The Three Buckets: How to Draw an Income Without Fear

The secret to a worry-free retirement income isn't new it's exactly how our elders quietly managed their money.

There comes a time in every investor's life when the question changes.

For years, you ask: **"How much can my money grow?"**

Then one day, the question becomes: **"How can my money support me without making me nervous?"**

This is especially important when you are approaching retirement or already depending on your investments for regular income. You may have built a good investment portfolio over the years. But watching the market fall while withdrawing money every month can feel uncomfortable.

The answer is not to stop investing. It is to **organise your investments differently.**

One simple way to think about this is the **Three-Bucket Strategy.**

Think back to your grandparents' time for a moment.

Money never sat in just one place. A little was kept in a kitchen tin for the daily milk, the vegetables, the small expenses. Some was tucked away in a steel almirah or the post office for the needs of the next few years. And some went into gold or land untouched, saved for the distant future.

They never gave it a fancy name. But without realising it, they were splitting their money into three parts. Today's financial world calls this very same wisdom the "Three Buckets" and it is the biggest secret to drawing an income in retirement without fear.

Where Does the Fear Come From?

The greatest fear in retirement is a simple one: "The day the market falls, will my savings shrink too? Will I be forced to withdraw money at a loss?"

That fear is valid. If all your money sits in one place say, entirely in the stock market then withdrawing during a fall punches a hole straight through your savings. The Three Buckets approach removes this fear at its root.

Your Money, in Three Buckets

Bucket 1 - Today's Needs (1–3 years): The next two to three years of expenses, kept somewhere completely safe and instantly available like a savings account, a liquid fund, or an arbitrage fund. Your monthly "salary" is drawn from here. This money doesn't rise and fall with the market, so even when markets crash, your income never stops.

Bucket 2 - The Next Few Years (3–7 years): A little more return, but in a steady place like hybrid funds. Its quiet job is to keep refilling Bucket 1 over time.

Bucket 3 - The Distant Future (7+ years): This is where money is kept to grow like equity. Over the long run, this is what builds your wealth and beats inflation. It is left untouched for years, so it gets all the time it needs to grow.

One Thing Worth Remembering

Money you'll spend soon should never be left to the market's mood. And money that needs to grow should be given plenty of time. That, in one line, is the whole secret of the Three Buckets.

The three buckets at a glance — spending money kept safe (Bucket 1), a stable bridge (Bucket 2), and growth in equity (Bucket 3). Illustrative only.

How the Wheel Turns, Without Fear

Now watch the magic. When the market falls, you don't panic and sell Bucket 3 (your equity) because your spending money is sitting safely in Bucket 1. You simply give your investments all the time they need to recover.

Slowly, the growth from Bucket 3 refills Bucket 2, and Bucket 2 refills Bucket 1. The wheel keeps turning and you keep drawing your income in peace, month after month, no matter what the market does.

What This Means for You

Until now, you and we have worked together to fill your pot. The only question that remains is how to drink from it not in fear, but in calm. The Three Buckets approach does exactly that. It turns your savings into a dependable "salary" that isn't afraid of the market's weather.

Retirement is meant to be a time of ease, not worry. And with the right preparation, it can truly be just that where every first of the month arrives with a quiet, carefree smile.