Stage 1: Year 5 of Retirement

The inflation rate has grown 4% each year, for a 22% compounded growth in living expenses for this period. Linda's investments through her 403(b) investment account have steadily increased by 4% per year since she is invested primarily in the money market fund and a short-term bond fund. Dave's Rollover IRA, however was 60% in equities, and the value of the account over five years has lost value due to the market being down and the withdrawals needed to meet living expenses.

Linda's pension has increased by an average of 2.9% compounded annual benefit adjustment each year.

Linda has an accident leaving her with a disabling injury, and she can no longer work. This reduces the couple's retirement income by $12,600 annually. Due to Linda's accident there is an increase in out-of-pocket medical expenses (prescriptions for the rest of her life) in the amount of $165 per month in current dollars. Because of all this she chooses to begin her Social Security spousal benefit at age 62.

Dave's RMDs began during this time. Dave hasn't been feeling well and has stopped working altogether.

Stage 2: Year 10 of Retirement

The inflationary rate continues to average 4% per year, for a compounded increase of 48% since Year 1. Linda's pension has continued to increase by an average of 2.9% compounded annual benefit adjustment each year, or a compounded increase of 33%.

Dave suddenly passes away. Linda receives Dave's Social Security as a widow's benefit.

Linda's monthly expenses are reduced overall. Her mortgage is paid off but home repairs have increased on their older home, as well as property taxes.

Stage 3: Year 15 of Retirement

Linda wants to downsize her home, but her daughter and granddaughter who have been living with her for two years do not want her to for "old memories" sake. Linda's RMDs begin.