

MORGAN LION GROUP

PRIVATE BANKING · WEALTH MANAGEMENT ·
RETIREMENT ADVISORY

THE DEFINITIVE GUIDE

Retirement Income 2025

A practitioner playbook for building durable, tax-efficient
income across a 30-year retirement.

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"Retirement is no longer about preserving capital. It is about engineering durable, tax-efficient cash flow that adapts to a 30-year horizon."

— MORGAN LION WEALTH STRATEGY DESK

01 Foreword from the Wealth Desk

The retirement landscape in 2025 looks little like the one our parents inherited. Defined-benefit pensions have all but disappeared from the private sector, longevity has stretched the typical retirement to thirty years or more, and a higher-for-longer rate environment has reshaped the math of safe withdrawal rates. Add inflation that remains stubbornly above the Federal Reserve's 2% target, healthcare costs growing at twice the headline CPI, and the looming 2026 sunset of the Tax Cuts and Jobs Act, and the case for active retirement income planning has never been stronger.

This guide distills the playbook our wealth strategists use with high-net-worth households entering or already in retirement. It is opinionated. It is grounded in the regulatory and market reality of the third quarter of 2025. And it is written for practitioners, not theorists. You will not find another rehash of the 4% rule. You will find a framework for converting a portfolio into the most reliable, tax-efficient paycheck possible — one that reflects the way real households actually spend, give, and protect their wealth.

How to read this guide

- Sections 02–03 frame the macro environment and the components of a modern income stack.
- Sections 04–06 are the technical core: withdrawal mechanics, tax sequencing, and inflation defense.
- Sections 07–08 cover the costs few retirees plan adequately for, and the framework Morgan Lion uses with clients.
- Section 09 outlines how to engage our team if you would like a customized review.

"Most retirement plans fail not from poor returns, but from poor sequencing. The order in which you draw matters more than the rate at which you draw."

— DAVID HAHN, DIRECTOR OF RETIREMENT STRATEGY

02 The 2025 Retirement Income Landscape

Five structural shifts define how retirement income should be engineered today. None are temporary. Each one demands a deliberate response in plan design.

The five shifts

- **Longevity.** A 65-year-old couple today has a 50% probability that at least one spouse lives past 92, and a 25% probability past 97. Plans built for a 25-year horizon are statistically inadequate.
- **Higher real rates.** The 10-year Treasury has held above 4% throughout 2025. For the first time in a decade, fixed income contributes meaningfully to portfolio income — but duration risk has returned with it.
- **Sticky core inflation.** Headline CPI has cooled to roughly 2.6%, but core services inflation remains near 4%. Retirees consume more services than goods, so their personal CPI typically runs 50–100 bps above headline.
- **Healthcare cost acceleration.** Fidelity's 2025 estimate puts a 65-year-old couple's lifetime healthcare cost at \$330,000 in present value, excluding long-term care.
- **TCJA sunset risk.** Without congressional action, the higher standard deduction, expanded brackets, and elevated estate tax exemption all expire on December 31, 2025. Many households will see their effective tax rate rise meaningfully in 2026.

Key statistics at a glance

<p>MEDIAN 65 RETIREMENT LENGTH</p> <p>24.8 yrs</p> <p>Couples — at least one alive</p>	<p>PERSONAL INFLATION, RETIREES</p> <p>~4.1%</p> <p>Healthcare-weighted CPI</p>	<p>LIFETIME HEALTHCARE COST</p> <p>\$330K</p> <p>Couple, age 65 today</p>
<p>10-YEAR TREASURY YIELD</p> <p>4.10%</p> <p>As of Q3 2025</p>	<p>TCJA TOP BRACKET — 2025</p> <p>37%</p> <p>Reverts to 39.6% in 2026</p>	<p>ESTATE EXEMPTION — 2025</p> <p>\$13.99M</p> <p>Halves in 2026</p>

Why this matters now

Retirees who built plans before 2022 were operating in a near-zero-rate world with TCJA tax brackets baked in. Both assumptions are dissolving in front of us. The framework that follows is designed to work in the world we actually face: higher rates, sticky inflation, longer lives, and a more punitive tax regime starting in 2026.

