

# Retirement Income

Time for a new approach?



**JUST.**

# Learning objectives

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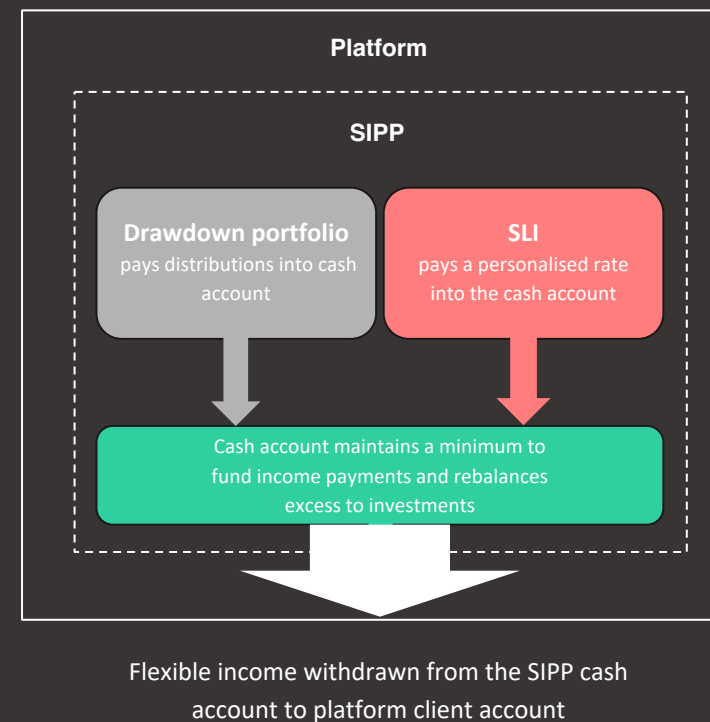
By attending this session you'll be able to:

- Describe the impact of the economic environment on retirement income portfolios
- Understand the different risks and outcomes when accumulating wealth to decumulating wealth
- Reflect on historical market movements and compare these to existing market conditions

# Secure Lifetime Income



- Guaranteed lifelong income paid into SIPP cash account
- Along with any monies from investment account
- And out to client as combined payment



# MPT - How good a diversifier have bonds been?



	Equity	Bonds	60/40 portfolio
2000	-4.50%	9.80%	1.20%
2001	-16.90%	6.00%	-7.70%
2002	-25.90%	4.60%	-13.70%
2008	-24.30%	16.10%	-8.20%
2011	-9.30%	2.50%	-4.60%
2018	-5.70%	1.00%	-3.00%

# Do Bonds Bounce?

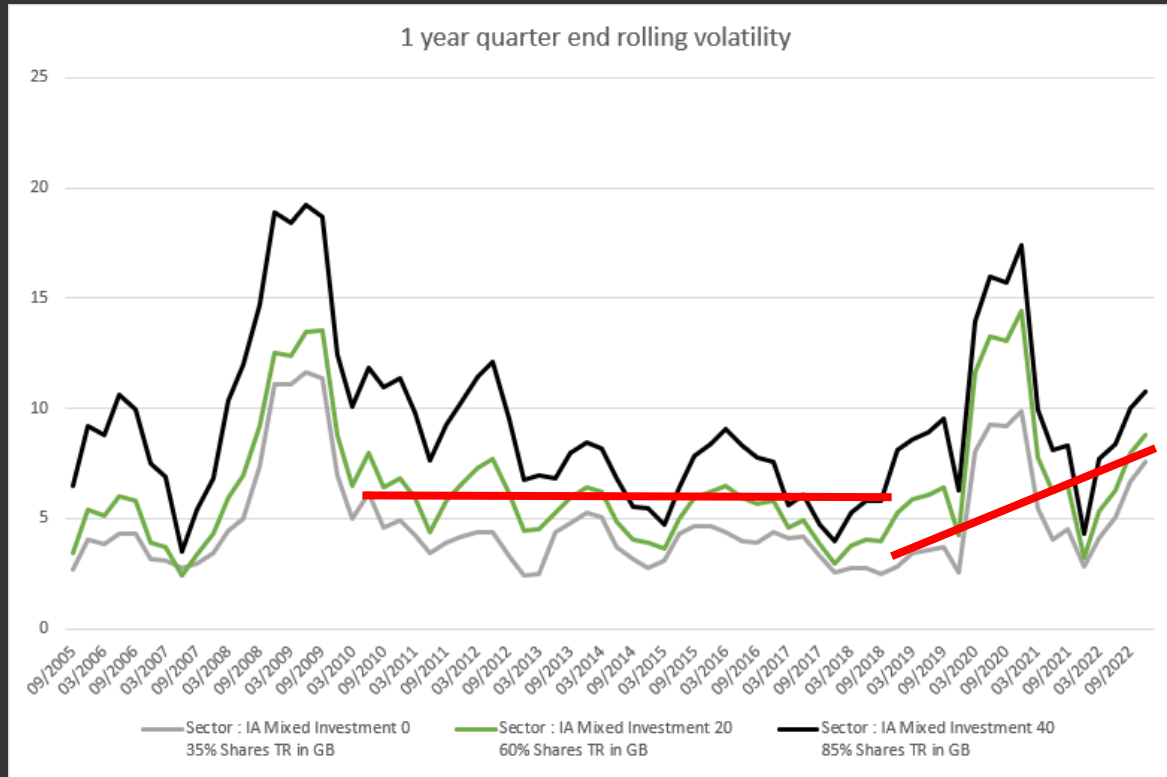
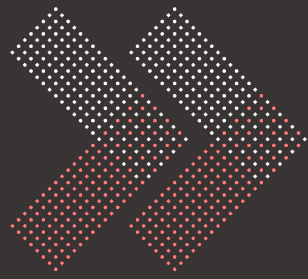
## UK gilts: 10 worst annual returns 1871-2021

Now let's consider UK government [bonds](#).

