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The decisions facing a retirement income investor

Investigating ways to future proof
these decisions



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Director, Development,
Intermediary Sales



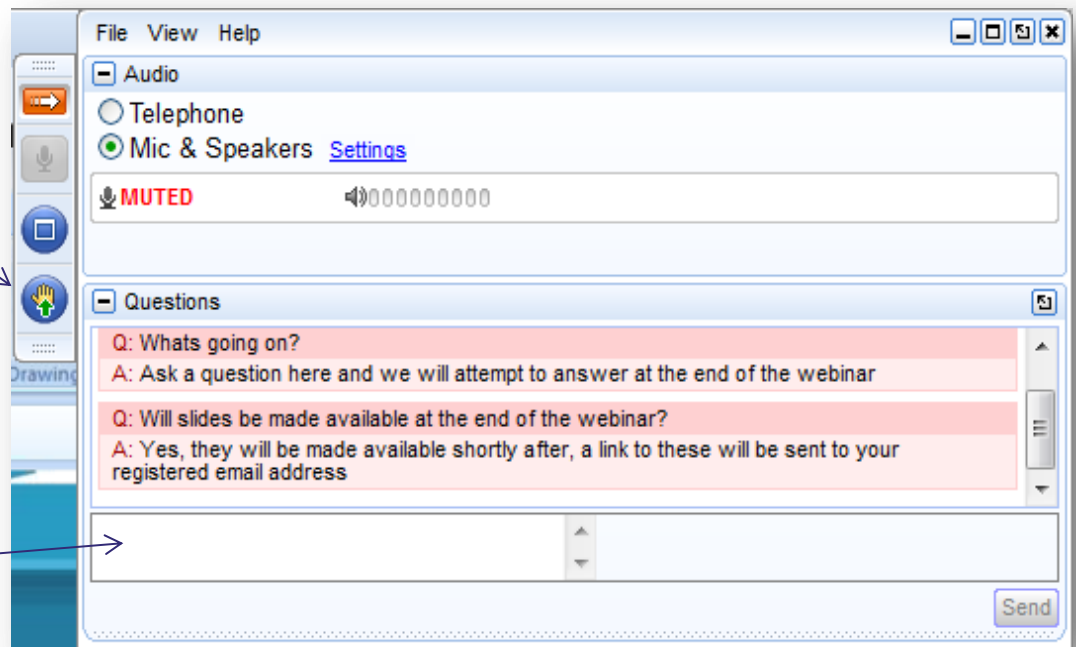
@retirementwhizz

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To raise your hand in a webinar click here.

To ask a question, please type here and we will respond to your question either in the webinar itself, or shortly thereafter.



#jrwebinar

Agenda

- Four case studies of clients seeking to take retirement income decisions – where there appears to be a clear cut solution.
- Then we'll look at a case study where the solution is not so clear.
- The need to make balanced decisions – assessing the desire for flexibility and the need for security.
- The advantages and disadvantages of flexibility and security and ways to future proof your clients' retirement income decisions.
- Five key issues that will affect client decision making.
- Some further food for thought on the “known unknowns” and the ways people transition into retirement.
- A series of poll questions and your chance to put your questions to our experts.

Learning objectives

- Evaluate five case studies of clients seeking retirement income solutions.
- Investigate the need to balance decisions between the desire for flexibility and the need for security.
- Understand the advantages and disadvantages of flexibility and security and some possible ways to future proof decision making.
- Learn about the five key issues that affect retirement income decisions.
- Investigate the impact of people transitioning into retirement.

Intermediary poll 1

Following pension freedoms, have you recommended drawdown to clients more often than you're recommending an annuity?

Please click on one option.

Yes - to take just their tax free cash

Yes - to take their tax free cash and income

No

Intermediary poll 2

Which, if any, of the following have influenced your decisions to recommend drawdown over an annuity?

Please click on one option.

- Because my clients have requested it.
- I believe that annuities offer poor value for my clients - annuity rates are at a historical low and now is not a good time to purchase.
- My clients believe that annuities offer poor value.
- My clients prefer the flexibility to draw down income as and when required.
- There is a perception that clients won't get their money back with an annuity if they die.

The obvious decisions?

- Case Study 1- John and Margaret both aged 65



£350,000

- Significant other investments
- This is part of their portfolio
- Other sources of income
- Want to pass capital to their family on their death

Income
Drawdown

The obvious decisions?

• Case Study 2 - Patrick aged 68



£50,000

- A small part of his assets
- Continues to run his own business
- Portfolio of buy to lets

Zero
Income
Drawdown

The obvious decisions?

• Case Study 3 - Jane aged 66, widowed



£60,000

- House £250,000 mortgage free
- £10,000 in savings
- Drawing state pension
- Very cautious
- Considering equity release

Underwritten
Guaranteed
Income for
Life

The obvious decisions?

- Case Study 4 - Brian and Nancy aged 62 and 60



£30,000

- Brian a retired teacher
- Part-time supply teaching
- Nancy continuing to work
- Don't need income
- Paying off mortgage

Zero
Income
Drawdown

What if it's not so obvious???

