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SECURE LIFETIME INCOME

Proposition guide

If you're responsible for your firm's regulated retirement advice policy and standards or advising clients, this guide explains how Secure Lifetime Income can complement your existing retirement income proposition to help you deliver improved outcomes to your clients.

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A new approach to retirement income

We all recognise that for some time retirement has been evolving. Retirement is less a cliff-edge event and increasingly a transition through later life which often requires complex financial planning to achieve client objectives.

To generate a reliable income from a retiree's drawdown portfolio the financial planner has to navigate risks not present during the wealth accumulation stage.

Yet, the innovations expected following Pension Freedoms to address these risks have not arrived. So, this has meant the tools used for wealth accumulation are still largely relied upon to manage the unique risks of income drawdown.

Against a backdrop of continued macro-economic and geo-political influences, today's market landscape is intensifying the challenges of retirement income planning:

High inflation and interest rates have created a challenging economic environment. This has raised concerns about the stability of solutions being used in decumulation, especially for clients relying on drawdown income.

The regulatory environment has changed, with the FCA introducing the Consumer Duty and conducting a thematic review of retirement income advice.

For these reasons many financial planners and Discretionary Fund Managers (DFMs) are reviewing their decumulation solutions and the tools they use with their drawdown clients.

This is why we developed our Secure Lifetime Income proposition. It delivers a guaranteed income producing asset, that's held alongside the drawdown portfolio, within a Self Invested Personal Pension (SIPP). A solution which gives financial planners more options to help improve client outcomes and meet the specific challenges of income drawdown.

The challenges of retirement income planning

Generating a reliable stream of income from a client's drawdown portfolio requires the navigation of risks not present during the accumulation stage.

> Will my savings last if I live longer than expected?

> If there's a financial downturn early in my retirement, will it jeopardise my future income?

Longevity risk

A unique challenge of retirement income planning is an unknown time horizon or longevity risk.

A way to manage this risk without insuring against it, is to use a planning horizon which the client has a low probability of outliving.

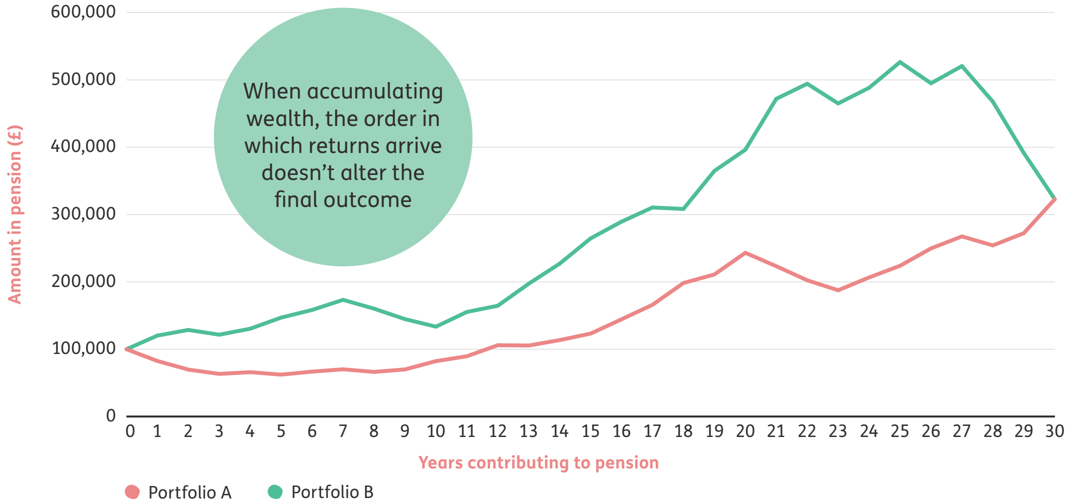
Navigating sequence risk

It's well understood that the returns from capital markets can be volatile and unpredictable in nature. Sequence risk is the order in which these returns arrive to a portfolio. Investment volatility and the addition of systematic withdrawals experienced early in retirement can have a disproportionate impact on whether a client will meet their objectives.