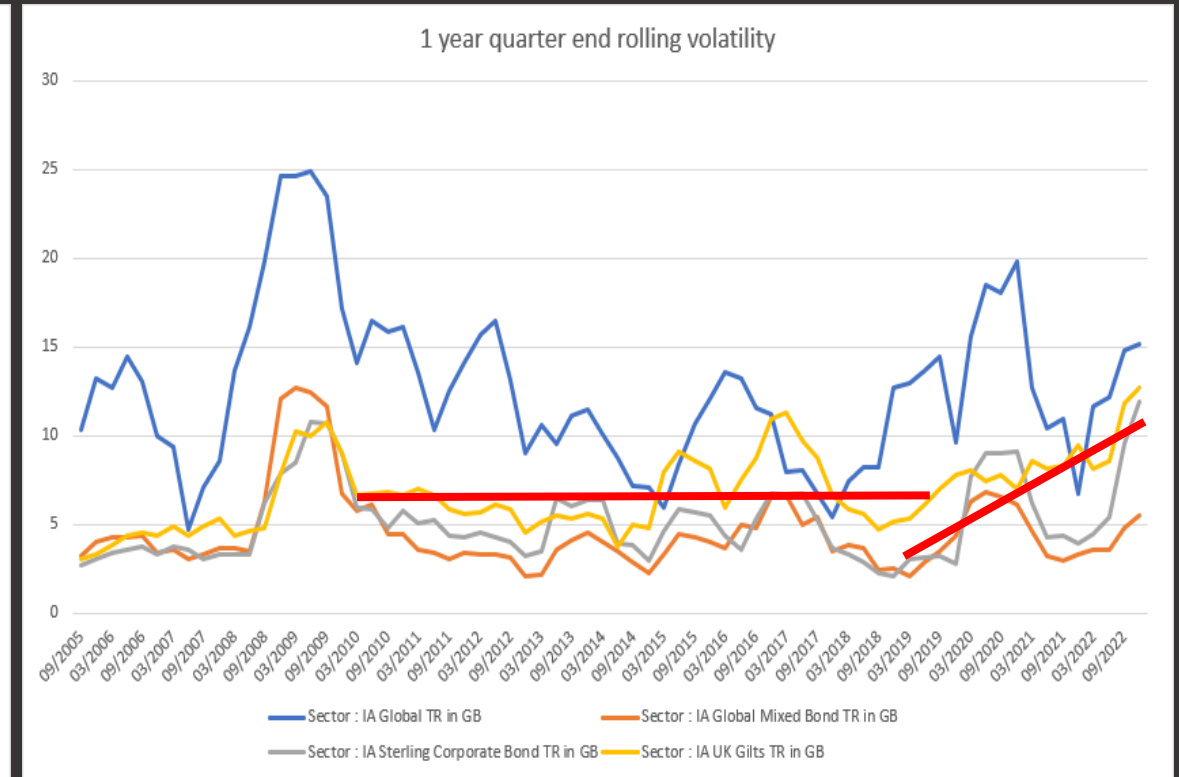
Year	Return (%)	+1 year (%)	+3 years (%)	+5 years (%)	+10 years (%)	10yr annualised (%)
1916	-32.5	-17.7	-36.7	-35.2	8.6	0.8
1917	-17.7	-7.5	-38.3	6.1	44.8	3.8
1919	-16.8	-19.7	38	65.4	98.7	7.1
1920	-19.7	27.4	90.5	106	188.1	11.2
1947	-19.9	-6.5	-17.1	-38.3	-50	-6.7
1951	-17.2	-10.2	2.3	-19.3	-31.7	-3.7
1955	-14.5	-7.7	-5.3	-12.4	-10.1	-1.1
1973	-16.6	-27.2	-20.5	-8.7	26.8	2.4
1974	-27.2	10.9	38.3	17.3	73.3	5.7
1994	-12.2	14.5	38.2	56	99.3	7.1

Real total returns from JST Macrohistory. February 2023.