- David and Liz – both aged 65

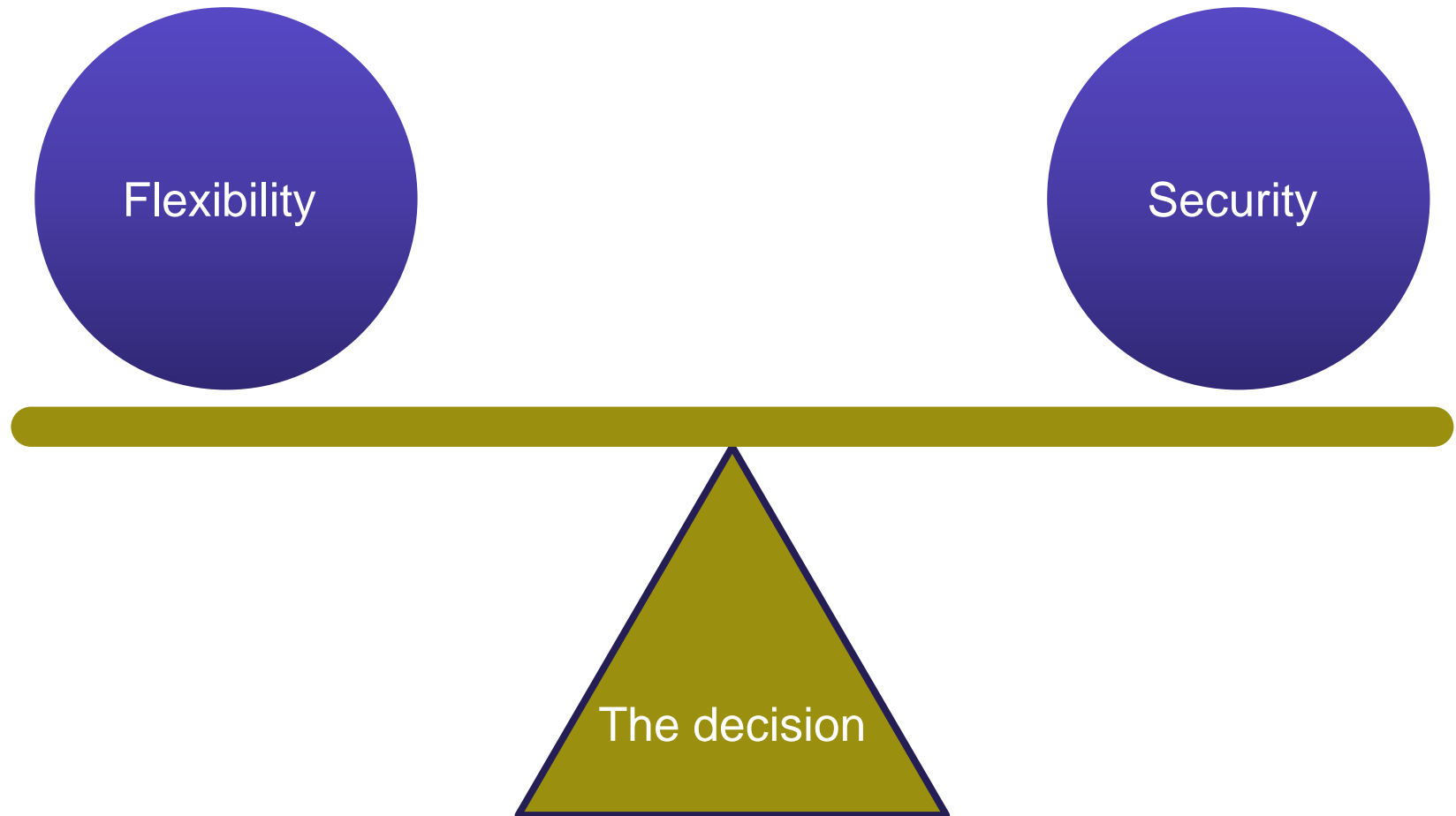


£100,000

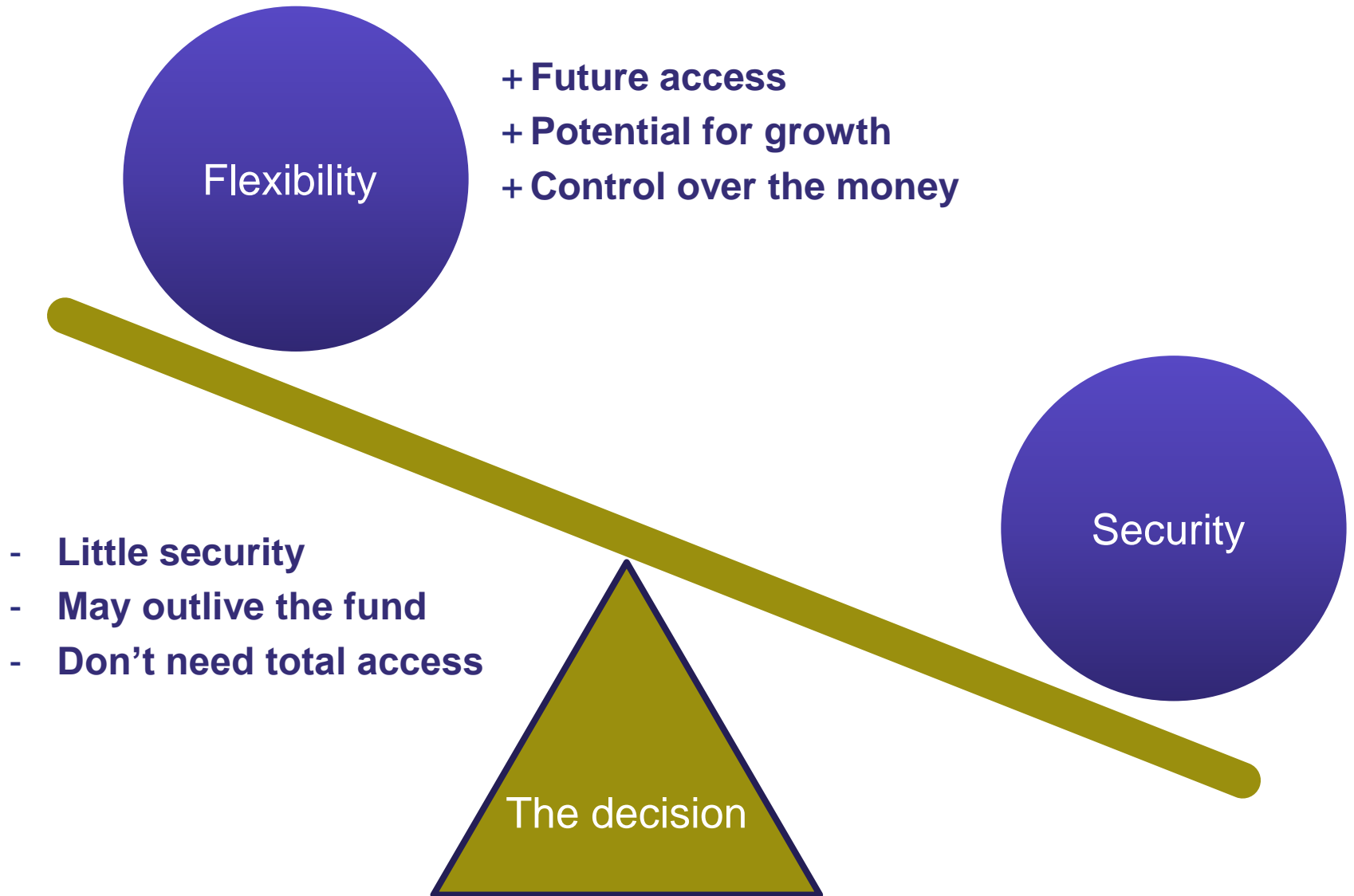
- Want to retire
- Drawing state pension
- Defined benefit £5,000 p.a.
- Fairly cautious
- Income is important
- Want to retain some access