03 Building Your Retirement Income Stack

A modern retirement income plan is constructed in four layers. Each serves a distinct purpose. The strongest plans are the ones in which the layers work together rather than competing.

Layer 1 — Guaranteed lifetime income

Social Security, pensions, and (where appropriate) deferred income annuities. These are inflation-aware, longevity-proof, and immune to market cycles. The job of Layer 1 is to cover non-discretionary essentials — housing, food, utilities, baseline healthcare — for life.

Layer 2 — Bond ladder / cash buffer

A 3-to-7-year ladder of Treasuries, agency bonds, or municipal bonds depending on your tax bracket. Layer 2 funds discretionary spending and isolates Layer 3 from being forced to sell into a downturn.

Layer 3 — Total-return portfolio

Diversified equities, alternatives, and longer-duration fixed income. This layer is for growth, inflation defense, and legacy. It is replenished into Layer 2 systematically — typically annually — and rebalanced opportunistically.

Layer 4 — Reserves & insurance

A health-care reserve (HSA where eligible), long-term care insurance or self-insurance bucket, and an unencumbered emergency fund. Layer 4 absorbs shocks so the upper layers do not have to liquidate at the wrong time.

03 Income Stack (continued)

Indicative allocation by income source — affluent household, age 65

Income source	Share of need	Notes
Social Security (both spouses)	20–30%	File at 70 unless health is a concern
Pension / deferred annuity	5–15%	If available; consider QLAC structures
Bond ladder coupons & maturities	15–25%	3–7 year duration, tax-aware sleeves
Portfolio withdrawals	30–45%	Total-return, replenishing the ladder
Other (rental, part-time, RMDs)	0–15%	Often under-modeled; plan explicitly

Sequencing the stack across retirement

- **Years 1–5 (early retirement).** Heavy reliance on Layer 2 plus part-time income; defer Social Security to 70 if possible.
- **Years 6–15 (peak distribution).** Roth conversions opportunistic in the 24% / 32% brackets; coordinate with QCD strategies after 70½.
- **Years 16–25 (RMD years).** Required Minimum Distributions begin at 73 (75 from 2033 under SECURE 2.0). Plan around them, do not be surprised by them.
- **Years 26+ (legacy phase).** Spending often drops sharply; estate and gifting strategy take precedence.

"The four-layer stack is not a portfolio model — it is an operating system. Each layer has a different job, a different time horizon, and a different tolerance for volatility."

— MORGAN LION WEALTH STRATEGY DESK

04 Reconsidering the 4% Rule for 2025

William Bengen's 1994 study concluded that a retiree drawing 4% of an initial 60/40 portfolio, adjusted annually for inflation, would have survived every 30-year period in the historical record. That conclusion was correct for the data available at the time. It is also routinely misapplied today.

What the 4% rule actually says

- It assumes a 30-year horizon. Couples retiring at 60 face a meaningfully longer planning window.
- It assumes US-only data, which spans the most successful capital market in history.
- It assumes annual inflation adjustments regardless of portfolio performance — a brittle rule that ignores feedback from the market.
- It assumes no fees, no taxes, and constant equity exposure.

Updated guidance for 2025 retirees

Recent work by Morningstar (2024) and our own desk modeling suggests that a starting withdrawal rate of 3.7%–4.0% remains durable today, provided the portfolio carries adequate inflation defense and the retiree is willing to make modest mid-course corrections. Three guardrails are doing the heavy lifting:

- **Floor and ceiling.** After a year of strong returns, allow withdrawals to rise 5%; after a -10% portfolio year, freeze inflation adjustments. This single change adds roughly 50 bps of sustainable starting rate.
- **Bond ladder backstop.** A 5-year ladder removes the sequence-of-returns penalty that drives most early failures.
- **Spending flexibility.** Households that can tolerate a 10–15% temporary cut in discretionary spending have meaningfully higher success rates than those on rigid plans.

