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# Can You Retire on \$1 Million? Here's How Far It Will Go

Saving a million dollars is doable if you start early, and it could last you decades in retirement.

By [Maryalene LaPonsie](#) |  Edited by [Jennifer Ortiz](#) | July 28, 2022, at 4:09 p.m.



There are many factors to take into consideration with your budget when determining if \$1 million is the right savings goal for your needs. (GETTY IMAGES)

Becoming a millionaire seems like a surefire way to live comfortably. However, if you are no longer working, just how long will a million dollars last in retirement?

The answer depends on a number of factors, but some financial experts say you shouldn't count on a million dollars sustaining a long retirement.

"You can't get really too far with \$1 million," says J.J. Burns, a certified financial planner who is a CFP Board Ambassador and CEO of J.J. Burns & Company, LLC. He has had some clients who felt they were able to comfortably retire on \$1 million – such as one couple who lives in a converted bus – but most people will need more to sustain their desired lifestyle.

Factors such as [housing and health care](#) will impact your budget and determine whether \$1 million is the right savings goal for your needs. Keep reading to learn more about how to answer the question: Can you retire on a million dollars?

## Is \$1 Million Enough to Retire? Factors to Consider

How long will a million dollars last in retirement depends on the following factors:

- Geography.
- Longevity.
- Lifestyle.
- Health care.
- Long-term care.
- Retirement income.
- Asset mix.
- Investment risk.
- Inflation.

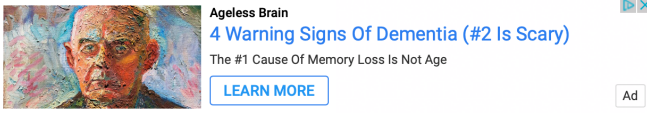
**Geography:** Costs can differ dramatically throughout the country, and where you live could determine whether you can successfully retire with \$1 million. Financial website GOBankingRates analyzed cost of living and other factors from 50 U.S. metropolitan areas to see how long \$1 million would last in retirement. It found retirees in San Francisco would deplete \$1 million in just under 8.5 years, while the cash would last more than 40 years in El Paso, Texas.

**Longevity:** While no one knows exactly how long they will live, people can make an educated guess based on their health and family history. Those who might live well into their 80s, 90s and beyond may find \$1 million isn't enough.

**Lifestyle:** Retirees need to make smart spending choices, and those who choose an expensive lifestyle will need more cash in their nest egg. "People need to take a hard look at their budget," says M. Tyler Ozanne, principal and senior financial advisor with Ozanne Financial in Dallas. "That's one thing you can really control."

[ SEE: [10 Retirement Lifestyles Worth Trying.](#) ]

**Health care:** The 2022 [Fidelity Retiree Health Care Cost Estimate](#) found an average 65-year-old couple retiring this year can expect to spend \$315,000 on health care costs in retirement. "The hope is that Medicare will be there and be sufficient for people," says Barbara Taibi, tax partner with Eisner Advisory Group in Iselin, New Jersey. But the reality is that even Medicare comes with out-of-pocket costs that can add up. Healthy seniors may have lower expenses and find that helps their retirement savings last longer.



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**Long-term care:** The Fidelity estimate doesn't include long-term care, which could cost more than \$100,000 a year for a private nursing home room, according to the 2021 Genworth Cost of Care survey. "Long-term care could potentially be a substantial drain on assets," says Keith Barberis, certified financial planner and director of Barberis Wealth Management of Steward Partners in Bethesda, Maryland. Medicare won't pay for long-term care, and a couple without long-term care insurance may find that a nursing home stay leaves a surviving spouse with few assets to pay for the remainder of their retirement.

**Retirement income:** Most people won't be living exclusively off their savings in retirement. "The biggest thing is to create another pension," says Wilson Coffman, president of Coffman Retirement Group in Huntsville, Alabama. Even those who don't receive a pension may be able to replicate those payments by purchasing an annuity. Most people can also expect [Social Security income](#). Those payments will reduce the amount withdrawn from retirement accounts.