Balanced decision making



Assessing the desire for flexibility



Assessing the need for security

- + **An absolute guarantee of lifetime income**
- + **The emotional benefit**
- + **Confidence to plan that comes through certainty**

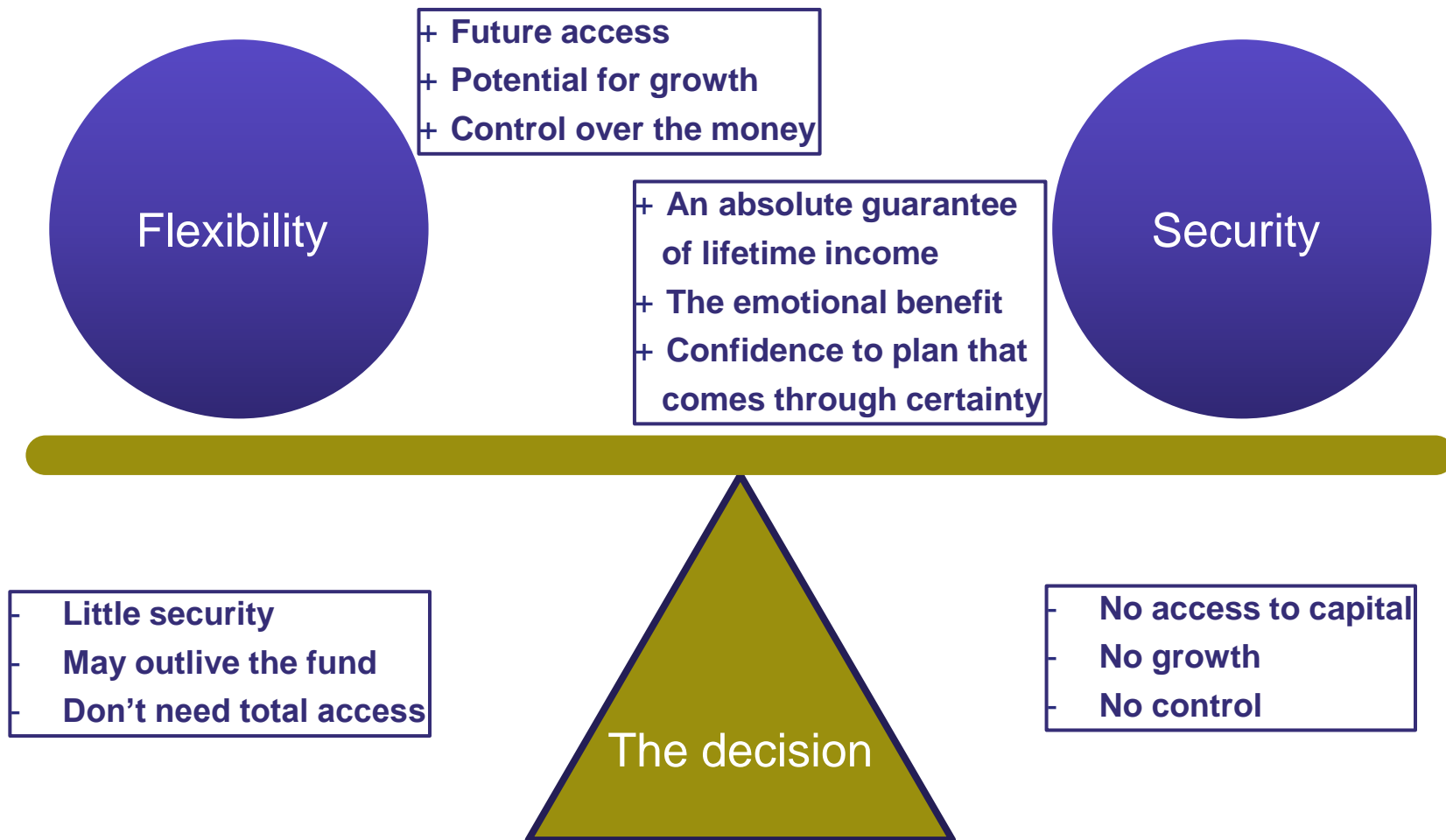
Security

Flexibility

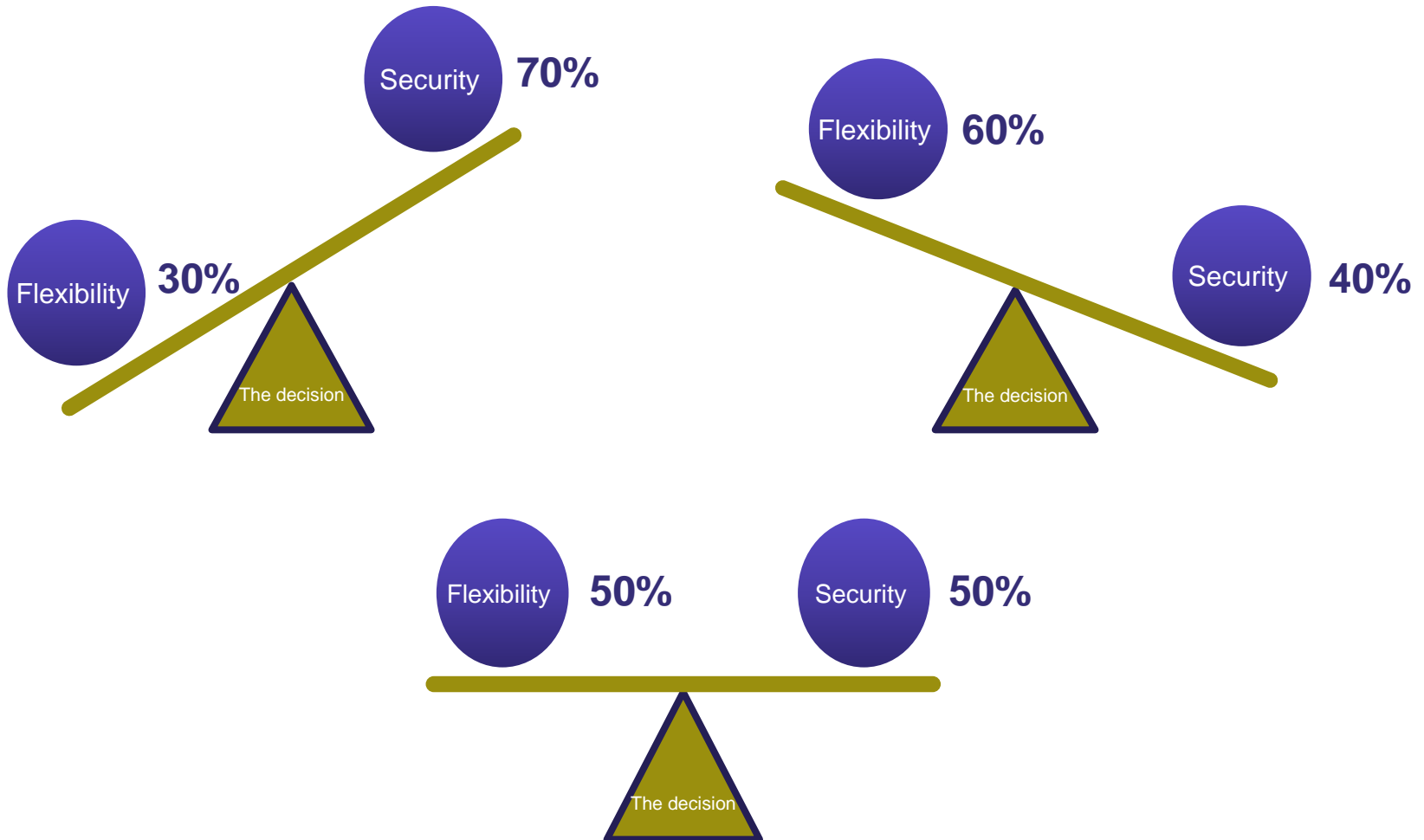
- **No access to capital**
- **No growth**
- **No control**