# How will ATR tools react to volatility changes?

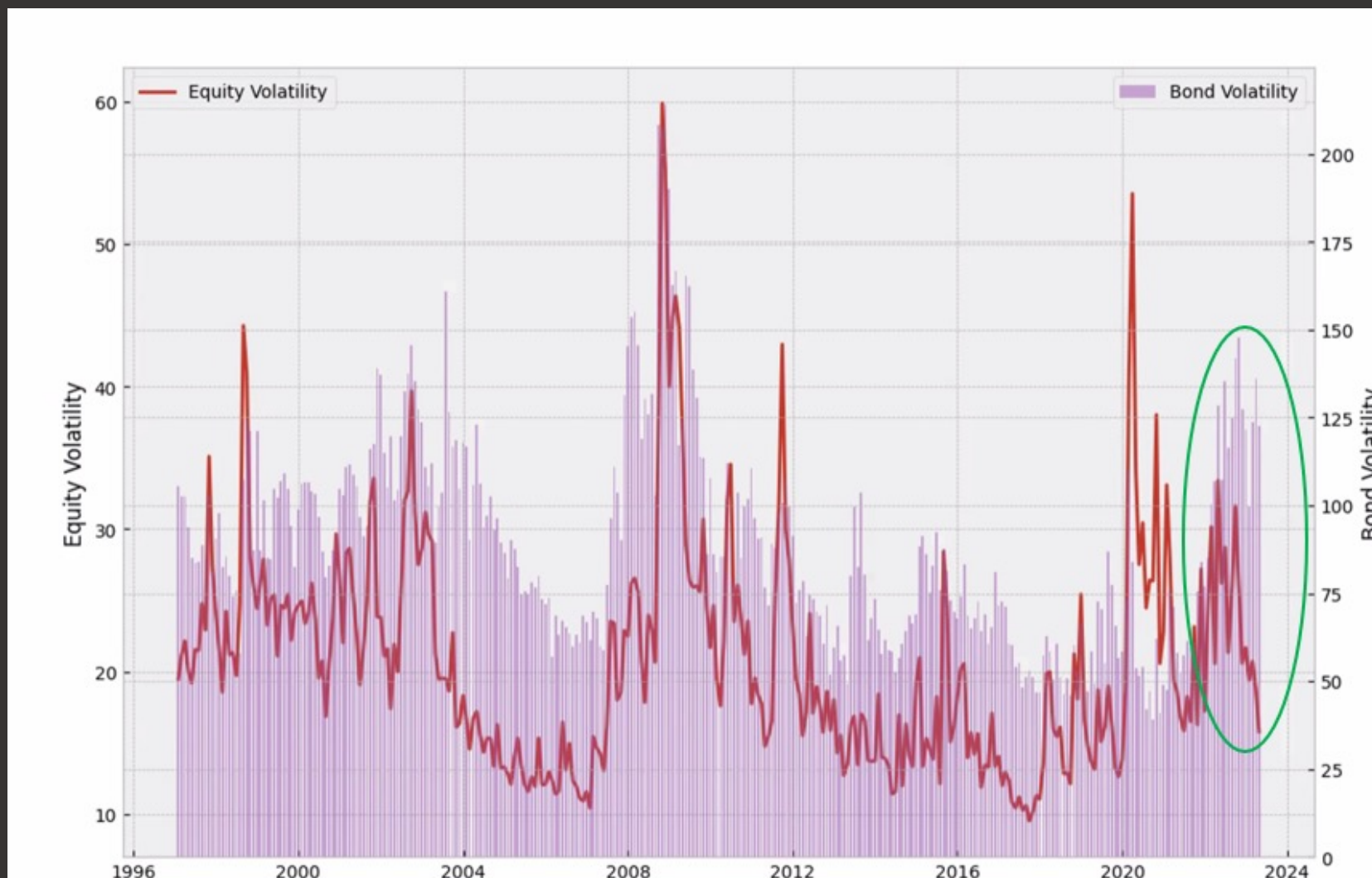


Portfolios



Equities and Bonds

# Equity Vs Bond Volatility



# Equity/bond correlation (5Y rolling)



The persistently negative equity-bond correlation is a relatively recent phenomenon

Schroders

5-year rolling equity-bond correlation

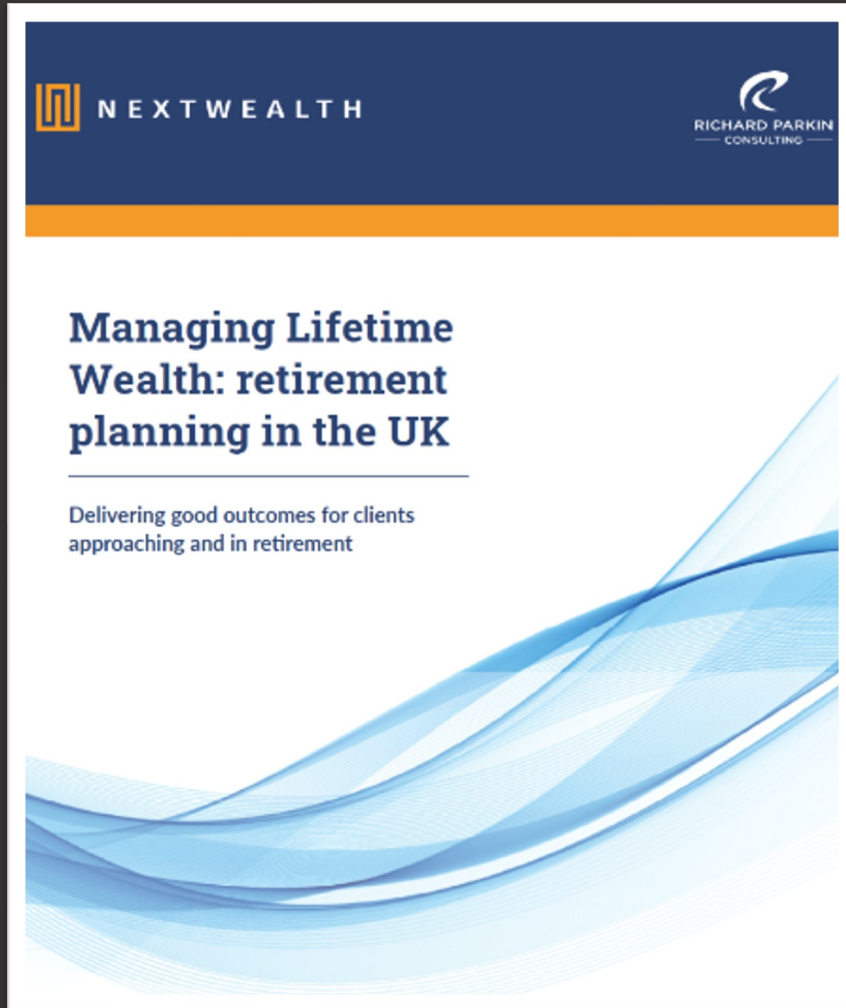


Past performance is not a guide to future performance and may not be repeated.

Source: CFA Institute, Datastream Refinitiv and Schroders. Notes: equity and bond returns are based on US large-cap equities and 10-year US Treasuries. Data to 31 December 2021. 603943



