

The 4% rule was built on American data. Indian retirees need their own

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Maxim: *The 4% rule — and why it needs adapting.* — William Bengen, in substance

The most famous number in retirement planning came from one adviser's study of US markets. Even its inventor treats it as a starting point. For Indian retirees, with higher inflation and shorter data, the adjustments matter more than the number.

A rule of thumb is useful only if you know where the thumb came from.

In October 1994, an American financial planner named William Bengen published a paper in the *Journal of Financial Planning* titled "Determining Withdrawal Rates Using Historical Data". The question he set out to answer is the one every retiree asks: how much can I take out of my savings each year without running out? Using US stock, bond and inflation returns from 1926 to 1992 and a portfolio split evenly between shares and Treasury bonds, he found that a retiree who withdrew 4% in the first year, then raised the amount each year with inflation, would have seen the money last at least 33 years in every period he tested, [his paper](#) shows. The hardest test was the 1973-74 crash, which combined falling shares with high inflation. The "4% rule" was born, and it travelled around the world.

Bengen himself never treated it as fixed. He later suggested 4.5% for tax-free portfolios and 4.1% for taxable ones. In his 2025 book *A Richer Retirement*, he raised his baseline for a 30-year retirement to 4.7%, mainly by assuming a more diversified portfolio across seven asset classes, [WTOP reported](#). He also noted that longer retirements need lower rates, describing the reduction as "an insurance premium to protect your investments from exhaustion". One planner quoted in the same piece put it plainly: "I've always viewed it as a planning assumption instead of a withdrawal prescription."

Why the number does not travel well to India

Bengen's rule rests on a century of American stock, bond and inflation history. Indian retirees face a different set of conditions, and the differences push in one direction.

The first is inflation. Indian consumer prices rose by an average of about 6% a year between 2000 and 2026, based on OECD and World Bank data compiled by [Official Inflation Data](#); a rupee today buys roughly a fifth of what it did in 2000. A retiree's own costs, especially healthcare, can rise faster still. When withdrawals must grow that quickly every year, the corpus has to work much harder than in Bengen's American tests.

The second is the data itself. India's main share index, the Sensex, begins only in 1979. When the personal finance site Arthgyaan [tested the 4% rule](#) on Indian data, using rolling 30-year windows from April 1979, a 60:40 mix of the Sensex and the Public Provident Fund, 7% inflation and an allowance for tax, it concluded that a 4% withdrawal does not reliably last 30 years. Its finding was simple: "higher the corpus saved before retirement and the lower the SWR, the better are the chances to last the entire retirement." The analysis itself cautions that four decades of data is short, and that longer retirements or falling interest rates could weaken the results further.

The third is the length of retirement. Bengen's work assumes 30 years. An Indian who retires at 55, or earlier under the FIRE movement, may need the money to last 35 or 40. Bengen's own figures show the safe rate falling as the horizon lengthens.

The fourth is sequence. Two retirees with the same average returns can have very different outcomes depending on when the bad years fall. A crash in the first few years of retirement, while withdrawals continue, does far more damage than the same crash twenty years later.

None of this makes the idea of a safe withdrawal rate useless. It makes 4% the wrong default for most Indian retirees, and it makes flexibility more valuable than precision.

Adapting the rule: five questions

1. **How long must the money last?** Plan for at least 30 years after retirement, and longer if you retire before 60 or if longevity runs in the family.
2. **What will your costs grow at?** Use a realistic inflation assumption for your own spending, with health costs higher than the headline rate.
3. **What is the mix of assets?** A withdrawal plan with no equity struggles to keep up with inflation; one with too much equity is exposed to a crash at the wrong moment.
4. **Can you cut spending in bad years?** A plan that trims withdrawals after a market fall, and restores them later, can support a higher starting rate than a rigid one.
5. **What income is guaranteed?** A pension, an annuity or rental income reduces how much the corpus must provide, and so how much risk it must take.

The decision rule: for most Indian retirees, start planning with a first-year withdrawal of around 3% of the corpus, and treat anything higher as something to earn through flexibility, guaranteed income or a shorter horizon, not something to assume. Revisit the number every year, not every decade.

Bengen did not set out to write a commandment. He set out to answer a client's question with the best data he had, and he has kept revising the answer as the data and the portfolios changed. That is the most useful thing to borrow from him.

The 4% rule is a sensible place to start a conversation about retirement, and a poor place to end it. For Indian savers, the honest version is lower, more flexible and reviewed often: a number you adjust as your life and the markets unfold, not one you set at 60 and forget.

Sources

- [William Bengen: Determining Withdrawal Rates Using Historical Data, Journal of Financial Planning \(October 1994, FPA reprint\)](#)
- [Wikipedia: William Bengen](#)
- [WTOP: The 4% rule no longer works for retirees, says the man who invented it \(July 2026\)](#)
- [Arthgyaan: Does the 4% rule work in India? \(updated February 2024\)](#)
- [Official Inflation Data: India inflation since 2000 \(OECD and World Bank CPI\)](#)

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