Sustainable starting rate by horizon (60/40 portfolio, 2025)

Planning horizon	Starting rate	Comment
20 years	5.0–5.5%	Older retiree, no legacy goal
25 years	4.3–4.7%	Common single-life assumption
30 years	3.7–4.0%	Typical for couples retiring at 65
35 years	3.3–3.6%	Early retirees, surviving spouse
40 years	2.9–3.2%	FIRE / very early retirement

05 Tax-Efficient Withdrawal Sequencing

Two retirees with identical portfolios and identical spending can finish a 30-year retirement with portfolios that differ by 7 figures — driven entirely by the order in which they draw from taxable, tax-deferred, and Roth accounts. Sequencing is the single highest-leverage retirement decision most households can make.

The conventional sequence (and why it falls short)

The textbook order is: spend taxable first, then traditional IRA / 401(k), then Roth last. The logic is straightforward — let tax-advantaged accounts grow longest. In practice this approach concentrates ordinary-income recognition into the RMD years, often pushing retirees into materially higher brackets in their seventies and beyond.

A more sophisticated sequence

- **Years 1–5.** Live primarily off taxable accounts and capital gains harvested at 0%/15% rates. Convert traditional IRA to Roth aggressively up to the top of the 24% bracket.
- **Years 6–10.** Continue strategic Roth conversions; begin partial IRA withdrawals to "fill" lower brackets before RMDs arrive.
- **Years 11+.** RMDs satisfy a portion of cash needs. Use Qualified Charitable Distributions for clients with philanthropic intent — they exclude up to \$108,000 (2025) from AGI.
- **Throughout.** Keep Roth as the "tax-rate insurance" of last resort. It is your shock absorber for unexpected medical bills, IRMAA cliffs, and Medicare surcharge thresholds.

Indicative impact — \$3M portfolio, 30-year horizon

Strategy	Lifetime tax	Ending portfolio
Conventional taxable-first sequence	\$1.42M	\$2.1M
Bracket-management with conversions	\$0.96M	\$2.7M
Same + QCD overlay (philanthropic)	\$0.78M	\$2.9M

"Roth conversions are not about lowering your tax bill today. They are about flattening your tax bill across the rest of your life — and especially the last decade of it."

— MORGAN LION TAX STRATEGY DESK

06 Inflation Protection: Six Practical Strategies

Inflation is the silent compounder that erodes purchasing power even in calm markets. A retiree spending \$150,000 today will need roughly \$271,000 in twenty years assuming a 3% average inflation rate, and \$329,000 if the rate runs at 4%. The plan must be engineered to keep up.

Six tools we deploy in client portfolios

- **Treasury Inflation-Protected Securities (TIPS).** The cleanest hedge — principal adjusts with CPI. A 5–10% allocation in the Layer 2 sleeve is typical.
- **I-Bonds.** Capped at \$10,000 per person per year, but the only retail product offering an explicit inflation passthrough with no duration risk.
- **Equities with pricing power.** Companies with durable franchises and recurring revenue pass cost increases through to customers. Concentrate quality.
- **Real assets.** Listed REITs, infrastructure, energy infrastructure (MLPs/midstream), and select commodities. Aim for 8–15% of the total-return sleeve.
- **Floating-rate credit.** Bank loans and short-duration credit reset to prevailing rates, providing income that grows with inflation rather than shrinking against it.
- **Delayed Social Security.** Each year of delay between FRA and 70 increases the benefit by ~8% — a guaranteed, inflation-adjusted, government-backed return that is impossible to replicate elsewhere.

What we generally avoid

- Long-duration nominal bonds as a stand-alone allocation. Their real return profile is poor in a sticky-inflation regime.
- Gold as more than a small (~3–5%) tactical position. Useful as a tail hedge, weak as a long-run inflation hedge.
- Cryptocurrencies marketed as "digital gold." They have not yet demonstrated the inflation-hedging properties claimed for them.

07 Healthcare & Long-Term Care Costs

Healthcare is the line item that derails the most otherwise-sound retirement plans. The numbers are large, the rules are complicated, and surprises are routine. Plan for them explicitly or absorb them painfully.

