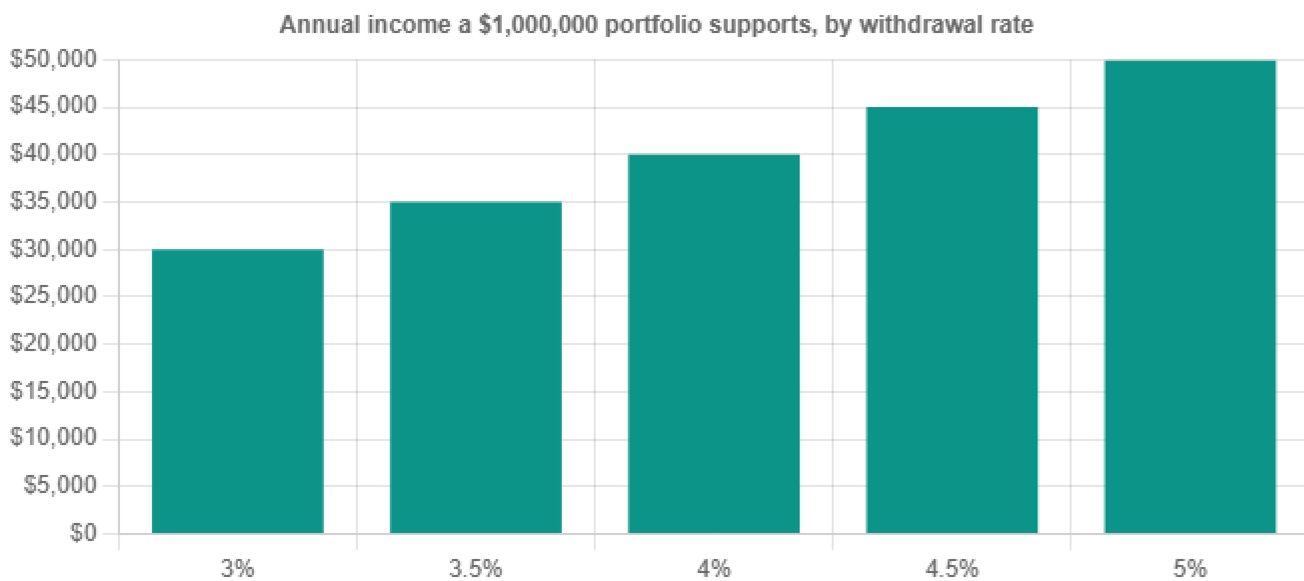
What $1 Million Actually Means

> A million dollars is not an income, it is a source of one. At a 4 percent withdrawal rate it supports about 40,000 dollars a year, and the rate matters more than the headline.

A million dollars is the classic finish line, but a portfolio is not a salary. What matters is the income it can safely produce, and that depends far more on the withdrawal rate than on the round number itself.



Withdrawal rate	Annual income	Monthly income
3%	$30,000	$2,500
3.5%	$35,000	$2,917
4%	$40,000	$3,333
4.5%	$45,000	$3,750
5%	$50,000	$4,167

Reading the chart

Each bar is the annual income a one million dollar portfolio supports at a given withdrawal rate. At the common 4 percent rate, that is about 40,000 dollars a year, or roughly 3,300 dollars a month. At 3 percent it is 30,000 dollars, and at 5 percent it is 50,000 dollars.

That is a smaller number than a million dollars suggests. It is why the size of the pot only means something once you translate it into the income it produces. Slide the portfolio size to see the income scale directly with it.

Why the rate matters more than the number

A higher withdrawal rate produces more income now but raises the odds of running out later, especially if the early retirement years bring weak returns. A lower rate is safer but demands a bigger pot for the same lifestyle.

The 4 percent guideline is a starting point, not a law, and the right rate depends on your horizon and flexibility. The FIRE Number Calculator works backward from the income you want to the pot you need, and the Retirement Drawdown Calculator tests how long it lasts.

> **Key takeaway.** Judge a portfolio by the income it produces, not its face value. At 4 percent, a million dollars is about 40,000 dollars a year.

Assumptions

- Annual income is simply the portfolio times the withdrawal rate. Change the portfolio size below.
- This is a first-year figure. A sustainable plan adjusts for inflation, taxes, and market swings over time.

Sources

- U.S. SEC Investor.gov, retirement and withdrawal planning