NEW ASSET CLASS

Stronger blend. Better retirement portfolios.

Retirement portfolios >
higher values | higher income

JUST.

#JustBlends

Professional roasters blend coffees to create the distinctive, repeatable, flavour profiles discerning coffee drinkers enjoy. Similarly, clients value their adviser's expertise in blending solutions to deliver good outcomes for them too.

The careful construction of an investment portfolio from the many options available to achieve the best blend is a continuous challenge.

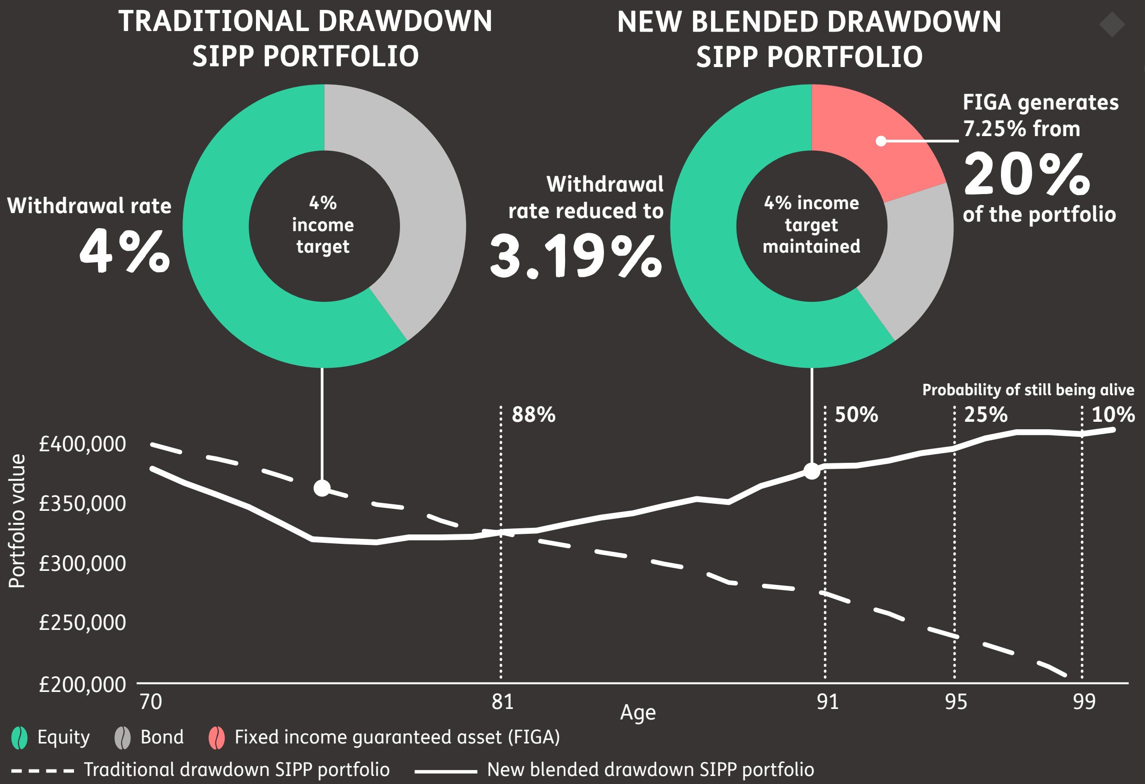
There's a new fixed income guaranteed asset class (FIGA) available. So now you could create an even stronger blend and deliver better outcomes to your clients who are approaching or in-retirement.

Retirement portfolios > higher values | higher income

The example illustrations to the right and on the following pages provide an overview of how blending FIGA alongside traditional assets can improve the performance of drawdown SIPP portfolios.

Enhancing a traditional 60:40 drawdown SIPP portfolio

In this first example, half the bond allocation of a traditional 60:40 equity/bond portfolio is replaced with FIGA which generates an annual income of 7.25%. This enables the withdrawal rate on the other assets to be reduced to 3.19% per annum, whilst maintaining the 4% income target, and achieving higher long-term portfolio value.