**Asset mix:** How you have that \$1 million saved could also have an impact on how long it lasts. "You can't have \$1 million in cash and expect that to get you (through retirement)," according to Taibi. Ideally, it will be invested in a way that keeps up with inflation. Likewise, she says having \$1 million invested is different than having \$800,000 in home equity and \$200,000 in a portfolio. Money kept in real estate is not liquid, and there are costs associated with real property that can offset its value.

**Investment risk:** Retirees also need to take a close look at their portfolio if they want to know the answer to how long \$1 million will last in retirement. "People need to be realistic about the risk in their portfolio," Ozanne says. Investing aggressively puts money at risk for losses but being too conservative can mean savings don't grow enough to offset inflation and withdrawals.

**Inflation:** After years of near-zero inflation, prices for many products have skyrocketed this year. That's something retirees should be prepared for. "(Prices) always rise," Ozanne says. The question, he adds, is how fast they will rise during your retirement. A rising inflation rate will erode the purchasing power of money and result in retirees burning through their savings faster.

All these factors make it difficult to create a universal rule of thumb for retirement savings. While some people may be able to live comfortably in retirement on less than \$1 million, others will need significantly more.

[ READ: [How to Use the Retirement Bucket Strategy.](#) ]

## How to Determine the Right Amount to Retire on for You

Rather than rely on a rule of thumb to determine how much to save for retirement, financial planners advocate for a more nuanced approach. "I think you have to have a more personalized number," Taibi says.

That means taking the following steps to determine how much to save for retirement:

1. Estimate guaranteed retirement income from sources such as Social Security and pensions.
2. Calculate expected expenses based on debt and lifestyle choices.
3. Determine any shortfall that will need to be covered by retirement savings.

“Most people cannot tell me what they actually spend,” Burns says. “They don’t know the life they’re living and how much it costs.”

They may total their monthly bills but ignore all the smaller items – such as gifts, vacations, travel and home décor – which can quickly add up. All that spending needs to be considered to calculate an accurate retirement savings goal.

How much people plan to withdraw from retirement funds each year should also factor into setting retirement savings goals. One common rule of thumb is to withdraw 4% from retirement funds each year. Four percent of \$1 million provides \$40,000 each year for retirement spending. If you can’t imagine living off \$40,000 a year plus Social Security, it’s time to [reconsider your savings goal](#).

“For younger generations, if they can get all their funds in nonqualified accounts, that’s like a huge bonus,” Coffman says. Nonqualified retirement plans can defer compensation for later payment and may have tax advantages. Using Roth accounts, rather than traditional retirement accounts, can also reduce taxes in retirement.

If all this feels overwhelming and confusing, find a [financial professional](#) who specializes in retirement planning. They have both the experience and software to make calculations on behalf of clients.

[ [READ: 8 Ways to Achieve a Happy Retirement](#) ]

## How to Get to \$1 Million in Savings

While \$1 million may seem like a lot of money, compounding gains from investments means this number is within reach even for those with relatively modest incomes.

A 25-year-old would need to save approximately \$400 a month to achieve a \$1 million balance by age 65, assuming a 7% annualized return on the investment. While that may seem like a lot, workers with a 401(k) may receive automatic contributions to their retirement plan from their employer. Many companies also [match employee contributions](#). Both can quickly add to retirement savings.

“I think it’s doable if people start early,” Ozanne says. But even compounding gains has its limits. “It’s probably not as doable if they have waited until their 50s to start saving.”

Young workers with relatively few expenses should make retirement savings a priority before life events such as marriage, children or homeownership chip away at their extra cash. Some employees may also have the option of a professionally managed 401(k) account. Although there are no guarantees, a properly managed account could result in better returns balanced with an appropriate level of investment risk.

“It really boils down to discipline in doing it,” Barberis says.

[Other strategies to boost savings](#) include minimizing taxes, cutting expenses and looking for low-fee investment options. However you reach your goal, with careful planning and expert guidance, you may be able to stretch your \$1 million or more across a retirement that is decades long.

**Updated on July 28, 2022:** This story was published at an earlier date and has been updated with new information.

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