What Medicare actually covers (and does not)

- **Part A (hospital).** Premium-free if you have 40 quarters of work history. Has deductibles and coinsurance.
- **Part B (outpatient).** Standard 2025 premium \$185/month, but income-tested via IRMAA. High-income retirees can pay 3–4x the standard premium.
- **Part D (drugs).** Now subject to a \$2,000 annual out-of-pocket cap thanks to the Inflation Reduction Act — a meaningful improvement.
- **What is NOT covered.** Most dental, vision, hearing, routine foot care, and — critically — long-term custodial care.

IRMAA cliffs: the surcharge most retirees do not see coming

IRMAA (Income-Related Monthly Adjustment Amount) lookbacks use modified AGI from two years prior. A one-time event — a Roth conversion, a property sale, a large RMD — can trigger surcharges that add \$5,000–\$10,000+ per couple in Medicare premiums. Modeling MAGI two years forward is essential.

Long-term care: budget for it explicitly

Care setting	2025 national median	30-day cost
In-home, 44 hrs/week	\$77,800/yr	\$6,483
Assisted living facility	\$70,800/yr	\$5,900
Nursing home — semi-private	\$111,000/yr	\$9,250
Nursing home — private room	\$127,750/yr	\$10,646

Three reasonable approaches to LTC funding

- **Self-insure.** Earmark \$300K–\$500K of the portfolio explicitly. Works best for households with \$5M+ of investable assets.

- **Hybrid life/LTC policies.** Premium funds a death benefit that can be accelerated for care. More flexible than traditional LTC, premiums are typically guaranteed.
- **Traditional LTC.** Pure insurance, lower upfront cost, but premiums are not guaranteed and policies are increasingly hard to find.

08 The Morgan Lion Retirement Income Framework

Every retirement plan we build runs through the same five-step process. It is deliberately ordered. Skipping or rearranging steps is the most common cause of plan fragility.

Step 1 — Quantify the income need

Separate non-discretionary spending (must-pay) from discretionary spending (lifestyle) from one-time goals (vehicle, second home, gifting). Each tier funds from a different layer of the income stack. Most retirees we work with discover their "essential" spending is 15–25% lower than they assumed.

Step 2 — Stress-test the plan

Run Monte Carlo simulations against three hostile scenarios: 1970s-style stagflation, 2000–2002 sequence-of-returns shock at retirement, and a personal longevity tail of 35+ years. A plan that survives all three is engineered for reality, not for averages.

Step 3 — Engineer the income stack

Map each spending tier to a layer. Size the bond ladder to cover 5 years of essentials minus guaranteed income. Right-size the equity sleeve for inflation defense and legacy. Avoid the temptation to over-allocate to either bonds (longevity risk) or equities (sequence risk).

Step 4 — Build the tax overlay

Project taxes year by year for the next 25 years. Identify the conversion windows. Map IRMAA cliffs. Plan QCDs. The tax overlay is rebuilt every year as legislation evolves.

Step 5 — Operationalize and review

Convert the strategy into a written Investment Policy Statement and a written Withdrawal Policy Statement. Review annually. Revise on life events: a marriage, a death, a major health event, a tax law change.

"The plan you write at 62 will not be the plan you live at 82. Build it to flex, review it relentlessly, and never let perfect be the enemy of resilient."

— MORGAN LION WEALTH STRATEGY DESK

09 Working with Morgan Lion

The framework in this guide is the same one our wealth advisors deploy with clients every week. If you would like a customized review of your retirement income plan, we offer three engagement levels.

Complimentary Retirement Income Audit

A single 60-minute conversation with a senior advisor. We review your current plan, identify the two or three highest-leverage opportunities, and provide a written summary. No obligation, no commitment, no cost.

Retirement Income Blueprint — \$4,500

A four-week engagement producing a written plan: income stack design, withdrawal sequencing schedule, year-by-year tax projection, IRMAA model, and stress-test results. You can implement the plan yourself or with your existing advisor.

Ongoing Wealth Management

Comprehensive advice and discretionary portfolio management for households with \$1M+ in investable assets. Fees are tiered and transparent — typically 0.50%–0.95% per year, declining with assets. The Blueprint fee is credited against the first year of advisory fees.

NEXT STEP — SCHEDULE YOUR COMPLIMENTARY AUDIT

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Mention this guide when you reach out and we will fast-track scheduling.

10 Important Disclosures

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