


# How Do I Turn Savings into Monthly Income

By Thomas Nguyen | True North Financial Group

A guide for people approaching retirement with a closer look at annuities

To turn savings into monthly income, first calculate the amount your household needs after Social Security and pensions. Then choose how much of that gap to fund with contractual income and how much to fund with investments. Annuities can help provide income for life, while accessible savings support emergencies and changing needs. The mix should follow your budget, timing and priorities.

My starting point is the monthly amount you need to live on. A dependable payment can make retirement easier to manage, but the payment amount alone does not tell you whether a strategy fits. You also need to know what happens to your principal, what a surviving spouse receives and how you will pay for costs that rise over time.

## Define what the monthly target includes

Suppose you are approaching retirement with $500,000 and want $3,000 per month. Is that your entire household income goal, or the amount you want savings to provide in addition to other benefits? The difference changes the plan. Use gross figures consistently, with an explicit income-tax allowance in your budget; a $3,000 after-tax target may require more than $3,000 in payments.

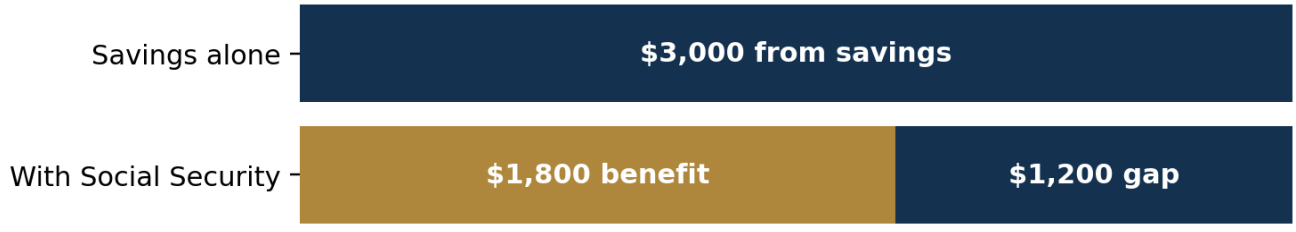



Figure 1 Two hypothetical interpretations of a $3,000 gross monthly goal. An assumed $1,800 Social Security benefit reduces the savings-funded gap to $1,200 once benefits begin.

If savings alone must provide $3,000 per month, annual withdrawals are $36,000, or 7.2% of $500,000. That is a withdrawal rate, not an investment return or proof that the money will last. At zero return, with no tax or fee deductions, fixed withdrawals would exhaust the balance in roughly 13.9 years. Inflation-adjusted spending would use it faster.

### Map the years before and after retirement

Build a monthly budget for housing, food, insurance, healthcare, transportation and debt payments, then add flexible spending and irregular bills. Estimate income separately for the years before Social Security, after benefits begin and after either spouse dies. A future benefit cannot pay today's bills. Keep funds for that bridge accessible rather than assuming a future annuity payment solves every year's gap.

## Choose how the monthly payment will be funded

A retirement paycheck can combine Social Security, pensions, interest, investment sales, rental income and annuity payments. Each source does a different job. Interest and dividends can change, and selling investments spends part of the portfolio. An annuity can transfer specified longevity or income risks to an insurer under a contract. Start by identifying the bill you want each source to pay.

### Separate income from withdrawals and returns

A $2,000 monthly transfer from a brokerage account is a withdrawal instruction. It does not mean the account earned $2,000 that month. Similarly, an annuity payout may include a return of your own premium as well as earnings and the economics of pooling longevity risk. A payout percentage should not be compared directly with a bank interest rate or portfolio return.