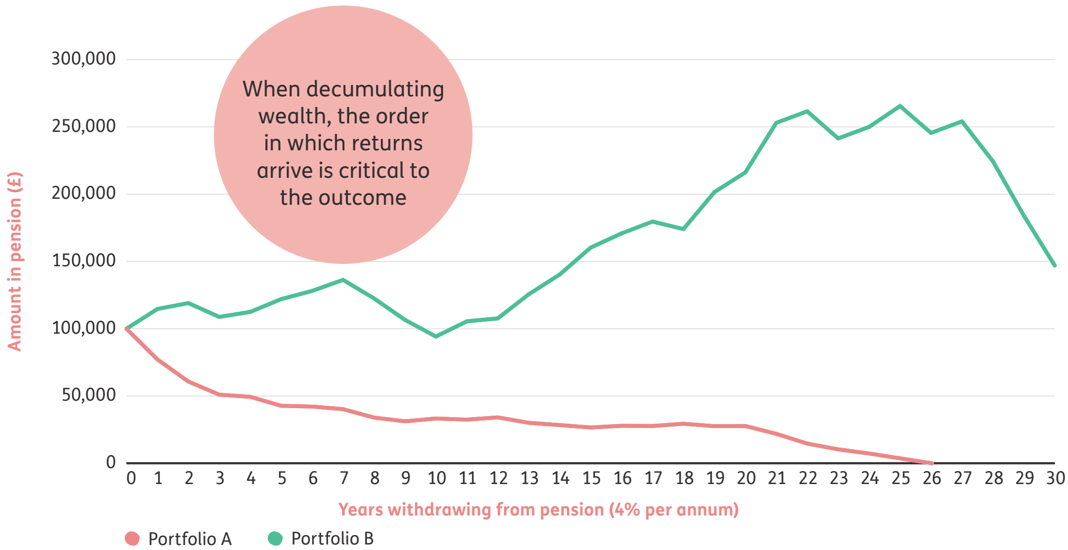
Accumulation and decumulation

The accumulation and decumulation examples below show the outcomes experienced by **two different portfolios** which achieve the same **five percent per annum average return** over a **30 year** period but with different annual returns.

When clients are accumulating wealth, the order in which returns arrive to the portfolio doesn't alter the final outcome.



When decumulating wealth however, the order in which returns arrive to the portfolio is critical to the outcome experienced by the client. This is because the income crystallises the weaker returns by having to sell more units thus making it more difficult for the portfolio to recover.



Enhancing drawdown outcomes with Secure Lifetime Income

What is Secure Lifetime Income?

Secure Lifetime Income delivers a guaranteed income producing asset that sits on platform, within your clients SIPP based flexi-access drawdown plan.

Secure Lifetime Income has been designed to be purchased with a proportion of your client's drawdown portfolio as part of a holistic decumulation strategy.

Secure Lifetime Income offers opportunities to enhance client outcomes by tailoring solutions to individual client objectives.

Secure Lifetime Income provides guaranteed income uncorrelated to other portfolio assets. Including Secure Lifetime Income:

- enables the withdrawal rate of the remaining portfolio to be lower - significantly reducing sequence risk, and
- provides an alternative to traditional defensive assets without the need to compromise long-term growth to mitigate sequence and longevity risks.

With these advantages you can provide decumulation strategies that could help deliver the following benefits for your clients:

- more sustainable plans
- higher long-term portfolio/legacy values, and/or
- higher levels of income.

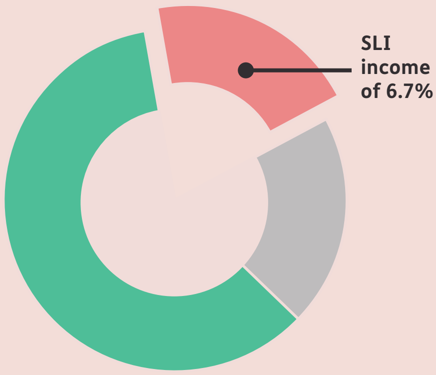
In this example, half the bond allocation of a traditional 60:40 equity/bond portfolio is replaced with Secure Lifetime Income (SLI) income which generates an annual income of c6.7%. This enables the withdrawal rate on the other assets to be reduced by c1% per annum, whilst maintaining the c4% income target, and achieving higher long-term portfolio value.

