LESSON · TAX & WITHDRAWALS

How to Structure a Monthly Paycheck From Your Savings

A paycheck showed up automatically for decades. In retirement, you have to build one yourself — out of Social Security, maybe a pension, and whatever you've saved. Here's how to turn a pile of accounts into a number you can count on every month.

Read time: 7 minutes **Level:** Foundational **Includes:** Knowledge check

Most people spend decades getting a paycheck without ever having to build one — an employer handled the timing, the tax withholding, and the direct deposit. Retirement removes that employer, but not the need for a reliable monthly number. The accounts are there; what's missing is a system for turning them into income on a schedule you can plan around.

Start with what's already automatic

Before touching a single account, add up the income that already arrives on its own: Social Security, a pension, an annuity payout, rental income. This is your **income floor** — money that shows up whether the market is up or down. Everything else in your monthly paycheck exists to fill the gap between that floor and what you actually need to spend.

Separate fixed spending from flexible spending

Fixed spending

Housing, insurance, groceries, utilities — the costs that show up every month whether you like it or not. This is the number a paycheck absolutely has to cover, every time, with no exceptions.

Flexible spending

Travel, gifts, home projects, dining out. This is where a paycheck plan has room to flex — a strong market year can fund more of it, a rough year can pull it back — without touching the fixed number underneath.

This split matters because it tells you which withdrawals are non-negotiable and which ones can wait out a bad year. A plan that treats every dollar of spending as equally urgent has no shock absorber built in.

Choose a withdrawal order — and know why it matters

Once you know the gap between your income floor and your spending, that gap gets filled from your accounts. Which account you pull from first changes your tax bill, not just your balance:

- **Taxable accounts first, in many cases.** Withdrawals here are often taxed more favorably (capital gains rates, or just return of principal) than a traditional retirement account distribution.
- **Tax-deferred accounts (401k, traditional IRA) next.** Every dollar out is taxed as ordinary income — and required minimum distributions eventually force this regardless of preference.
- **Roth accounts last, when possible.** Qualified withdrawals are tax-free, which makes Roth dollars valuable to preserve for later years or for a year when your other income is already pushing you into a higher bracket.

The order isn't always this simple

A big traditional-IRA balance heading toward large future RMDs can be a reason to draw it down earlier than "last," even paying some tax sooner on purpose. The right order depends on your account mix and the years still ahead of RMDs — not a single rule that fits every household.

Build a cash buffer so a bad year doesn't force a decision

Why this matters

If your paycheck depends on selling investments every single month, a down market forces you to sell at the worst possible time — locking in a loss just to cover groceries. A cash buffer of several months to a year or two of fixed spending, held outside the market, breaks that link. In a down year, you draw from the buffer instead of selling depressed assets, and refill it later once markets recover.

How Blueprint puts this together

This is exactly what Blueprint's three engines are built to do automatically: **Liquidity** holds the near-term cash buffer, **Income** generates the steady monthly paycheck from your income floor plus planned withdrawals, and **Growth** holds the longer-term portion of the portfolio that isn't needed for years. Instead of manually deciding which account to sell from every month, the structure decides it for you, before a bad year forces the question.

Before you build your own paycheck plan, know:

- [ ] Your income floor — what arrives automatically, regardless of the market
- [ ] Your fixed monthly spending, separate from flexible/discretionary spending
- [ ] Which accounts you're drawing from, and in what order, and why
- [ ] How many months of fixed spending your cash buffer actually covers today

KNOWLEDGE CHECK

Test what you just learned

Answer three quick questions to test what you just learned.

1. What is an "income floor"?

> A. The minimum amount a household is legally required to spend
>
> B. Income that arrives automatically regardless of the market, like Social Security or a pension
>
> C. The lowest monthly paycheck a retiree can request

2. Why does a cash buffer matter for a retirement paycheck?

> A. It avoids being forced to sell investments at a loss during a down market
>
> B. It eliminates the need for Social Security
>
> C. It removes all tax owed on withdrawals

3. Why might someone draw down a traditional IRA earlier than "last," despite the general tax-order guideline?

> A. Traditional IRAs cannot hold investments long-term
>
> B. To reduce the size of large future required minimum distributions
>
> C. Roth accounts are no longer tax-free

Blueprint Tomorrow provides educational planning tools, not individualized investment, tax or legal advice. Nothing in this lesson is a recommendation to take any specific action with your accounts. Withdrawal order and buffer sizing depend on individual tax circumstances — confirm your approach with a qualified tax professional.