# Risk appetite is changing



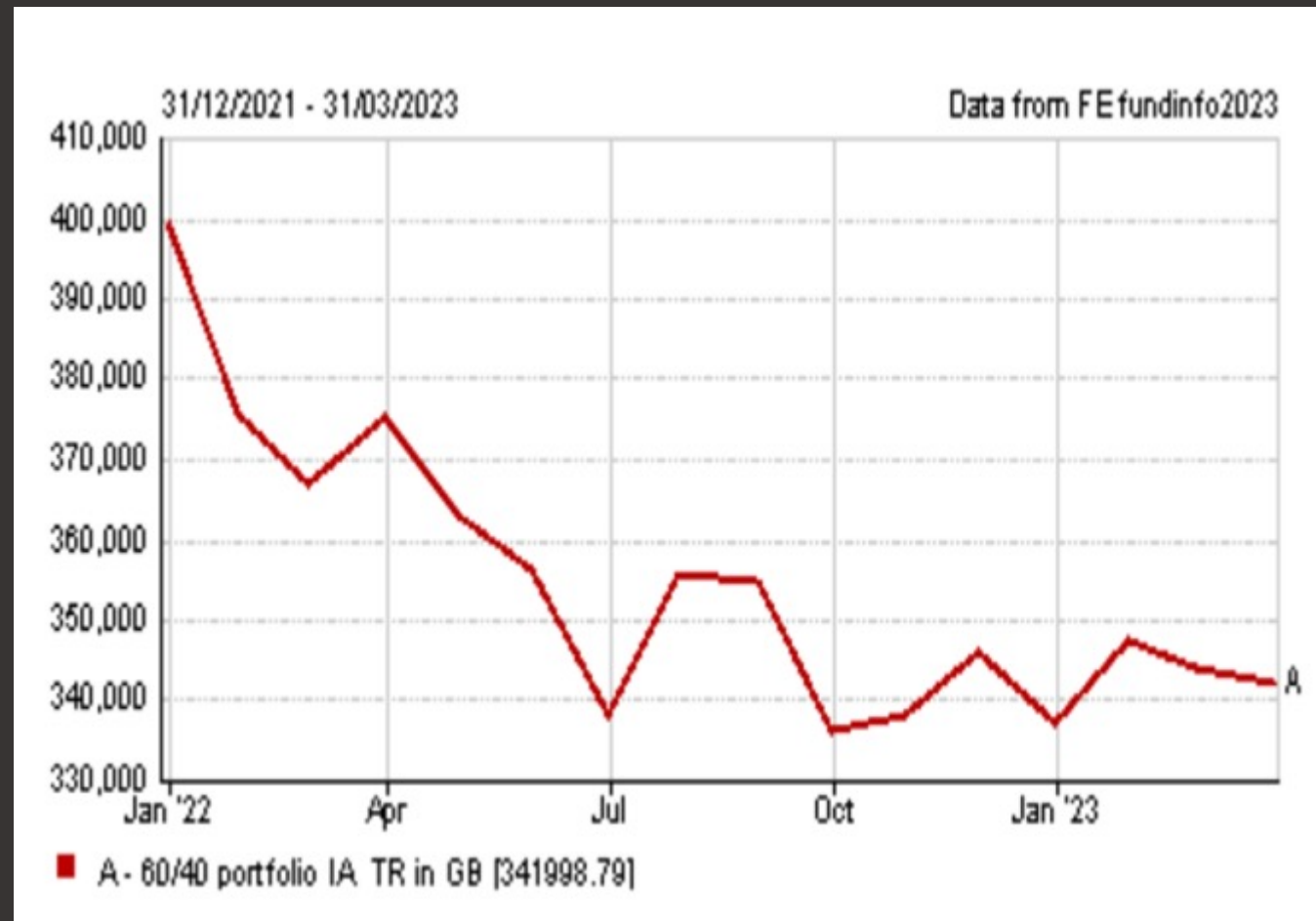
The most common client objective..

..was to use savings to create a sustainable retirement income..

..cited as a main goal by 87% of advisers.

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# How can we fix this portfolio?



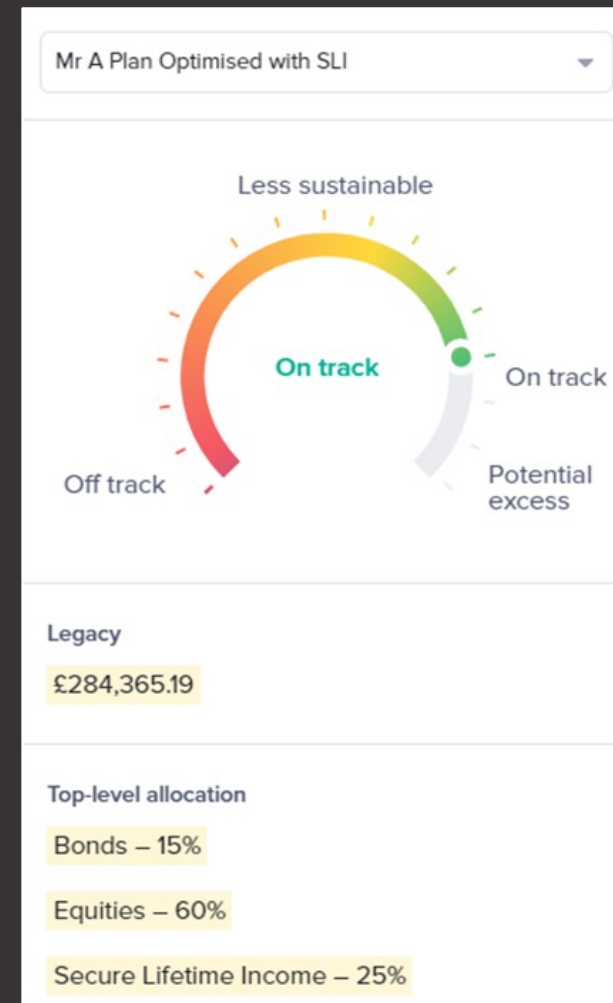
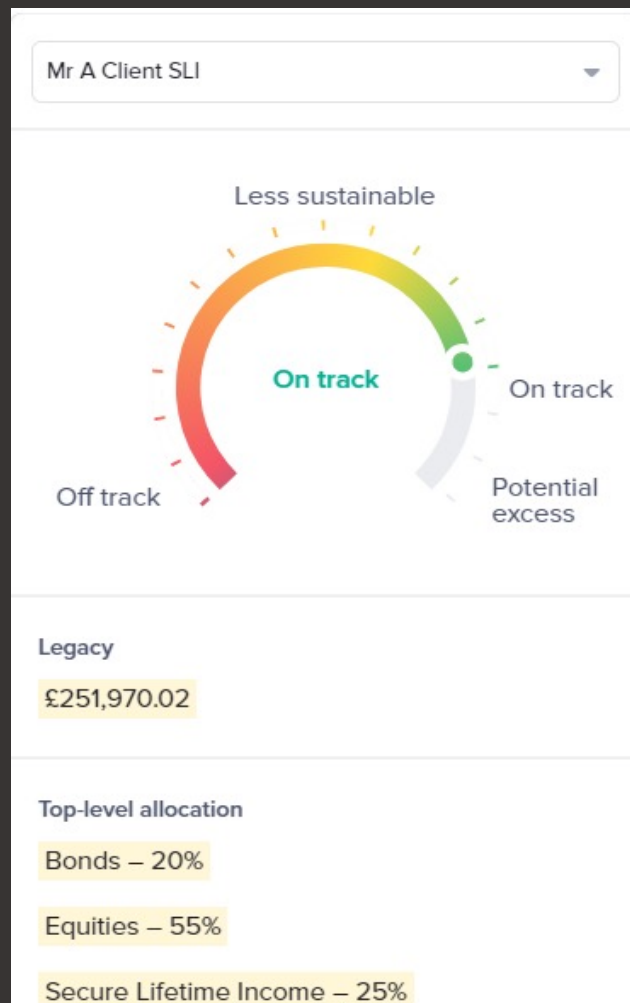
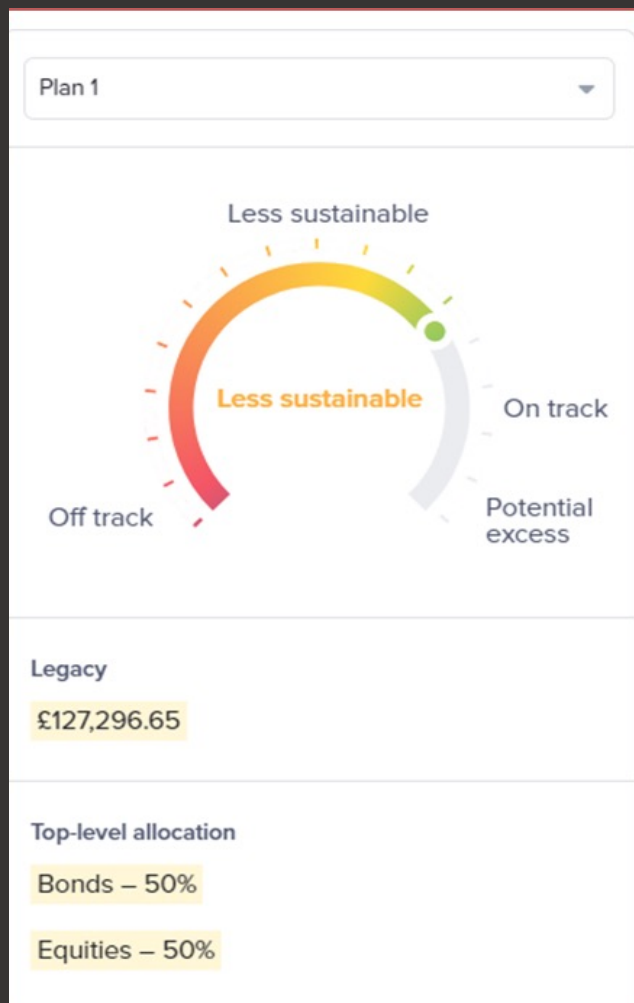
# Three key questions

