

Outdated Money Rules? What Still Works Today

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Rules of thumb feel safe.

They're easy to remember, comforting to repeat—and they're everywhere:

Save 15%

Use the 4% rule

Spend 30% of your income on housing

Keep six months in an emergency fund

But here's the uncomfortable truth:

Some of these rules can quietly sabotage your financial life—if you follow them blindly.

Today, we're putting five of the most popular financial rules to the test—what still works, what doesn't, and what belongs in a financial museum next to dial-up internet and Blockbuster cards.

Here's what makes these rules dangerous:

They offer certainty in a world that requires nuance.

Most of them are built on averages:

Average households

Average incomes

Average retirements

Average tax brackets

But the “average person” doesn't exist.

And yet, millions of people base major financial decisions on rules that were never meant for their specific situation.

Let's fix that.

Today, we'll break down five common rules, where they came from, whether they still hold up—and how to update them for real life.

Rule #1: The 4% rule

The 4% rule was created in the 1990s—a time with higher interest rates, lower market valuations, and stronger bond yields.

That world is gone.

Today:

People live longer

Markets are more volatile

Taxes are more complex

Healthcare costs are higher

Bonds don't offer the same protection

If you follow the 4% rule blindly, you risk overspending early—especially when sequence of returns risk is highest.

What works today?

A dynamic withdrawal strategy.

Start closer to 3–3.5%.

Increase withdrawals in strong markets.

Pause or reduce in weak markets.

This approach extends portfolio life and adapts to real-world conditions.

Rule #2: The 30% housing rule

This rule says you should spend no more than 30% of your income on housing.

But in cities like Austin, Miami, Southern California—or even Dallas—that number can feel unrealistic.

This rule originated in the 1960s, when housing costs, wages, and interest rates were completely different.

What works today?

A range—not a fixed rule:

20–30% for many households
25–35% for higher-income earners
35–40% in high-cost areas

But the real metric isn't percentage—it's cash flow.

If your cash flow is strong, your housing cost is likely sustainable.

Rule #3: The 50/30/20 rule

50% needs
30% wants
20% savings

It's simple—but often unrealistic.

If housing alone takes 35–40%, the entire framework breaks.

People assume they're bad with money.

In reality, the rule is outdated.

What works today?

The reverse budget:

Automate your savings first
Cover fixed expenses
Spend the rest—guilt-free

This removes friction and creates consistency.

Rule #4: The 25x rule

This one still holds up.

Take your desired annual retirement spending and multiply it by 25.

Want \$120,000 per year?
You need roughly \$3 million.

Want \$200,000?
You're aiming closer to \$5 million.

This works because it's grounded in math—not outdated assumptions.

It's not a guarantee—but it's a strong starting point.

Rule #5: Save 15% of your income

This works well—if you start early.

But if you begin later in life, 15% likely won't be enough.

A modern version:

20s → 15%

30s → 20–25%

40s+ → 30% or more

Your savings rate should reflect your timeline—not a generic rule.

A real-life example

Andrew and Mark were in their mid-50s.

Smart, disciplined, and proud of “doing everything right.”

They followed:

The 50/30/20 rule

The 4% withdrawal rule

The 15% savings rule

The 30% housing rule

They were perfect rule followers.

But when we ran their retirement plan—it didn't work.

They weren't failing.

The rules were failing them.

We adjusted:

Their savings rate

Their withdrawal flexibility

Their tax strategy

Their investment allocation

The result?

Their plan extended by seven additional years.

Seven more years of financial freedom—just by updating outdated assumptions.

Final takeaway

Rules of thumb are training wheels—not steering wheels.

They're helpful for getting started.

But dangerous if you rely on them forever.

The goal isn't to follow rules.

The goal is to build a plan that fits your life.

Here's the verdict:

The 4% rule isn't dead—but it needs updating

The 30% housing rule is often unrealistic

The 50/30/20 rule is outdated

The 25x rule still works

Saving 15% works—if you start early

General rules can't replace personalized planning.

When you move beyond averages and build a strategy tailored to your life—that's when real financial progress begins.

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