Traditional drawdown portfolio

Portfolio withdrawal rate 4%

60% Equity 40% Fixed income

SLI enabled drawdown portfolio



Portfolio withdrawal rate reduced to 3%

60% Equity 20% Fixed income 20% SLI

*Example based on 65-year-old, average health non-smoker persona, with a £400,000 total portfolio value, taking £16,000 (4%), non-escalating income per annum, 1.75% AMC/ongoing adviser charge. SLI scenario assumes an £80,000 (20%) SLI purchase price, graph shows median scenario of 1000 stochastic projections. Projections shown are hypothetical and are based on assumptions, not indicative of future performance. Provided for illustrative purposes only and should not be the sole basis for investment decisions. Investment returns can fluctuate. Scenario numbers are illustrative only, and correct as at 7 March 2025.

Comparing strategies

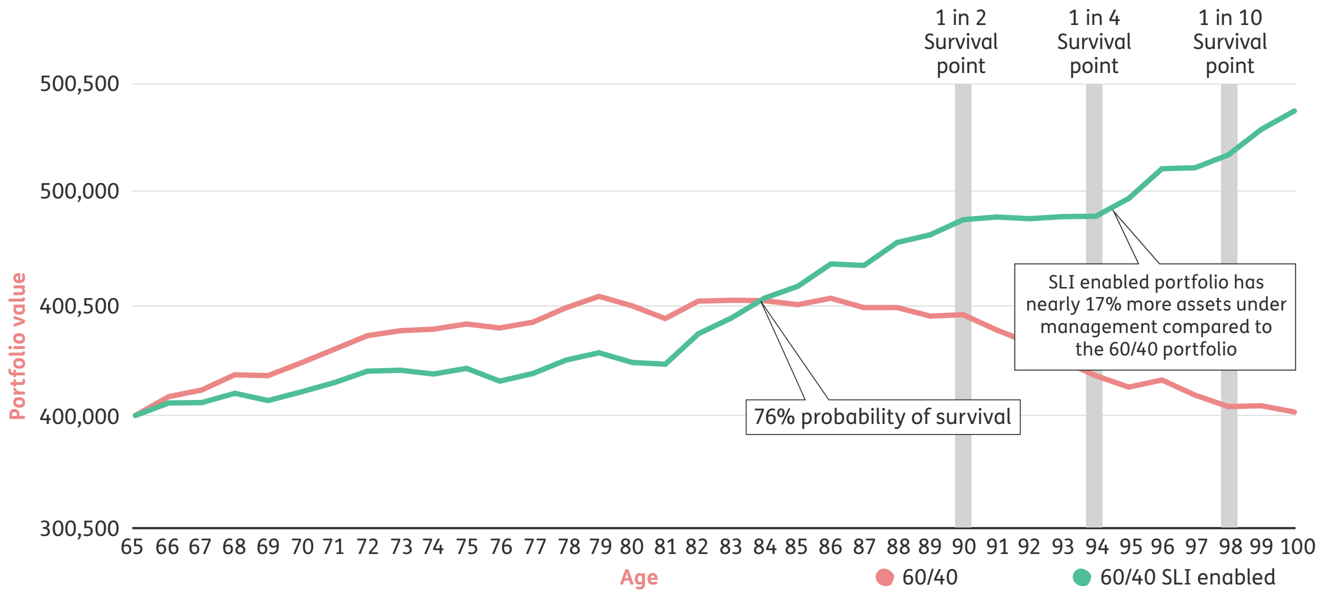
The graph below shows the impact of incorporating Secure Lifetime Income into a traditional 60/40 investment portfolio over time.

It compares two strategies: a conventional portfolio and one blended with Secure Lifetime Income.

The Secure Lifetime Income portfolio builds resilience into retirement income planning by incorporating a guaranteed income stream that reduces reliance on volatile market returns. With the 100% value protection death benefit option, every pound paid out in income is offset on a one-to-one basis, making sure clients maintain both financial security and legacy potential.

While both portfolios initially follow a similar trajectory, the Secure Lifetime Income portfolio demonstrates stronger long-term stability, particularly in later life when income security becomes increasingly critical. Over time, this stability allows for greater spending confidence and a reduced risk of financial shortfalls. By balancing investment growth with secure income, the Secure Lifetime Income approach supports sustained lifestyle goals while mitigating the uncertainty of market downturns.

At a 10% survival probability the Secure Lifetime Income portfolio outperforms the traditional one by nearly 28%, underscoring Secure Lifetime Income's advantage in value preservation.