The decision

Advantages and disadvantages



Future proofing the retirement income decision



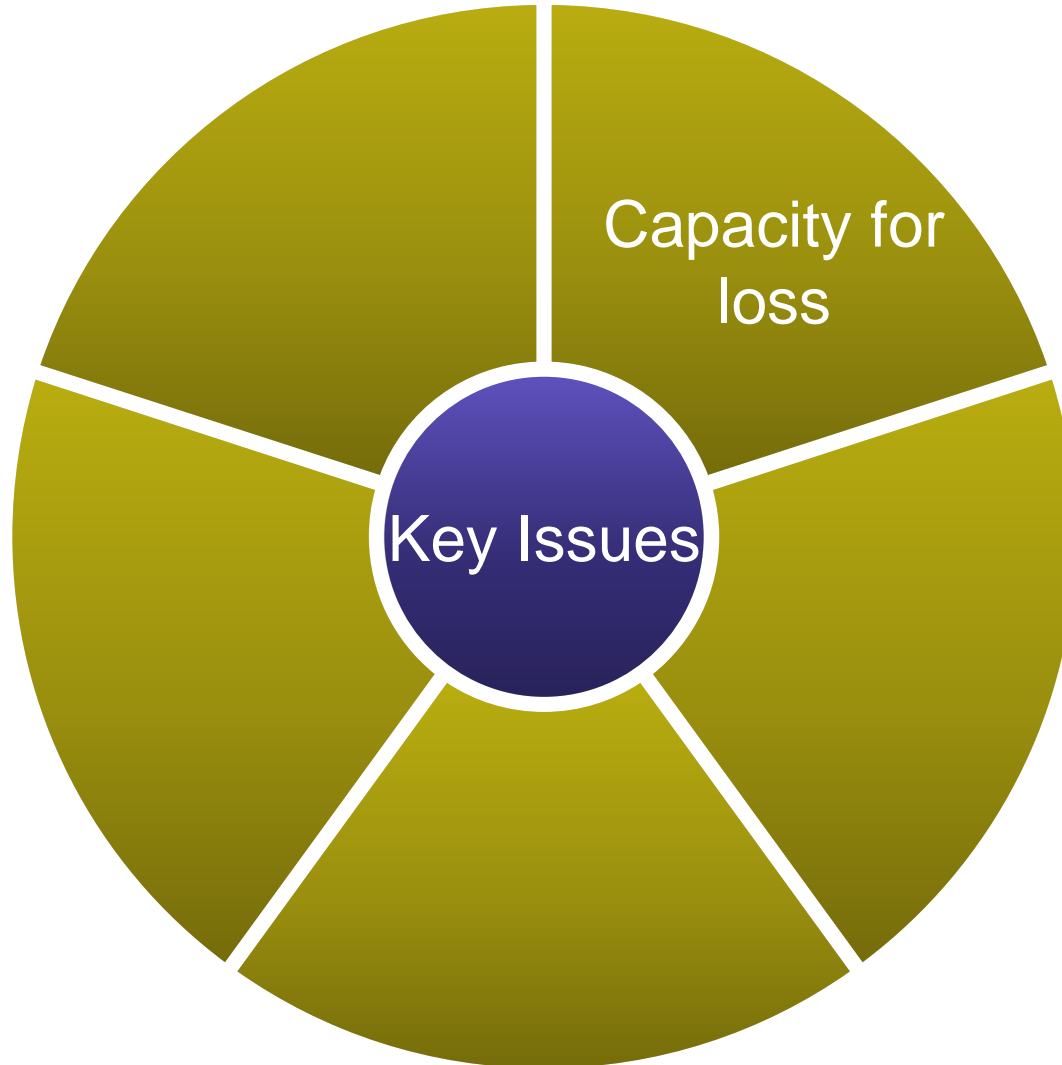
Some issues that will affect decision making

- David and Liz – both aged 65



£100,000

Issues to be addressed



Determining capacity for loss – retirement budget planner







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Calculators

With more choices than ever before, clients have a plethora of decisions to make about how and when to finance their retirement.

That's why we have developed a range of useful tools and calculators that can help support you and your client's as you advise them, throughout their retirement journey.

 <p>Personal taxation</p> <p>The potential tax liability of releasing cash lump sums from your client's pension</p> <p>Learn more</p>	 <p>Indicative lifetime mortgage</p> <p>Details of the amount client's may be able to release from their property using a lifetime mortgage</p> <p>Learn more</p>	 <p>Longevity</p> <p>How long might your client live (and therefore need an income) for?</p> <p>Learn more</p>	 <p>Budget planner</p> <p>A handy tool to help demonstrate client income and expenditure (and any gaps)</p> <p>Learn more</p>
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<http://www.justadviser.com/financial-planning/calculators/>

Retirement budget planner

Your retirement budget simulation

Step one - enter your details

Enter your age: Current health: Good Average Poor

Step two - add your income sources

Your income:

Step three - add or amend your costs

Total costs:

Of which it is estimated the essential costs are
 non-essential costs are estimated as

Step four - show surplus or shortfall

Show at age: You have a shortfall of income against your essential costs and will be living beyond your means

Your graph

Income (blue), Total costs (red), Essential costs (green)

Longevity (75% chance) Longevity (50% chance) Longevity (25% chance) Longevity (5% chance)

Your costs

Please enter or edit your retirement outgoings. You can stop costs at a future date such as your mortgage or add future costs like a special holiday

Category of cost	Essential?	Cost amount	Frequency	Age cost starts	Age cost ends	
Mortgage/Rent	<input checked="" type="checkbox"/>	£0.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Council Tax	<input checked="" type="checkbox"/>	£1,500.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Food/Drink/Toiletries	<input checked="" type="checkbox"/>	£5,000.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Heating/Electricity/Water	<input checked="" type="checkbox"/>	£1,500.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Life/Health	<input type="checkbox"/>	£200.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Phone/Broadband/Pay TV	<input type="checkbox"/>	£800.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Clothing	<input checked="" type="checkbox"/>	£850.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Furnishings/Electricals	<input type="checkbox"/>	£800.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Household services	<input type="checkbox"/>	£500.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
TV Licence	<input type="checkbox"/>	£150.00	per Year	55	74	<input type="button" value="Remove"/>
Public transport	<input type="checkbox"/>	£150.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Fuel	<input type="checkbox"/>	£900.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Car maintenance/Tax	<input type="checkbox"/>	£600.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Buildings/Contents Insurance	<input checked="" type="checkbox"/>	£250.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Car/breakdown Insurance	<input type="checkbox"/>	£400.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Loans/Borrowing	<input type="checkbox"/>	£0.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Savings/Pension	<input type="checkbox"/>	£0.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Holidays/Breaks	<input type="checkbox"/>	£3,200.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Memberships	<input type="checkbox"/>	£400.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Eating out/Entertainment	<input type="checkbox"/>	£2,000.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Family	<input type="checkbox"/>	£1,000.00	per Year	55	Ongoing	<input type="button" value="Remove"/>
Other	<input type="checkbox"/>	£0.00	per Year	55	Ongoing	<input type="button" value="Remove"/>

