

EVOLVING RETIREMENT ADVICE

THE KEY ELEMENTS FOR A ROBUST, REPEATABLE
AND DEFENSIBLE PROCESS

MY NOTES

1. ADVICE PRINCIPLES
2. CAPACITY FOR LOSS AND SPENDING HIERARCHY
3. APPROACHES TO PRODUCING THE INCOME
4. STRESS TESTING AND SCENARIO PLANNING
5. WITHDRAWAL POLICIES
6. THE REVIEW PROCESS
7. SECURE LIFETIME INCOME



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Evolving Retirement Advice

1. ADVICE PRINCIPLES

WHAT DO YOU THINK 'GOOD PRACTICE' SHOULD LOOK LIKE?

WHAT CHANGES DO YOU NEED TO MAKE TO CURRENT PRACTICES?

WHAT ARE THE IMPLICATIONS OF NOT CHANGING CURRENT PRACTICES?

WHAT ACTIONS ARE YOU GOING TO COMMIT TO AND WHEN?

POINTS TO CONSIDER

1. How confident are you that all your firm's advisers follow the same firm-level process, allowing for specific tailoring as identified under PROD?
2. How confident are you that your current systems and controls prevent behavioural biases and framing from influencing advice outcomes?
3. Can you articulate (and evidence) the principles that guide your current advice philosophy?
4. Do you have a documented retirement income process that all advisers follow?
5. Do you currently operate a Centralised Retirement Proposition (CRP)?

2. CAPACITY FOR LOSS AND SPENDING HIERARCHY

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POINTS TO CONSIDER

1. Is your approach to capacity for loss the same for pre and at retirement clients?
2. How do you demonstrate that you're meeting the regulatory guidance around capacity for loss in retirement?
3. How do you evidence that you've taken the client's capacity for loss into account in respect of their essential spending requirements?
4. Do you have a specific set of questions around spending hierarchy?
5. How do you evidence appropriate consideration of a guaranteed income?

3. APPROACHES TO PRODUCING THE INCOME

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POINTS TO CONSIDER

1. Which approaches to producing the income do you use?
2. How do you determine the retirement timeframe?
3. What level(s) of certainty do you plan to for essential and discretionary income?
4. How do you allow for the impact of inflation?
5. Do you consider 'safety-first' or a blended approach where more certainty is needed?

4. STRESS-TESTING AND SCENARIO PLANNING

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POINTS TO CONSIDER

1. Do you currently offer cash flow modelling as a standard part of your proposition, regardless of client segment?
2. Do you use deterministic or stochastic based tools?
3. Do you believe that historic or forward-looking data provides the most reliable basis for planning retirement?
4. How do you ensure the inflation and asset return assumptions are robust?
5. What other planning tools do you use?

5. WITHDRAWAL POLICIES

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POINTS TO CONSIDER

1. Do you provide clients with a plan for their whole retirement journey, or do you focus on a year by year approach?
2. If your advice was queried many years into a client's retirement, how confident are you that your current systems and controls would provide all the necessary evidence to justify your recommendations?
3. Does your suitability process lay out all the key milestones for retirement (such as how income is to be created in a variety of market circumstances) or just focus on the suitability of the immediate advice?
4. How do you manage client expectations to try and minimise the risk of clients exhausting their portfolios?
5. Do you view property equity as part of a planned retirement strategy, or as a solution of last resort?

6. THE REVIEW PROCESS

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POINTS TO CONSIDER

1. How often do you review the income being taken from a client's drawdown plan?
2. How often do you reassess any health or lifestyle conditions?
3. Do you have a process to recognise specific drawdown exit triggers? (e.g. life events, post 75 regime, LPAs etc.)
4. Do you undertake a full analysis of investment objectives and changes in attitude to risk?
5. Do you have the appropriate qualifications for Care or Equity Release advice?

7. SECURE LIFETIME INCOME

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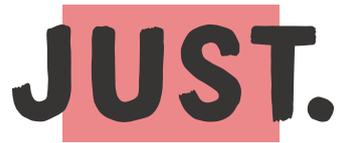
POINTS TO CONSIDER

1. Do you operate your retirement advice solutions using platform technology?
2. Do you have clients who need to replace part of their guaranteed income (from a previous scheme, for example)?
3. Do you have clients who need longevity protection within a SIPP?
4. Have you considered the benefits of clients having the facility to pause guaranteed income in order to reinvest or save tax?
5. Have you considered the potential improvements to overall sustainability where a blended approach is taken?

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THE RETIREMENT SPECIALIST

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FOR MORE INFORMATION

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