Example based on 65-year-old, average health non-smoker persona, with a £400,000 total portfolio value, taking £16,000 (4%), non-escalating income per annum, 1.75% AMC/ongoing adviser charge. SLI scenario assumes an £80,000 (20%) SLI purchase price, graph shows median scenario of 1000 stochastic projections. The portfolios remain the same as page 6. Projections shown are hypothetical and are based on assumptions, not indicative of future performance. Provided for illustrative purposes only and should not be the sole basis for investment decisions. Investment returns can fluctuate. Scenario numbers are illustrative only, and correct as at 7 March 2025.

How Secure Lifetime Income works

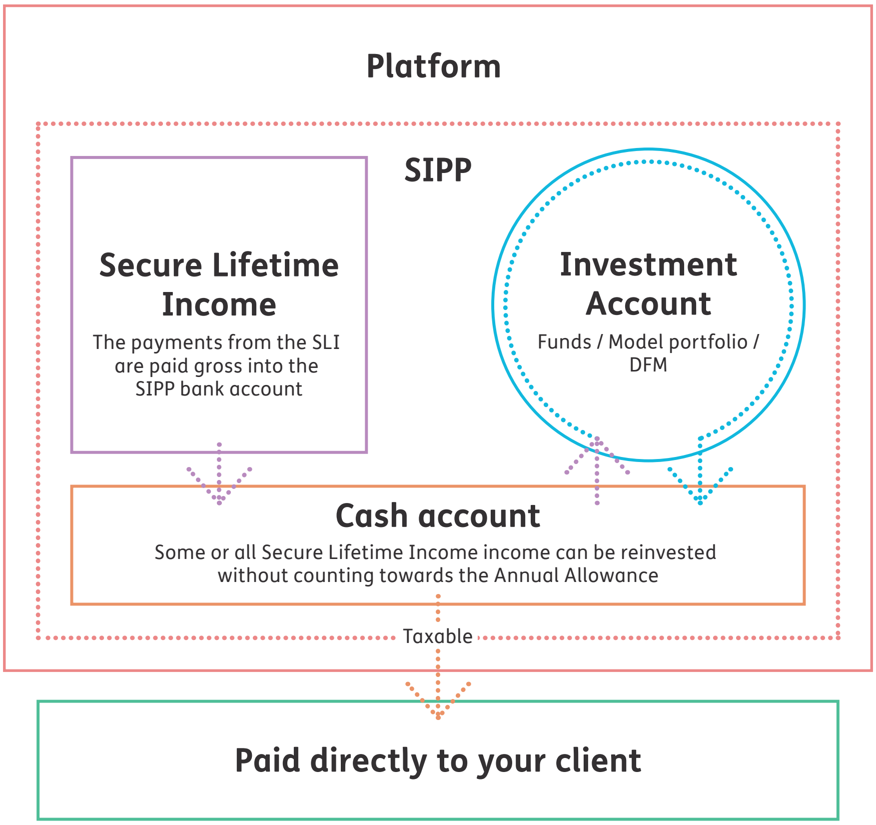
Secure Lifetime Income is a guaranteed income Trustee Investment Plan (TIP). It's purchased with crystallised funds by SIPP trustees on behalf of a member, at the instruction of a regulated financial planner. As can be seen in the diagram below, the lifelong monthly payments are paid gross into the SIPP Cash Account.

These payments can be paid out as taxable income, in whole or in part along with other SIPP investment distributions and encashments, remain within the cash account, or be reinvested into other assets. This provides considerable flexibility, enabling planners to configure investments and withdrawals to meet client objectives.

The level of guaranteed monthly payments available from Secure Lifetime Income are personalised based on the individual's health and lifestyle.

Secure Lifetime Income quotations and applications are delivered online through a secure digital service. This online journey is accessed via partner platforms, making it quick, easy and efficient to purchase and add Secure Lifetime Income to a flexi-access drawdown portfolio.

For full details on how Secure Lifetime Income works please refer to the separate technical guide which can be found at justadviser.com.



