STUDY NOTES · BASIC CONCEPT

What Is the Trinity Study?

Indian Economy

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What Is the Trinity Study?

The Trinity Study is a famous research paper published in 1998 by three professors from Trinity University (Texas, USA).
It analyzed how long a retirement portfolio can last based on different withdrawal rates, time horizons, and stock–bond mixes.

This study is the foundation of the popular 4% Rule used in retirement planning.

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What the Study Did?

Researchers examined U.S. market data from 1926 to 1995 to test:

- How much retirees can safely withdraw each year
- How portfolios perform over 15–30 years
- How different stock–bond combinations affect survival of savings
- They simulated thousands of scenarios involving bull markets, recessions, inflation, and crashes.

Key Findings

1. **4% is generally a "safe withdrawal rate" :** A retiree withdrawing 4% initially and adjusting for inflation each year had a high chance of making their savings last 30 years.
2. **Higher stock allocation performs better long-term** : Portfolios with 50–75% stocks showed the highest success rates.

3**. Withdrawal rates above 6% are risky** : Savings often ran out before 30 years if withdrawals exceeded 6%.

Why the Trinity Study Is Important?

It created a scientific basis for retirement planning by answering:

- "How much can I withdraw each year without running out of money?"

- Financial planners, FIRE (Financial Independence Retire Early) communities, and retirees still rely on it today.

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