"How much can I draw from my investments and be reasonably sure I won't run out of money over a thirty year retirement?"

That's the question most savers ask themselves at some point. And the answer is more complicated than dividing your nest-egg by thirty.

When you're saving for a future retirement you actually want stock prices to go down right away so you can buy low.

But, once you retire and go into withdrawal mode the same early drop in share prices can jeopardize your entire retirement.

Basically, it's all about the timing of your returns or what is known as sequence-of-return risk. It is what keeps pension fund managers and conscientious financial advisors on their toes.

Take Jill and Jane, two recent retirees. Over the next ten years they'll both earn an average of 5% per year. Jill earns 25% her first three years, then five years of 5%, and her last two years -25% per year.

Jane, however, has the opposite sequence of returns. She starts out losing 25% her first two years but then finishes strong instead.

Further, imagine they start out with $1 million and plan to draw $40,000 at the beginning of each year.

After ten years Jill, who started out with the good years, has an account balance of $1,082,270. So, after a decade she's slightly ahead of her starting point despite having drawn $400,000. Not bad.

Jane, however, has only $627,397. Jane now needs to consider reducing her spending to improve her chances of not going broke. That's bad.

Notice that they started with the same balance, withdrew the same amount, and experienced the same 5% annual return.

Jill was just lucky to start out with good years – think late 1990s or periods of this decade.

Jane started with the bad years – as if she retired in 2000 or 2007.

Regardless what you may hear, it is not possible to know when the bad years will come. No one knows what returns we'll see in 2020, 2021, and 2022. As an investor, this uncertainty has always been with us and always will be.

One way to prepare for this unknown is to have stable investments in separate investments from which you can draw the e.g. $40,000 per year. If you have several years' worth of planned withdrawals set aside your stock investments may have time to recover.

For those who really want to take a deep dive into the matter I highly recommend Wade Pfau's "How Much Can I Spend in Retirement?"

Good luck.

*This information is hypothetical and is provided for informational purposes only. It is not intended to represent any specific return, yield, or investment, nor is it indicative of future results.

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