The death benefit option

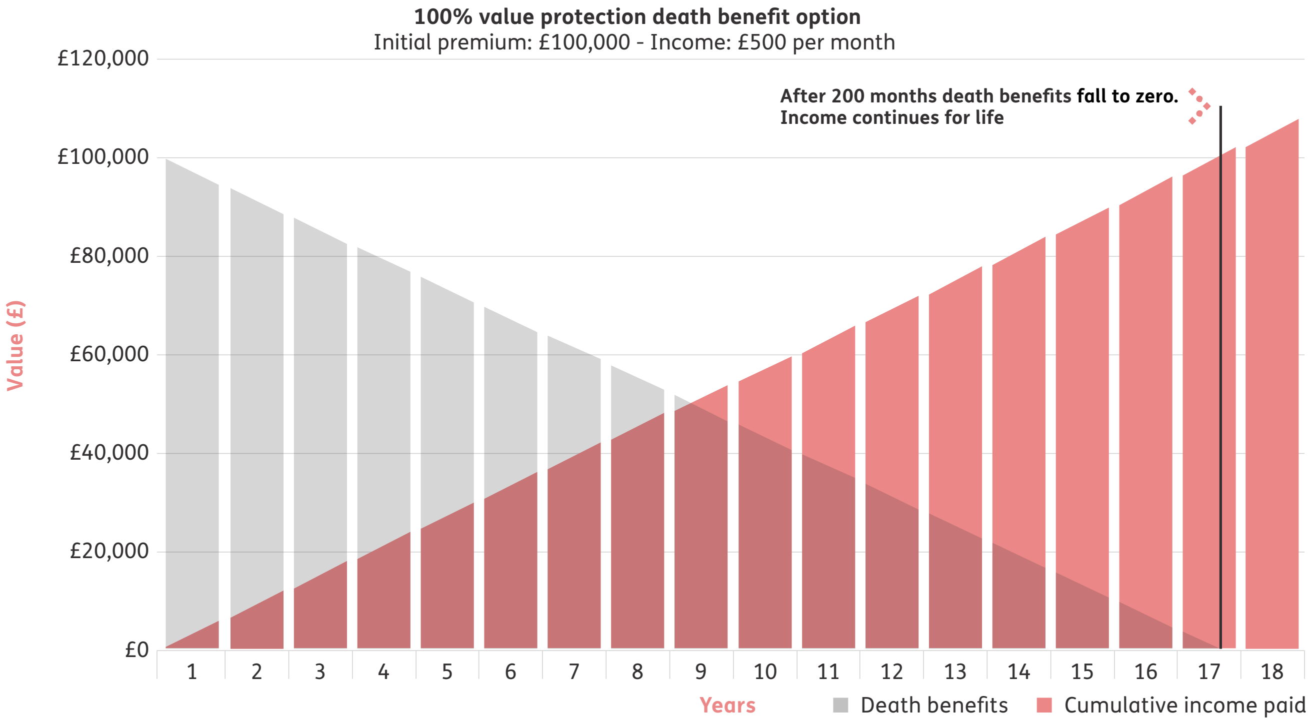
Secure Lifetime Income comes with an optional 100% value protection death benefit. This feature makes Secure Lifetime Income available in two distinct configurations:

- With death benefit: Secure Lifetime Income pays a lump sum in the event of death within a specified period from the plan's start date. The amount is equal to what was paid to purchase the plan, minus any income received.
- Without death benefit: the plan usually generates a higher income rate but does not pay any benefit upon death.

Secure Lifetime Income with death benefit

If the death benefit option is chosen and the client dies before receiving all of their initial premium back as income, a lump sum will be paid into the client's SIPP. This sum will equal the initial premium less income paid. Once this has reduced to zero no further payments will be made on death. This feature ensures that the plan will protect loved ones or support beneficiaries in the event of an early death. The protection is provided as a lump sum only.

What is the value of the death benefit?



Secure Lifetime Income without death benefit

Secure Lifetime Income can also be set up with no death benefits. The income rate paid will usually be higher, but on death no lump sum will be paid even if they die soon after purchasing the plan. This option may be suitable if the individual:

- Does not intend to use SIPP funds as legacy.
- Wishes to maximise retirement income and feels comfortable accepting some risk to the SIPP estate for potentially higher benefits in their lifetime.
- Need to extract more funds from the SIPP for tax optimisation reasons.

The increase in income depends on personal circumstances and market conditions at the time of purchase and can be find out by creating a quote.

JUST.

Our partners

We're working with a range of partners to bring you Secure Lifetime Income.

Find out more here: **justadviser.com/SLIpartners**

For more information

Call: **0345 302 2287**
Lines are open Monday to Friday, 9.00am to 5.00pm

Email: **SLIenquiries@wearejust.co.uk**

Or visit our website for further information: **justadviser.com**

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