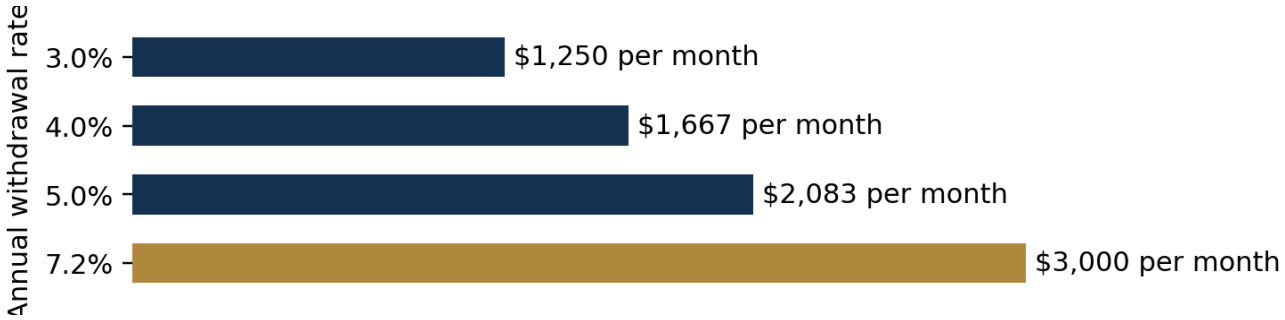



Figure 2 Arithmetic only: $500,000 × annual withdrawal percentage ÷ 12. These are neither sustainable-rate recommendations nor annuity quotes. Taxes, fees, future returns and inflation are excluded.

### Understand the main annuity routes

| Route | How income is created | Decision to examine |
|---|---|---|
| Immediate income annuity | A premium buys payments generally starting within one year. | Payment schedule, life or term coverage, and access to principal. |
| Deferred income annuity | A premium buys an income stream beginning later. | How to fund the waiting years and what happens if you die first. |
| Deferred annuity with a lifetime withdrawal rider | An optional contract benefit can support permitted lifetime withdrawals. | Rider cost, eligible start age, withdrawal limits and guarantee terms. |

Immediate and deferred describe timing. Fixed, fixed indexed, variable and registered index-linked describe different crediting or investment structures. These categories overlap: a product's name alone does not tell you whether it provides lifetime payments. Confirm the actual income election or rider. [1]

### Match the guarantee to the household need

A fixed deferred annuity may guarantee an interest rate for a period without automatically delivering lifetime income. Fixed indexed annuities use a formula tied to an index rather than direct ownership of the index. Caps, participation rates or spreads can limit credited gains, and some terms may change. RILAs can incur losses despite buffers or floors; variable annuities also expose account value to investment risk. [2]

Ask for separate illustrations of guaranteed and nonguaranteed outcomes. If your objective is to cover groceries and housing for life, evaluate the guaranteed payment and its conditions first. A projected account balance or attractive index illustration cannot substitute for a contractual income commitment.

## Build a plan around annuities and accessible assets

The strongest reason to consider an annuity is a need for income you cannot afford to outlive. That need may be smaller than your entire budget if Social Security or a pension already covers part of it. Before committing money, identify the remaining essential expense gap and decide which assets must remain available for emergencies, growth or inheritance.

### An illustrative allocation to test with real quotes

Return to the household with $500,000 and a $3,000 gross monthly goal. Assume Social Security of $1,800 has started, leaving a $1,200 gap. One allocation worth comparing with alternatives reserves $50,000 in cash, assigns $200,000 to investments and considers $250,000 for an annuity. This is a planning exercise, not an allocation recommendation.




Figure 3 Hypothetical use of $500,000: $250,000 annuity premium, $200,000 investments and $50,000 cash. The premium is no longer also counted as part of the accessible investment portfolio.

Let A represent the actual guaranteed monthly annuity payment in a written quote. Investments must initially supply $1,200 minus A, provided A is below $1,200. As a planning target only, if a suitable quote provided $800 monthly, the remaining gap would be $400. That would be $4,800 annually, or 2.4% of the separate $200,000 investment portfolio. The $800 is not an available quote, advertised rate or promised benefit.

The quote might provide a different amount or require terms you do not want. Recalculate using the actual premium, start date, covered lives and benefit elections. If $3,000 must instead come entirely from savings, this example does not meet that goal: the Social Security assumption is essential to its arithmetic. Test both interpretations before deciding.

### Compare annuitization with a withdrawal rider

Annuitization converts value into a payment stream under the selected payout option and generally restricts access to the committed principal. A guaranteed lifetime withdrawal benefit, or GLWB, can instead permit specified withdrawals while an account remains. Such riders may continue permitted lifetime payments after account depletion if all contract conditions are satisfied. Fees and withdrawals can reduce account value; excess withdrawals can reduce or terminate benefits. [3]

An income benefit base used in rider calculations may be a bookkeeping amount rather than cash you can withdraw. A stated increase in that base is not necessarily growth in surrender value or an investment return. Keep the income calculation, account value and cash surrender value separate when comparing contracts. [4]

Ask to see the consequences of a large emergency withdrawal and a death early in retirement. A plan must explain both the regular paycheck and the money available when life changes.

# Protect purchasing power liquidity and survivors

Guaranteed payments can reduce uncertainty about how many dollars arrive, but fixed payments do not guarantee what those dollars will buy. At an assumed 3% inflation rate, a level $3,000 monthly payment would have purchasing power of about $2,232 after 10 years and $1,661 after 20 years, measured in today's dollars. Actual inflation will vary.