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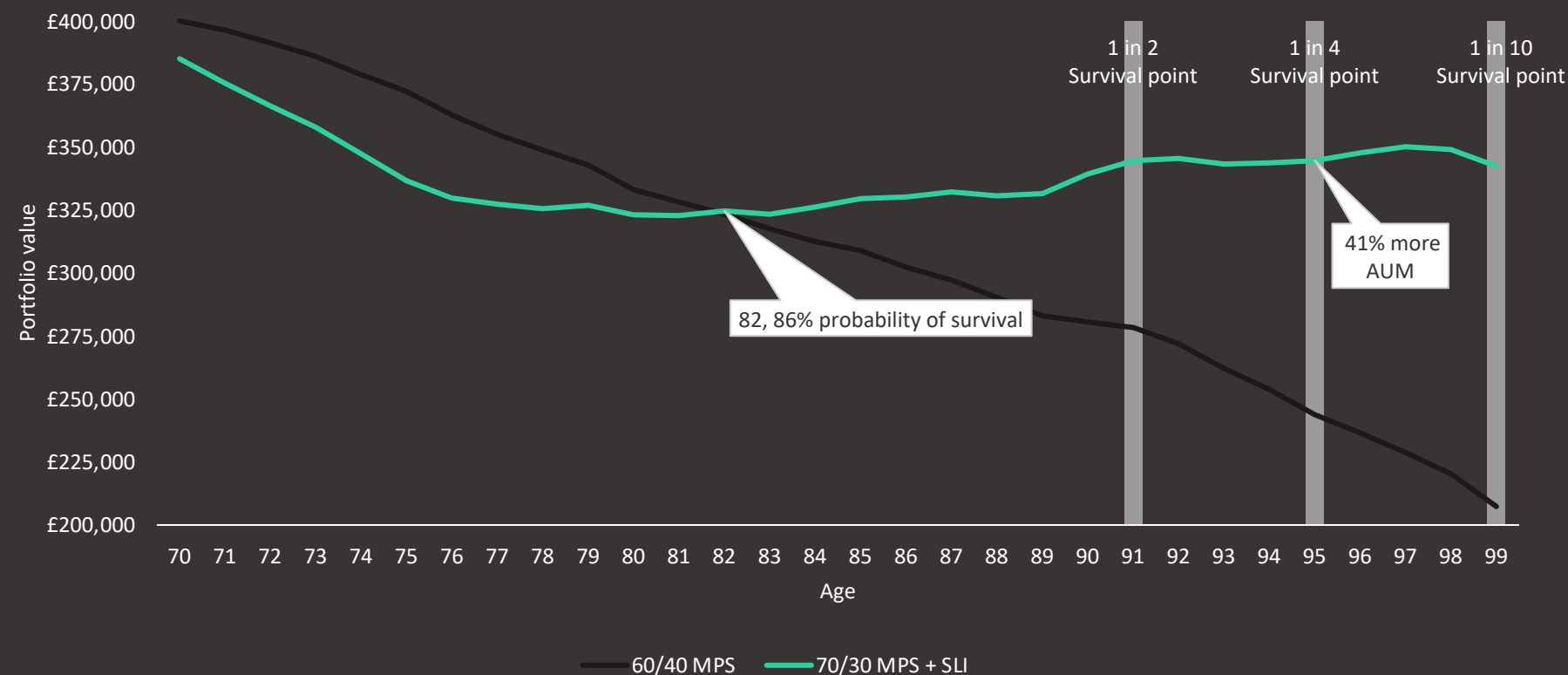


- How do I get a higher income, given inflation?
- How do I improve sustainability / financial resilience?
- How can I improve legacy benefits?