<http://www.justadviser.com/financial-planning/calculators/budget-planner/>

Issues to be addressed



Attitude to risk – Drawdown risk tool

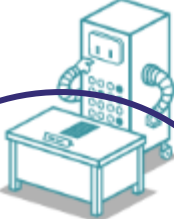





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 <p>Drawdown risk</p> <p>Model the probability that your client will run out of money while still alive</p> <p>Learn more</p>	 <p>Quick income builder</p> <p>Overlay all of your client's income sources in one view – how does this affect their retirement plans?</p> <p>Learn more</p>	 <p>Critical yield</p> <p>Calculate a more accurate critical yield</p> <p>Learn more</p>	 <p>Lump sum plus lifetime mortgage</p> <p>An indication of the maximum loan amount and loan to value (LTV) available to your client.</p> <p>Learn more</p>
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Drawdown risk tool

Drawdown risk calculator

This calculator is for illustrative purposes only and we strongly recommend you seek financial advice.

Gender



Male



Female

Retirement age



65



Current health



Good



Average



Poor



Drawdown pension fund



100000



Calculate risk

<http://www.justadviser.com/financial-planning/calculators/drawdown-risk/>

Drawdown risk tool



<http://www.justadviser.com/financial-planning/calculators/drawdown-risk/>

Issues to be addressed



What happens when I get older - Longevity



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Calculators

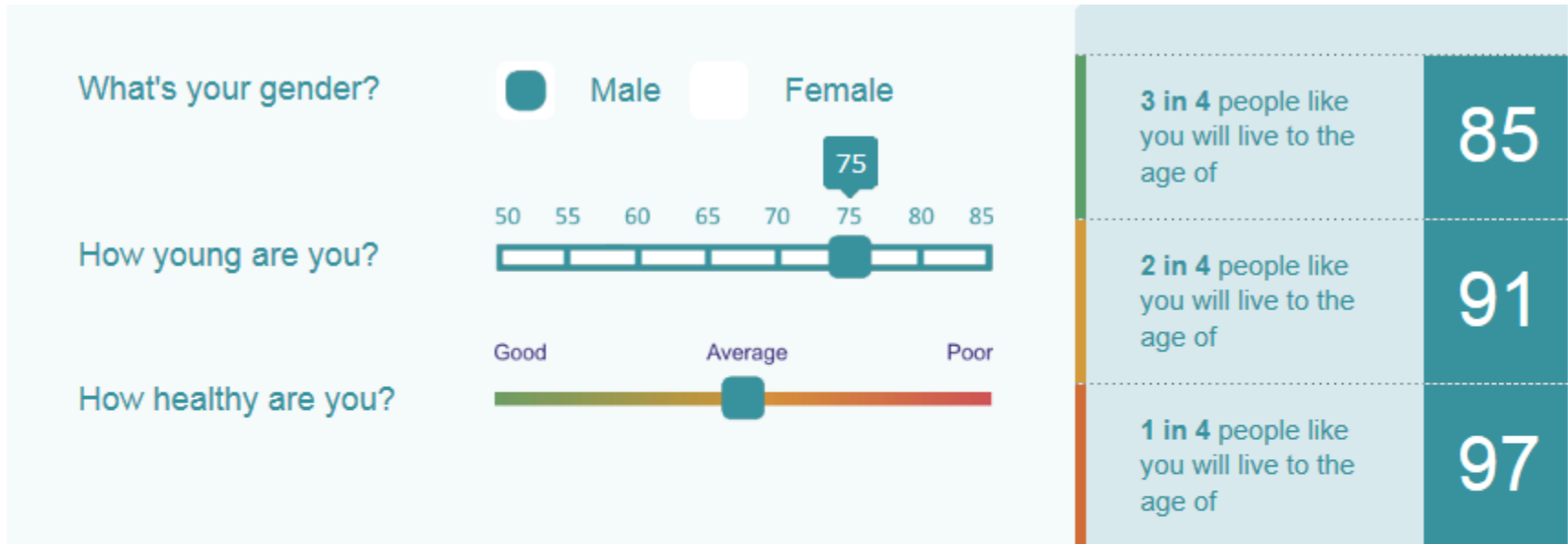
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Longevity



What next?

Once your client has a better understanding of what age they may live to, and how long their funds may need to last, they can start to consider the decisions they make in retirement. For example, they may prefer to have a **part of their income guaranteed**, so that they have peace of mind that minimum expenses and costs are likely to be covered. Or it might be that they want to include **protection against escalating costs or inflation** if they are likely to live for many more years.

<http://www.justadviser.com/financial-planning/calculators/longevity/>

Intermediary poll 3

To what extent are you likely to blend the desire for flexibility with the need for security for clients like David and Liz

Please click on one option.

- Yes, I'll definitely consider blending flexibility with security.
- I may consider blending flexibility with security.
- No, clients either want flexibility or security.

Intermediary poll 4

How might you choose to blend flexibility with security?

