Withdrawal Policy Statement (WPS)

The purpose of this document is to set out the guiding principles as to how to manage the withdrawal strategy in line with your income objectives. The aim is to create a policy that is flexible enough to encompass unexpected events as they arise and specific enough so that we are rarely in doubt as to what action to take in response to changing events.

Client circumstances:	• John Doe (65), married to Jane Doe (62) • You have two children aged 18 and 21 • *See Fact Find dated XX/XX/XXXX and/or attached Family Balance Sheet and Income vs Expenditure*
Portfolio value: *List assets this WPS applies to and include initial value & date*	• Initial: AJ Bell SIPP - £1,000,000 as at 02/10/2018 • *Add updated value each year*
Income history	• 2016 - £12,000 gross • 2017 - £30,000 gross • 2018 - £40,000 gross
Withdrawal income goals:	• Receive annual withdrawals, starting now, and continuing throughout both your lifetimes • Increase your annual withdrawal each year to offset lost purchasing power from inflation • If possible, pass on any remaining pension wealth to your children
Initial withdrawal rate:	• £40,000 per year gross (before tax) – *this is equivalent to 4% of initial portfolio value* • This will be paid to you monthly at the rate of £3,333 per month
Annual inflation adjustment:	**Method 1** To maintain the long-term sustainability of your lifestyle and withdrawal objectives, your annual withdrawal amount will increase by the prior year's inflation rate, unless: • You decide to keep your withdrawal amount the same in some years • Inflation is above 5%, in which case the increase is limited to 5% • Inflation is negative, in which case the increase will be 0% **Method 2** To maintain the long-term sustainability of your lifestyle and withdrawal objectives, your annual withdrawal amount will increase by the prior year's inflation rate, unless: • You decide to keep your withdrawal amount the same in some years • Next years withdrawal amount would make the withdrawal rate more than 6.5%. If so, next years withdrawal amount is <u>reduced</u> by 10% from the level it would have been with the inflation adjustment. • Next years withdrawal amount would make your withdrawal rate less than 2.5%. If so, next years withdrawal amount is <u>increased</u> by 10% from the level it would have been with the inflation adjustment. • If neither of the last two points applies, but the prior years investment return was negative, your withdrawal amount should remain the same as it was for the previous year.

Sources of withdrawals:

Method 1

- Withdrawals should be funded from the wrapper cash account (cash buffer)
- The cash buffer should hold a minimum of one/two/three/four/five years' worth of annual withdrawals. This is based on the historic evidence that markets generally recover within 3 to 5 years of a market crash, so it would seem prudent to have sufficient cash to avoid selling assets when they have fallen in value.
- The cash buffer account should be topped up at each annual review by selling proportionally across all assets, unless portfolio returns have been negative for the previous year.
- If the cash buffer is fully depleted due to multiple years of negative returns, annual withdrawals will have to be met by selling proportionally across all assets until such time as the cash buffer can be topped up

Method 2

- Starting with one years worth of annual withdrawals in the wrapper cash account
- Following years with positive returns that cause equities to exceed target allocation, the excess amount should be sold and reinvested in Cash or Fixed Interest to fund future withdrawals.
- Yearly withdrawals are funded from equities when markets are favourable and from cash/fixed interest when they are not using this priority:
    - Cash
    - Sell fixed interest
    - Sell equities in descending order of prior year's performance
- No withdrawals are funded by selling an equity asset after a negative return year as long as cash or fixed interest assets are able to fund that year's withdrawal amount.

Unexpected expenses:

We agreed that if you require a withdrawal to meet any one-off expenses in between annual drawdown reviews these would be met where possible using cash, otherwise a proportional withdrawal against overall portfolio would be made. The impact of this withdrawal on long term sustainability of the portfolio will be fully assessed at the next annual review.

Annual review process:

- We will review your withdrawal strategy as part of the annual drawdown review service we provide to you. This will include the following:
    - Analysis of the long term sustainability of your present withdrawal strategy
    - Topping up of any cash buffers through the sale of assets
    - Consideration of any additional one-off withdrawals
    - Consideration of whether to annuitise all or part of your portfolio

Annuitisation strategy:

Whilst you prefer the idea of drawdown given the flexibility and ability to pass any remaining fund to spouse/children, we agreed annuities shouldn't be completely ruled out in the future given the certainty of income they can provide. We therefore agreed that we would consider whether to annuitise, either partly or fully, each year taking into account best annuity rates available at that time and keeping a record of this to refer to in future years.

Annuity shape: *joint life, 100% spouses benefit, 10 year guarantee*

Age	Level (no inflation protection)	RPI (inflation protection)
65 (start)	£42,000 / 4.2%	£33,000 / 3.3%
66		
Etc		

A WPS should be considered in conjunction with the Investment Policy Statement (IPS) which determines the underlying investment strategy to be adopted to meet the agreed withdrawal strategy.

I acknowledge that I have read and understood this Withdrawal Policy Statement. Specifically, I understand there may be some times I will be advised to freeze or reduce the withdrawal amount to maintain the portfolio's long-term sustainability.

Signed: …………………………………………….

John Doe

Signed: …………………………………………….

Jane Doe

Date: …………………………………………….

See over for Change Log.

Withdrawal Policy Statement

Change Log

The below shall be used to record any changes made to the original Withdrawal Policy Statement so that a full audit trail can be maintained and to help focus on long-term goals.

Date	**Changes made *(what, why etc)***