# Timeline examples



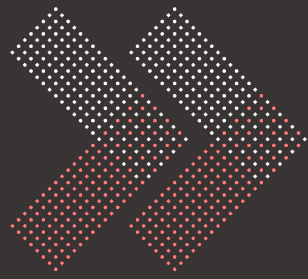
# Secure Lifetime Income – Enhanced outcomes



Example based on 70 year old, optimistic investor, average health non-smoker persona, with a £400,000 total portfolio value, taking £16,000 (4%), non escalating income pa 1.75% AMC/ongoing adviser charge, SLI scenario assumes a £60,000 (15%) SLI purchase price and include the cash- in value within total portfolio value, graph shows median scenario of 1000 stochastic projections

# Learning objectives

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By attending this session you'll be able to:

- Describe the impact of the economic environment on retirement income portfolios
- Discuss the impact of markets on financial resilience and sustainability
- Summarise the market developments in guaranteed income

# Retirement Income

Time for a new approach?



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# Example - Cynthia

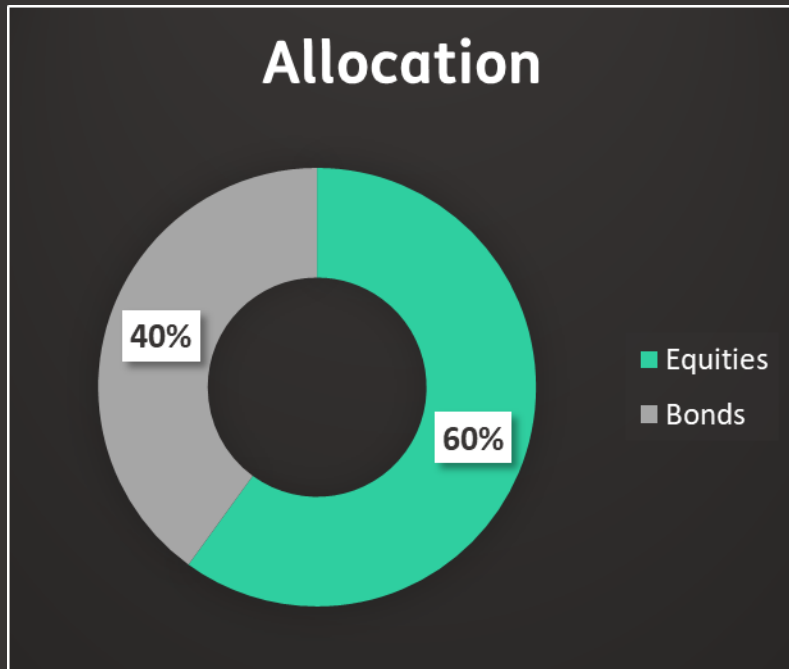


- Age 62
- Moderately adventurous attitude to risk
- Will use ISA portfolio to support income until state pension starts
- Main objective - meet income requirement
- Secondary objective - maximise legacy
- Cynthia transferred out of DB several years ago
- She now requires £12,000 a year income adjusted for inflation.
- After a difficult 2022 the portfolio has fallen in value to £326,000

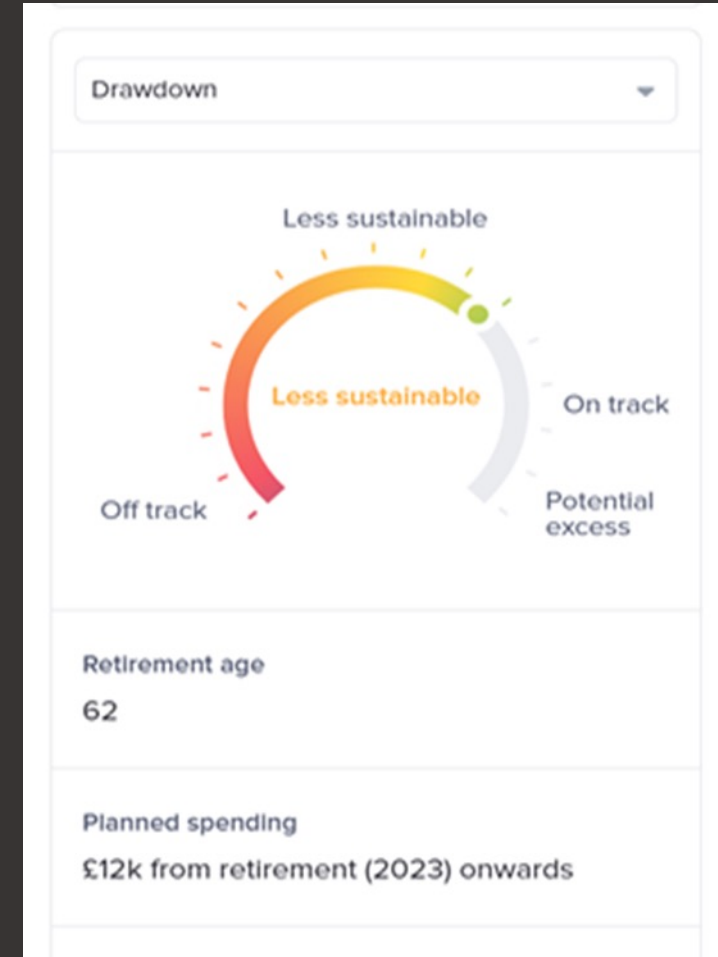


# Income sustainability

- £326,000 invested
- Income need £12,000 pa



On track in  
**69%**  
of scenarios  
to age  
**99**



Figures sourced from Timeline 1 March 2023. Secure Lifetime Income based on good health, client aged 62. Global equities, UK bonds. Median projection using Timeline modelling (800 scenarios)