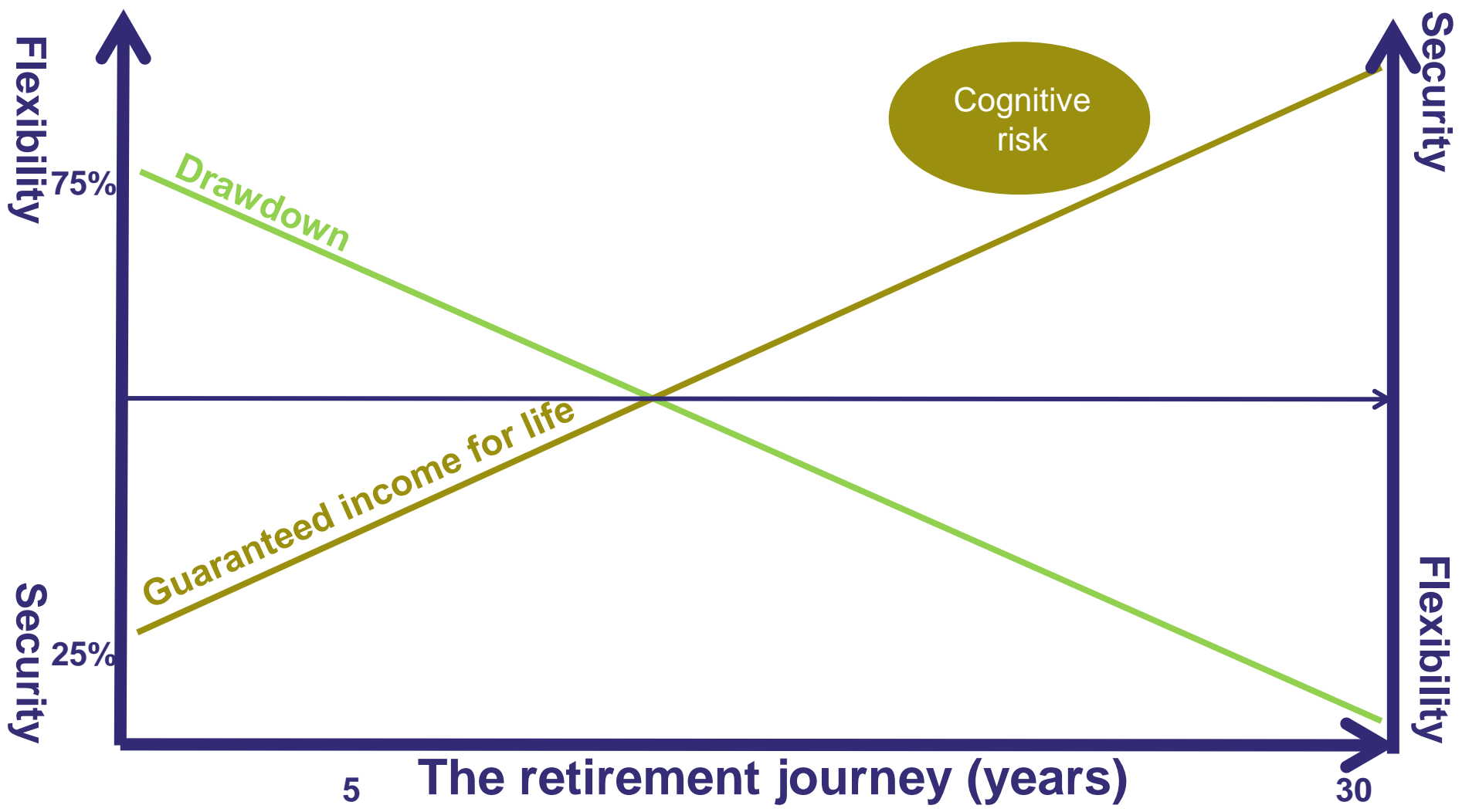
Please click on one option.

- Through separate drawdown and annuity products
- In a product that offers both options in one wrapper from one provider
- In a product that offers both options in one wrapper with the annuity being available on the open market

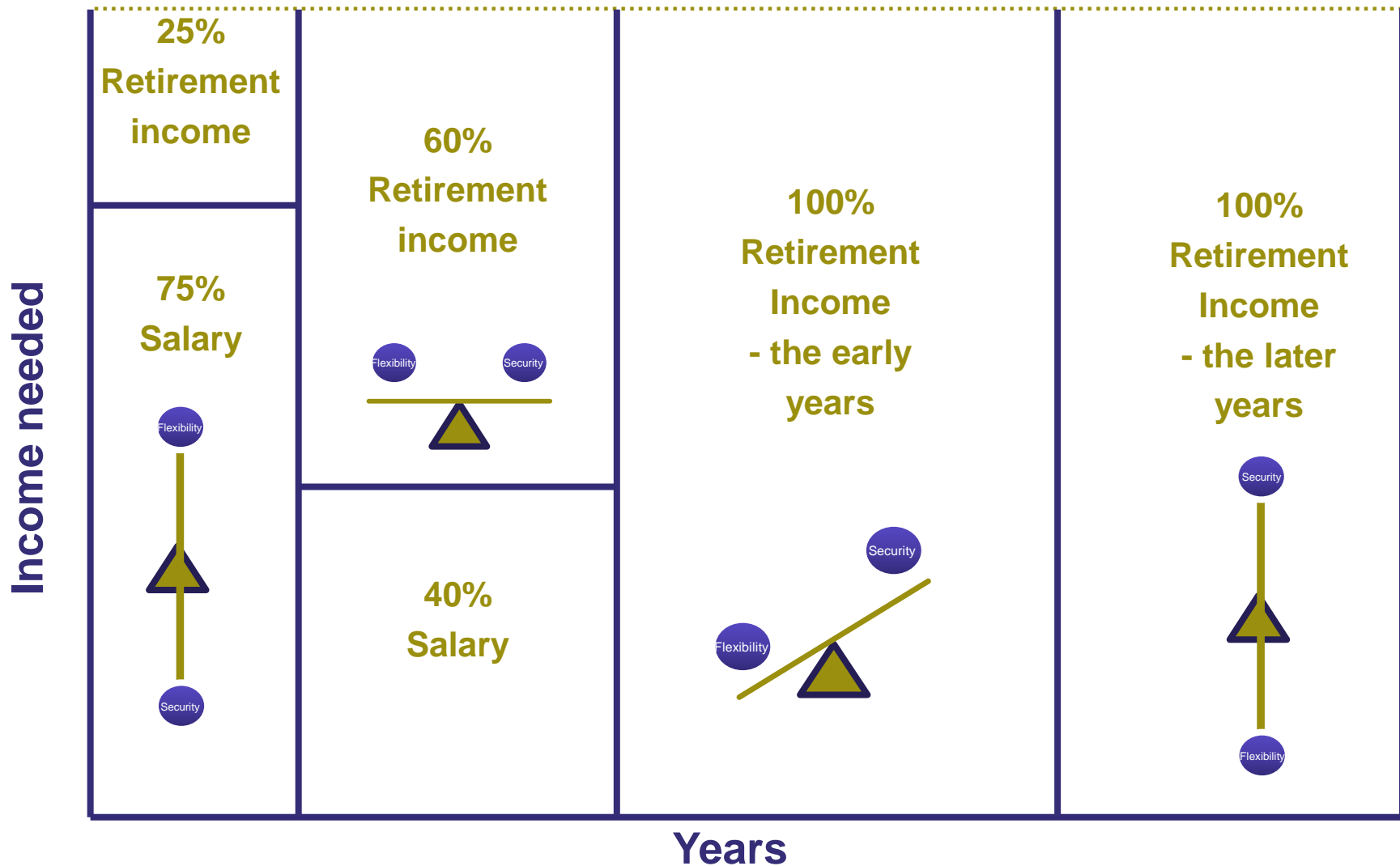
Some further food for thought... The known unknowns



