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# How will your spending change throughout retirement?

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**When forecasting retirement spending, a common starting point is to take your current budget and then "inflate" that spending number, through the rest of your life, using a constant rate—usually derived from the forecast of an index of broad economic inflation.**

One downside to this approach is that not all goods and services rise in price at the same rate. What's more, there may be components of your budget that may be underrepresented in, or excluded from, an economy-wide inflation index.

This retirement spending smile pattern is due, in part, to the change in the composition of household spending throughout retirement.

When looking at data from the RAND Center of the Study of Aging, we see that total spending for an average family does increase each year. However, these spending increases don't perfectly match a constant annual inflation estimate.

In fact, for the average family, spending in retirement typically grows more slowly than inflation at first, then accelerates faster than inflation later in life—creating a "smile" pattern over time.

It's important to keep in mind that the families in this survey may have different spending habits than your family, and no family will look exactly like the average. Even still, these data suggest that retirees' spending patterns are driven by lifestyle changes that are largely independent of inflation.

Although starting with an all-in-one budget and applying a constant spending increase can be a good starting point, it is unlikely to accurately reflect your family's actual spending.

To build a more specific forecast for your family's retirement spending, discuss these suggestions with your financial advisor:

1. Don't assume that all expenses will increase by inflation. A decline in real spending is normal as you move through mid-retirement.
2. Be as specific as possible when developing goals for your financial plan.
3. Think of your retirement in phases.
4. Consider adding annuity income to hedge your longevity risk.
5. Plan for retirement health care costs and for potential long-term care costs in your later years.

### Conclusion

As individuals prepare for or evaluate their retirement, simple guidelines like the 4% rule are too general to apply to any individual family. For example, these guidelines do not account for your household spending patterns and needs, time horizon, portfolio allocation, and retirement objectives—to name a few.

Allocating the right investments (stocks, bonds, etc.) into the right accounts (taxable, tax-deferred, tax-exempt) can make a significant difference in how much you can earn from your invested capital. However, since every investor has a different mix of taxable, tax-deferred, and tax-exempt assets, there is no universal “one-size-fits-all” approach.

For these reasons, we strongly suggest that you work with your financial advisor to develop, review, and update your retirement plan so that it better captures and reflects your family's unique circumstances.

### Additional resources

- [Beyond RMDs: Strategies for IRA owners and beneficiaries](#)
- [Which assets are better to use in retirement?](#)
- [What will your retirement look like? How to prepare for the non-financial aspects of retirement](#)
- [Three reasons to seek annuity income](#)

For more, see the latest [Modern retirement monthly - Beyond the 4% rule: Am I ready for retirement?](#)

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