In January, the Chicago Bears played the Philadelphia Eagles in the first round of the playoffs. Cody Parkey, the Bears’ kicker, attempted a game-winning field goal with seconds left in the game. His attempt hit the upright then the crossbar and fell into the end zone, resulting in a field goal that was “no good.”

In an alternate universe, Parkey could have been allowed a second attempt, keeping the same exact kick but moving the goalposts six inches to the left. The field goal is “good,” he’s hailed as a hero, and the Bears vanquish the defending Super Bowl champions.

…if only…

You only retire once

Like Parkey, investors only get one shot at retirement success. On the other hand, investors, aren’t trying to beat someone else. We’re trying to meet our own goals; specifically, we’re trying to meet our future spending needs, keep our family happy and healthy, and retire on time.

So although the phrase “moving the goalposts” usually refers to an unfair change in the rules or goals when a process has already begun, that “unfairness” doesn’t apply to investing. It’s not cheating to move your own goal posts!

That’s why financial planning is an ongoing and iterative process. The process of setting goals, building a financial plan, and designing an investment strategy isn’t a one-time activity. Your financial plan should change and adapt as your goals and resources diverge from the “Day 1” plan.

After all, there are myriad uncertainties to account for over a lifetime of investing. Not only are market returns highly variable, but so are spending needs. Savings and spending rates are rarely a straight line and “lumpiness” tends to be the rule, not the exception.

Perfectly planning for every uncertainty without any flexibility on the spending side can require significantly more sacrifices in the form of delayed retirement or a lower standard of lifestyle.

Instead of “self-insuring” against all uncertainties, we recommend that investors target a “safe spending rate” that limits spending to a level that doesn’t hamper the longevity of the portfolio’s future spending potential.

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This won’t always align with the investor’s planned spending, but most investors can find at least some flexibility in their budget to keep their plan on track.

Generally speaking, retirees with more spending flexibility can get the best of both worlds, targeting a higher level of spending and also improving the probability of success. There are two key components to improving flexibility.

The first is to target a lower cash flow need out of the portfolio. For example, improve the cash flow generation; annuities, Social Security, and rental income can also raise the "floor" of how much you might need to cut spending.

Spending flexibility is the second way to reduce the drag from negative cash flows. Cutting spending is easier said than done, but the process is fairly straightforward: evaluate your budget to distinguish your "must-have" expenses (rent, utilities, etc.) from your "wants" (vacations, eating out, etc.).

Flexible spending is essentially goalposts on wheels, making it easier for spending needs from exceeding what is "safe" to spend. By identifying where your "spending floor" is ahead of time, you can more proactively prepare your options and plan a strategy that stays inbounds.

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Appendix

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