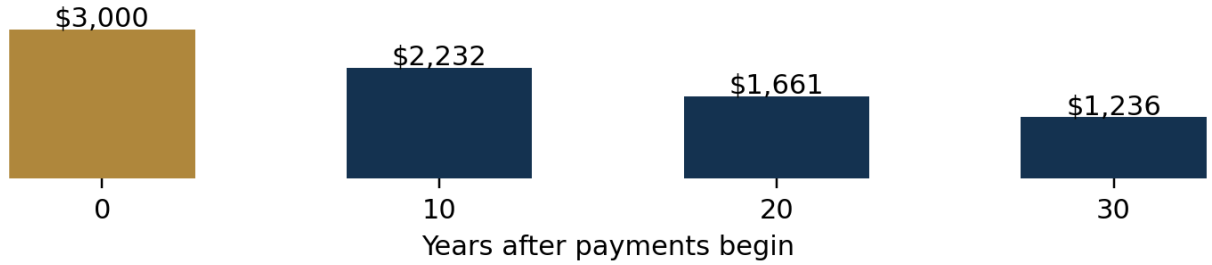



Figure 4 Purchasing power of a level $3,000 monthly payment at assumed 3% annual inflation. Calculation: $3,000 ÷ 1.03^years. This is an illustration, not an inflation forecast.

## Make the tradeoffs explicit before purchasing

Compare a level payment with any available increasing-payment option. Also test whether other assets can fund rising costs. Annuity guarantees depend on the issuing insurer's financial strength and claims-paying ability. They are not FDIC-insured bank deposits. Review the insurer as well as the payment illustration, and avoid assuming that concentrating all savings in one contract removes risk. [5]

Liquidity deserves a separate budget. Many deferred annuities impose surrender charges, and some apply a market value adjustment to early withdrawals. A contract's charge-free withdrawal allowance does not necessarily equal the amount permitted under a lifetime income rider. Ask which limits apply simultaneously and how withdrawals affect future income. [5]

Single-life income may stop at the covered person's death. Joint-life, period-certain or refund options change who receives money and for how long; added protections generally reduce the initial payment compared with otherwise similar coverage. Compare identical elections when shopping. The largest initial payment may leave a spouse or beneficiary with less protection. [1]

## Plan for taxes and the amount reaching your bank

Payments funded entirely with pretax retirement dollars are generally taxable as ordinary income. After-tax basis can change the taxable share, and qualified Roth distributions receive different treatment. Early distributions before age 59½ may face an additional 10% federal tax unless an exception applies. Tax deferral is not tax elimination. [6]

An annuity inside an IRA does not add another layer of tax deferral; its income or insurance features must justify its use. [5] Confirm the treatment of withdrawals versus annuitized payments with a tax professional. Review required distributions, withholding and income-related effects when applicable. If the target is spendable income, model taxes before declaring the gap filled.

Finally, request every explicit fee, rider charge, surrender schedule and compensation disclosure. A contract can have economic costs even without a separately itemized annual fee. Keep enough accessible money for healthcare, repairs and other expenses that a fixed paycheck cannot anticipate.

# Put your retirement paycheck into practice

Once the income sources are chosen, create a practical payment system. A monthly bank transfer makes the plan usable, but the transfer amount should follow the analysis. Decide which payments arrive automatically, how much to withhold for taxes and which account supplies variable spending. Keep a separate reserve so a home repair does not automatically trigger a harmful annuity withdrawal.

## Follow a clear implementation sequence

First, gather your budget, account statements, pension elections, Social Security estimates, existing insurance contracts and beneficiary information. Specify your retirement date and whether the $3,000 target is before or after tax and before or after benefits. Identify the bridge period, debt payments and major purchases before calculating an annuity premium.

Second, request comparable written quotes using the same premium, covered lives, income start date and survivor provisions. Confirm what is guaranteed, what may change, what happens on death and what happens after excess withdrawals. Compare an annuity strategy with a plan using accessible investments and other income sources. A quote comparison should show what you give up as well as what you receive.

Third, select an affordable premium only after preserving liquidity and testing inflation, longevity, care needs and spouse death. For retirement-plan money, review plan features, fees and access rules before any rollover. Work with the appropriate licensed professionals on transfers and taxes. Check the issued contract against the quote and review the applicable free-look rights promptly.