For financial intermediary use only

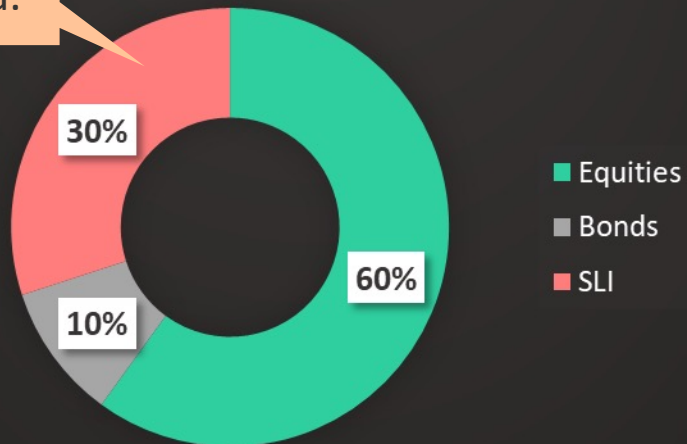
**JUST.**

# Income sustainability

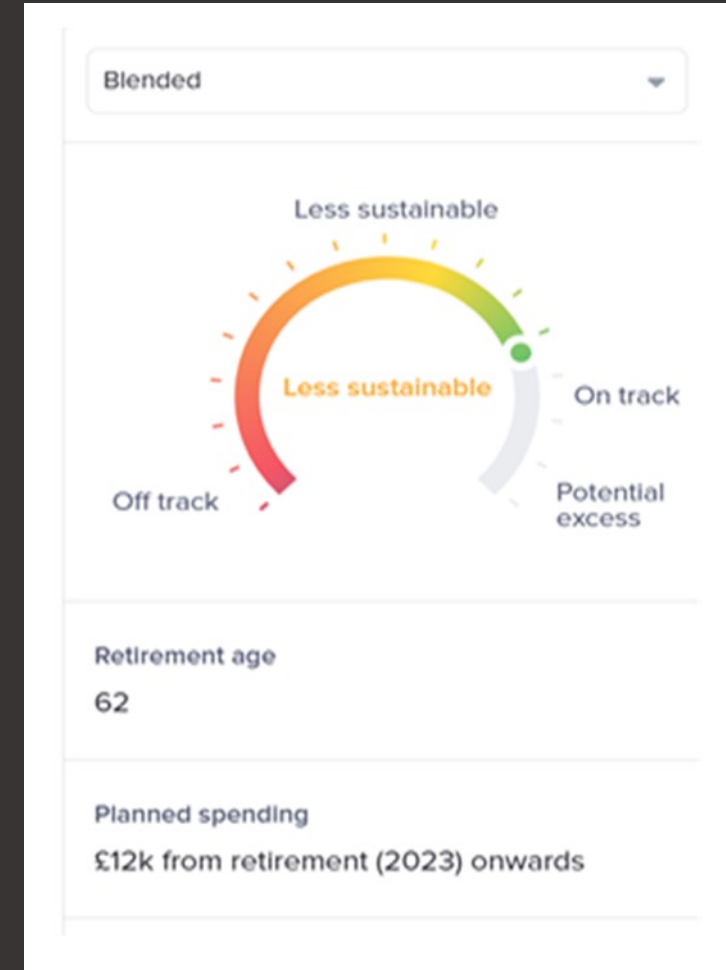
- £326,000 invested
- Income need £12,000 pa

## Allocation

£5,827 p.a.



