad market at the wrong time

Two retirees can earn the same average return over 20 years and end up in very different places. The one whose losses come in the **first few years** of withdrawals is forced to sell more shares while prices are down, and those shares never recover for them. The early years of retirement are the most fragile.

3. Inflation risk: the slow leak

At 3% inflation, prices roughly double in about 24 years. A $700 monthly gap today becomes a $1,400 gap later. FERS annuities receive a reduced COLA (2.0% in 2026 versus 2.8% for Social Security), so the gap tends to widen over time.

03 · THE TOOLBOX

Five ways to turn savings into income

Approach	How it works	Strength	Trade-off
Systematic withdrawals	Take a set percentage each year (a common starting point is about 4% of the starting balance, adjusted for inflation).	Flexible; you keep control and access to the balance.	No guarantee; a poor early market can shorten how long it lasts.
TSP installments	Fixed dollar amounts monthly, quarterly, or annually from your TSP.	Simple; change or stop anytime.	Same market exposure as withdrawals.
Bucket strategy	Split savings by when you will need it: near-term cash, mid-term safe money, long-term growth.	Reduces the need to sell after a market drop.	Needs periodic refilling and discipline.
Income annuity (SPIA / DIA)	Exchange a lump sum for guaranteed payments for life, starting now or at a future date.	Pays as long as you live; covers longevity risk.	Money is no longer accessible as a lump sum; limited inflation protection.
Annuity with income rider	Fixed or fixed indexed annuity with a lifetime withdrawal benefit.	Lifetime income while the account value remains accessible.	Rider fees; surrender periods; complex terms.

What $100,000 can produce

Approach	Annual income	Monthly	Lasts for life?
4% systematic withdrawal	$4,000	$333	Not guaranteed
Hypothetical income annuity, 7% payout at age 65	$7,000	$583	Yes, guaranteed by the insurer
Keep it in a 2% CD, spend only interest	$2,000	$167	Yes, but loses buying power

Hypothetical illustration. Income annuity payout rates depend on age, sex, interest rates, and the options chosen (such as joint life or refund features); 7% is not a quote. With a straight life annuity, payments stop at death unless a survivor or refund option is selected. Withdrawals are subject to income tax.

Back to our example household

Their essential gap is $700 a month ($8,400 a year). Covering it with 4% withdrawals would take about **$210,000** of savings, with no guarantee it lasts. Covering it with a hypothetical 7% income annuity would take about **$120,000**, guaranteed for life, leaving the rest of their savings free for growth, emergencies, and the wants.

04 · PUTTING IT TOGETHER

The bucket approach: a $250,000 example

Suppose you have $250,000 and want to draw $10,000 a year (about $833 a month). Instead of one pot exposed to everything, divide it by job:

Bucket	Amount	Covers	Where it might live
1. Now	$30,000	Years 1-3 of withdrawals	High-yield savings, short CDs, Treasury bills, G Fund
2. Soon	$70,000	Years 4-10	CD or Treasury ladder, multi-year guaranteed annuity
3. Later	$150,000	Year 11 and beyond	Diversified stock and bond investments (for example, C, S, I, and F Funds)

- You spend from Bucket 1. You never have to sell growth investments in a down year.
- In good years, trim gains from Bucket 3 to refill Buckets 1 and 2.
- In bad years, leave Bucket 3 alone and let it recover.
- Some retirees replace Bucket 2, or part of it, with an income annuity so the essential gap is covered for life.

Hypothetical example for illustration only; allocations should reflect your own needs, risk tolerance, and other income.

Don't forget: taxes and timing

- Traditional TSP and IRA withdrawals are taxed as ordinary income. Roth withdrawals are generally tax-free if qualified. A mix gives you flexibility each year.
- Required minimum distributions begin at 73 (75 if born in 1960 or later) for traditional balances; plan withdrawals so RMDs do not force you into a higher bracket later.
- Higher income can raise Medicare premiums: in 2026, surcharges start above $109,000 (single) or $218,000 (joint), based on income from two years earlier.
- Delaying Social Security increases your guaranteed lifetime income; savings can bridge the years in between.
- Keep an emergency reserve outside your income plan so a surprise expense does not force a sale at the wrong time.

05 · BEFORE YOU DECIDE

Six questions to answer before choosing a strategy

- [ ] **How much of my essential gap do I want guaranteed?**
  All of it, part of it, or none? Your comfort with market swings matters as much as the math.
- [ ] **What happens to my spouse if I die first?**
  Check survivor benefits on your pension and any annuity, and which Social Security benefit continues.
- [ ] **How much do I need to keep accessible?**
  Emergencies, home repairs, a new car, helping family. Keep this outside any locked-up money.
- [ ] **How will I handle inflation over 25+ years?**
  Keep some money invested for growth, or build in increasing income.
- [ ] **Which accounts should I draw from first?**
  The order of taxable, tax-deferred, and Roth withdrawals changes your lifetime tax bill.
- [ ] **What are the costs and surrender terms?**
  For any annuity: rider fees, surrender period, free-withdrawal amount, and the insurer's rating.

WORKSHEET

Your income-gap worksheet

Fill in monthly amounts. Use your annuity estimate and Social Security statement for Part B.

Part A: Essential expenses

Housing (mortgage or rent, taxes, insurance)	$ ________________
Utilities and phone	$ ________________
Food and household	$ ________________
Health insurance premiums and out-of-pocket costs	$ ________________
Transportation	$ ________________
Other insurance	$ ________________
Debt payments	$ ________________
Total essential expenses (A)	$ ________________

Part B: Guaranteed lifetime income

Pension, net of deductions (FERS, CSRS, military, other)	$ ________________
Social Security or FERS Supplement	$ ________________
Spouse's Social Security or pension	$ ________________
Other guaranteed income (annuity, rental)	$ ________________
Total guaranteed income (B)	$ ________________

Part C: The result

Essential income gap (A minus B)	$ ________________
Monthly wants (travel, gifts, hobbies)	$ ________________
Total savings available for income	$ ________________

NEXT STEP

Want a second set of eyes on your numbers?

Your gap, your savings, and your timeline are unique. If you would like to see what covering your essential gap could look like with real numbers, we can walk through the options with you.

Talk it through with PSR Retirement Services

A no-cost, no-obligation conversation. Bring your questions, your estimates, or just this guide. We will walk through it with you in plain language, in English or Spanish.

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