Finally, schedule payments and an annual review. Track actual spending, taxes, reserves, beneficiary changes and any contract changes. If investment withdrawals rise or costs exceed the budget, adjust early rather than waiting for accessible assets to become depleted.

## A message from Thomas

At True North Financial Group, I encourage you to begin with a clear monthly income goal. An annuity may help fund part of it, but the right decision depends on the guarantee, the restrictions and the money you need to keep available. Bring your statements and budget to a retirement income conversation so we can discuss your insurance needs and identify questions for your tax and investment professionals.

## Sources and important information

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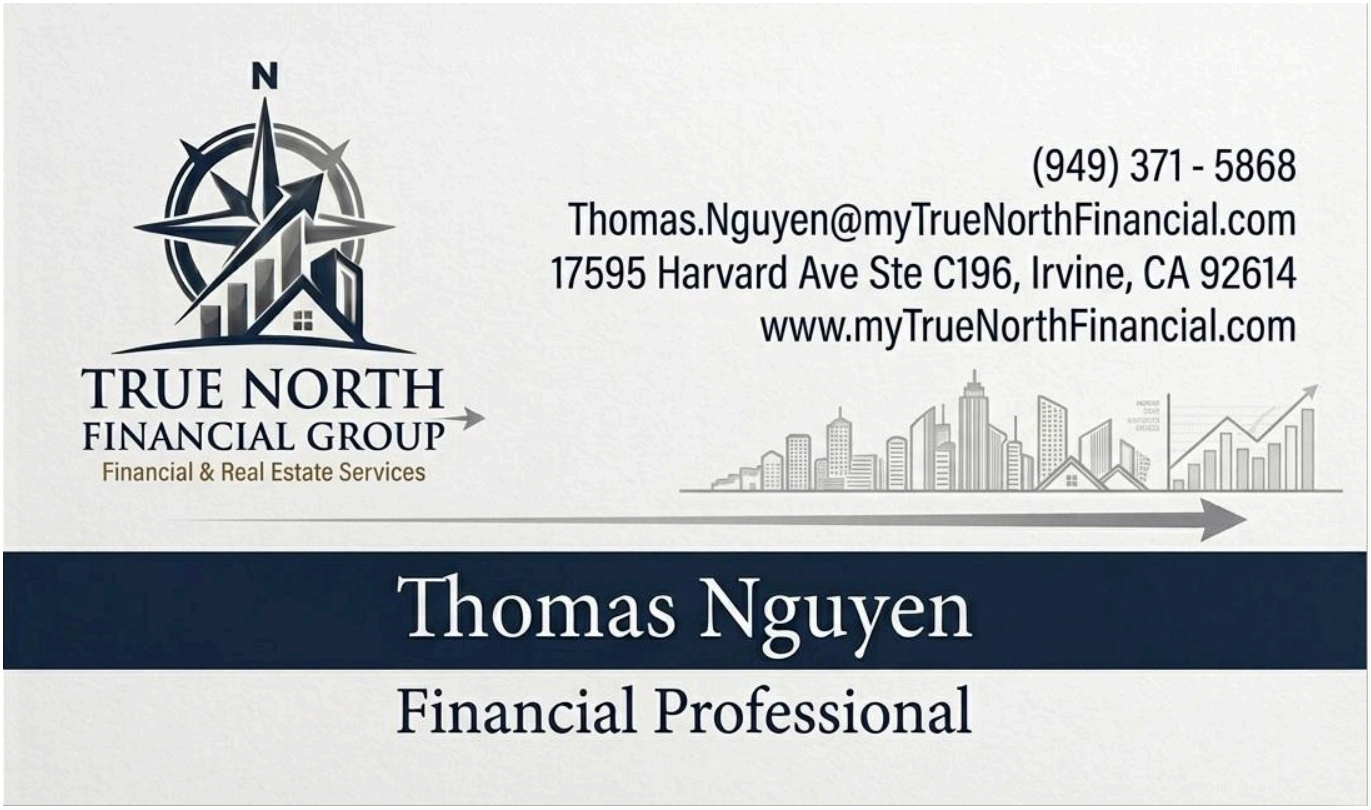
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Sources checked October 21, 2026. General education, not individualized investment, tax or legal advice. All figures and allocations are hypothetical; no carrier quote or product recommendation is provided. Guarantees depend on the insurer and contract conditions. Original content prepared for Thomas Nguyen and True North Financial Group; no Morgan Stanley affiliation, authorship or endorsement is claimed. Product availability and terms vary.


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