On track in  
**78%**  
of scenarios  
to age  
**99**

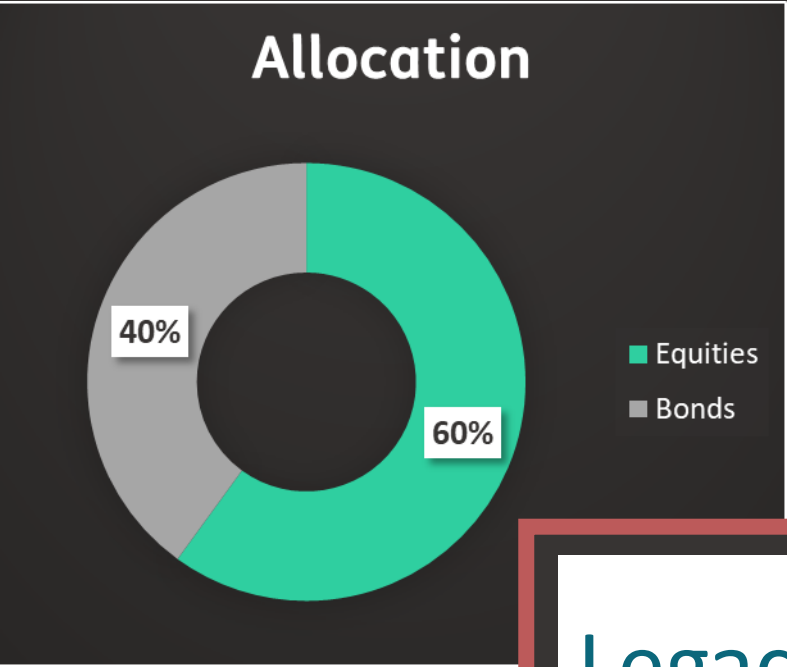


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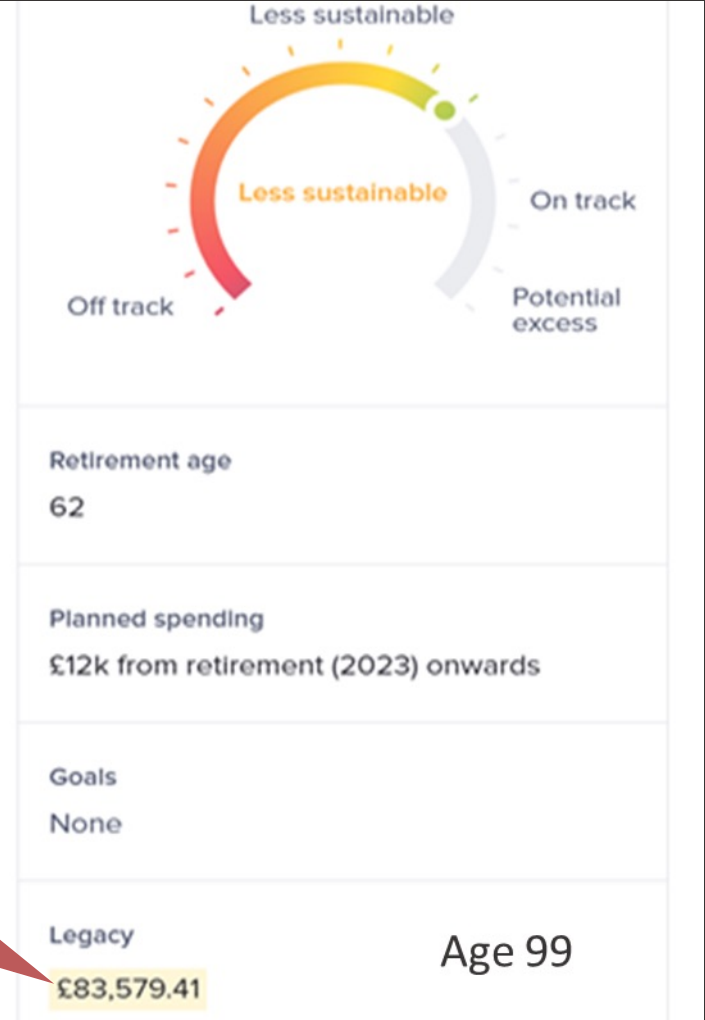
**JUST.**

# Legacy – no Secure Lifetime Income



**Legacy**

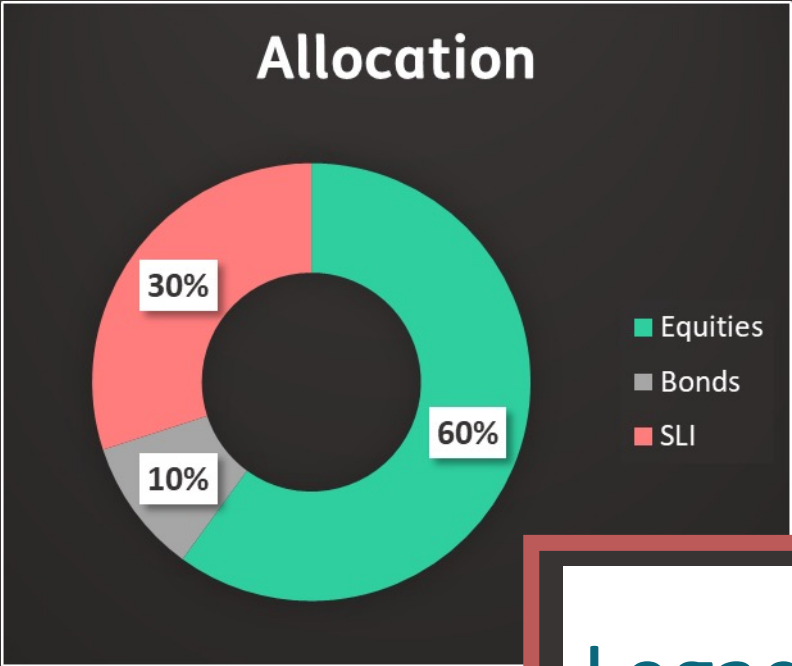
**£83,579.41**



Figures sourced from Timeline 1 March 2023. Secure Lifetime Income based on good health, client aged 62. Global equities, UK bonds. Median projection using Timeline modelling (800 scenarios)

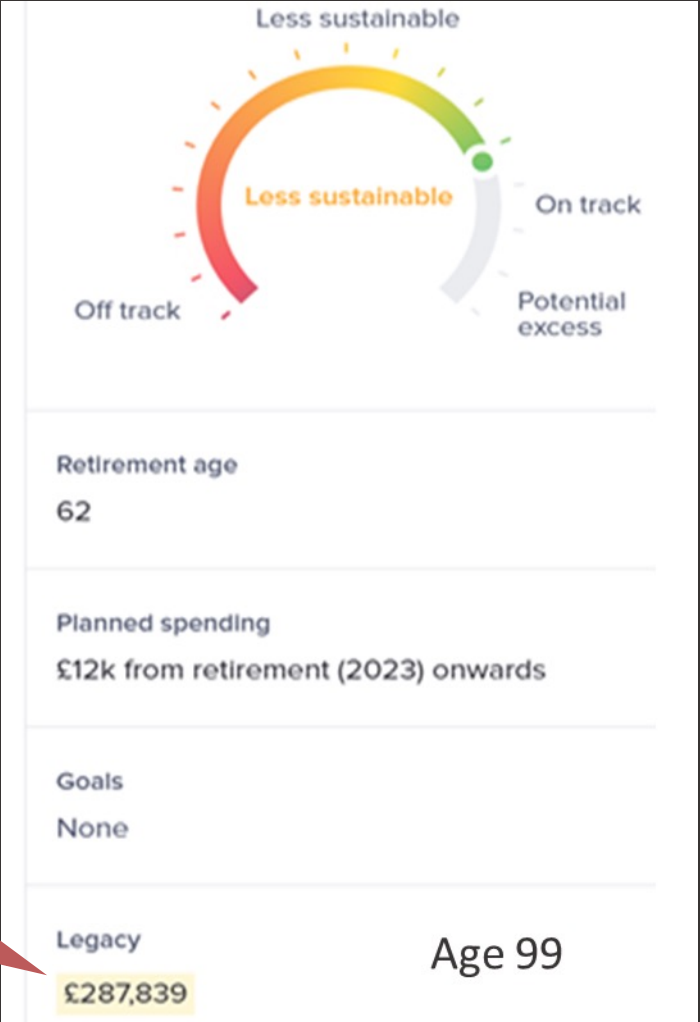
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# Legacy – with Secure Lifetime Income



**Legacy**

**£287,839**



Figures sourced from Timeline 1 March 2023. Secure Lifetime Income based on good health, client aged 62. Global equities, UK bonds. Median projection using Timeline modelling (800 scenarios)

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