Bucket Portfolios

Worksheet: The bucketing process

STEP 1

- Determine how much annual cash flow you will need from your retirement portfolio.
- **Guide:** Estimate your annual expenses in retirement, and from these deduct other sources of cash flow you'll have (e.g. pensions and guaranteed income). The shortfall, if any, is the annual cash flow you'll need from your bucket portfolio. Annual cash flow of up to 4% of your portfolio's value is more likely to be sustainable over long investment periods.

STEP 2

- Ask yourself how many years of cash flow you want to have readily accessible, including emergency funds.
- **Guide:** The short-term bucket is not meant to grow. It is designed to provide you with a higher degree of certainty that your cash flow needs will be met for the next few years (typically 3-5 years of cash flow).

STEP 3

- Create a "buffer" between short-term cash flow needs and long-term growth investments.
- **Guide:** A portfolio's longer-term sustainability could be hurt by selling growth-oriented investments on short notice. The medium-term bucket allows your growth bucket to remain invested. It holds more conservative investments than the growth bucket and can be used to top up the short-term bucket if needed (usually 3-7 years of cash flow).

STEP 4

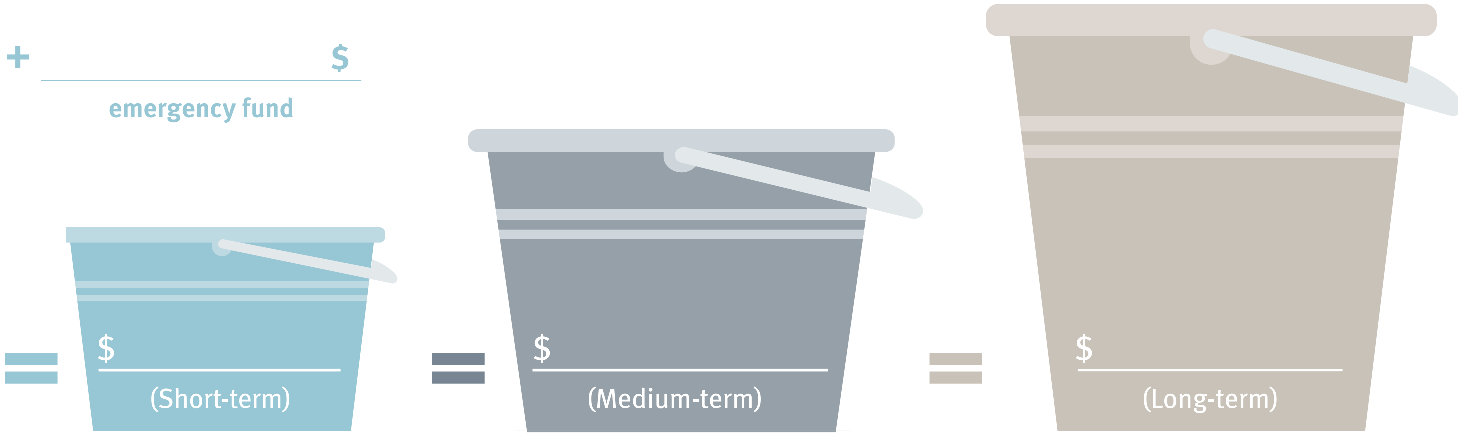
- Invest the remainder in growth-oriented securities.
- **Guide:** The long-term growth bucket represents the remainder of your portfolio and is comprised primarily of equities. It will vary in size depending on the size of your total portfolio and the number of years of income allocated to the short- and medium-term buckets.

What is your bucket portfolio strategy?

- Value of your initial retirement portfolio? ______________________________
- How much cash flow do you want per year? ______________________________
- How many years of annual cash flow will you need? ______________________________
- How much money do you need in your emergency fund? ______________________________

Allocate your portfolio to the three buckets

Short-term	Medium-term	Long-term
______ years of cash flow	______ years of cash flow	Remainder of portfolio
X ______ $ annual cash flow	X ______ $ annual cash flow	
+ ______ $ emergency fund		



Investment type:

Short-term	Medium-term	Long-term
______	______	______
______	______	______
______	______	______
______	______	______

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