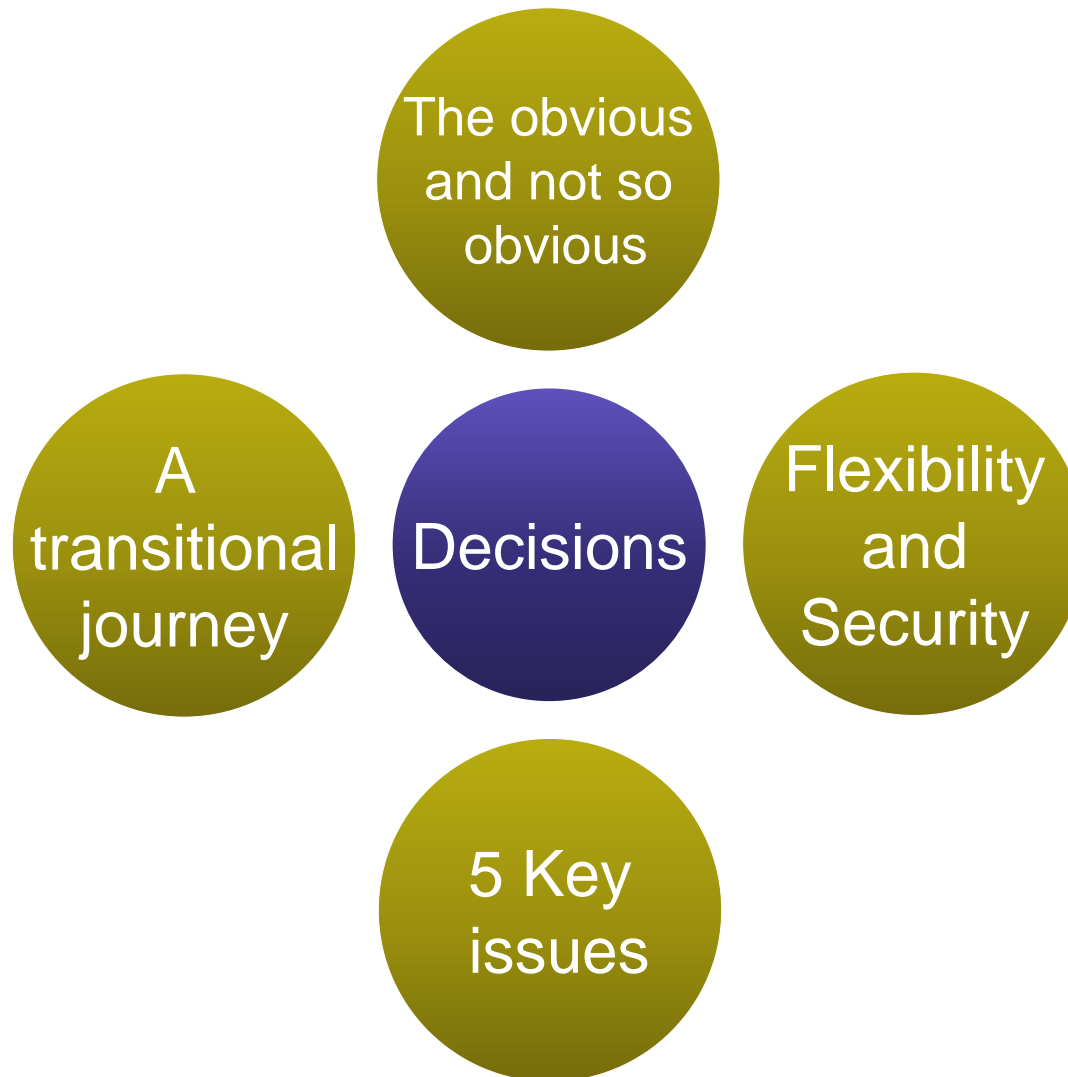
The retirement journey



A series of decisions ... transitioning into retirement



Summary – the decisions facing a retirement income investor



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www.justadviser.com

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