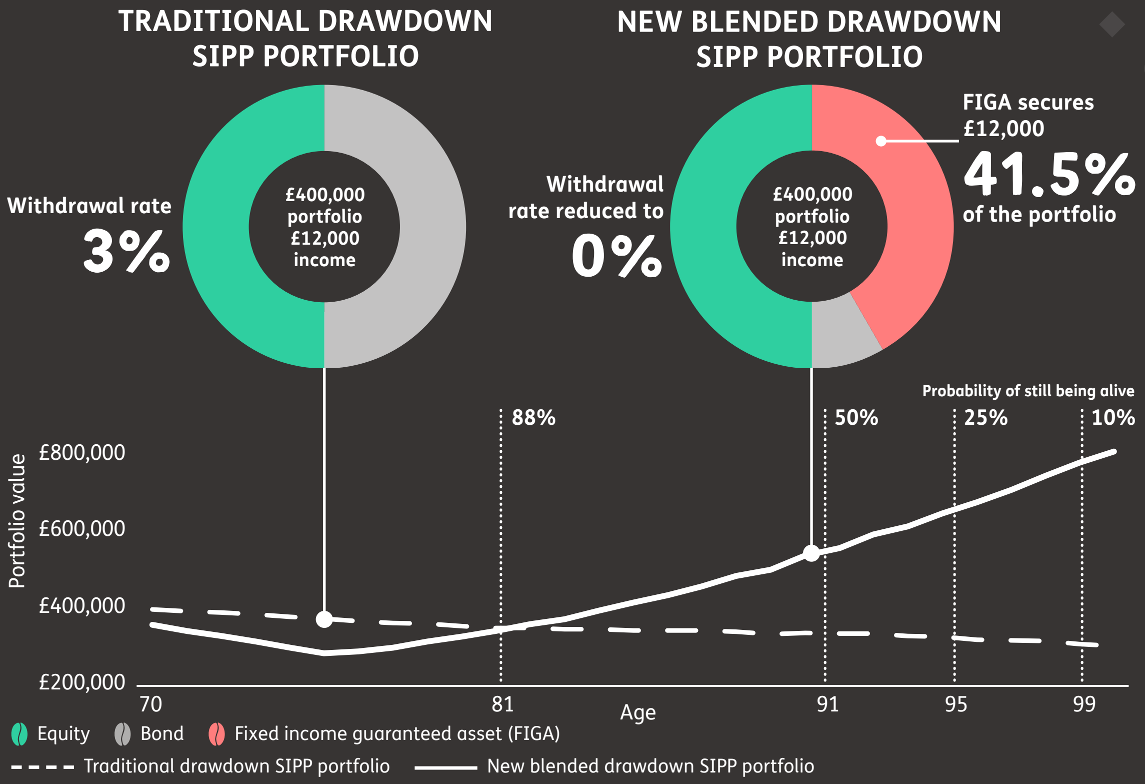
Example based on 70 year old, average health non-smoker, with a £400,000 total portfolio value, taking £16,000 (4%), non escalating income per annum, 1.75% AMC/ongoing adviser charge. New blended drawdown SIPP portfolio scenario assumes an £80,000 (20%) FIGA purchase price and includes the cash-in-value within the total portfolio value. Graph shows median scenario of 1,000 stochastic projections.

Shielding income from portfolio volatility

This example considers a scenario where the primary objective is to meet income requirements following a defined benefit transfer.

In the solution, 41.5% of the traditional drawdown SIPP portfolio is replaced with FIGA which generates the £12,000 income requirement. This enables the withdrawal rate on the remainder of the portfolio to be reduced to 0%.

The solution shields target income from portfolio volatility and enables higher long-term total portfolio value to be achieved.

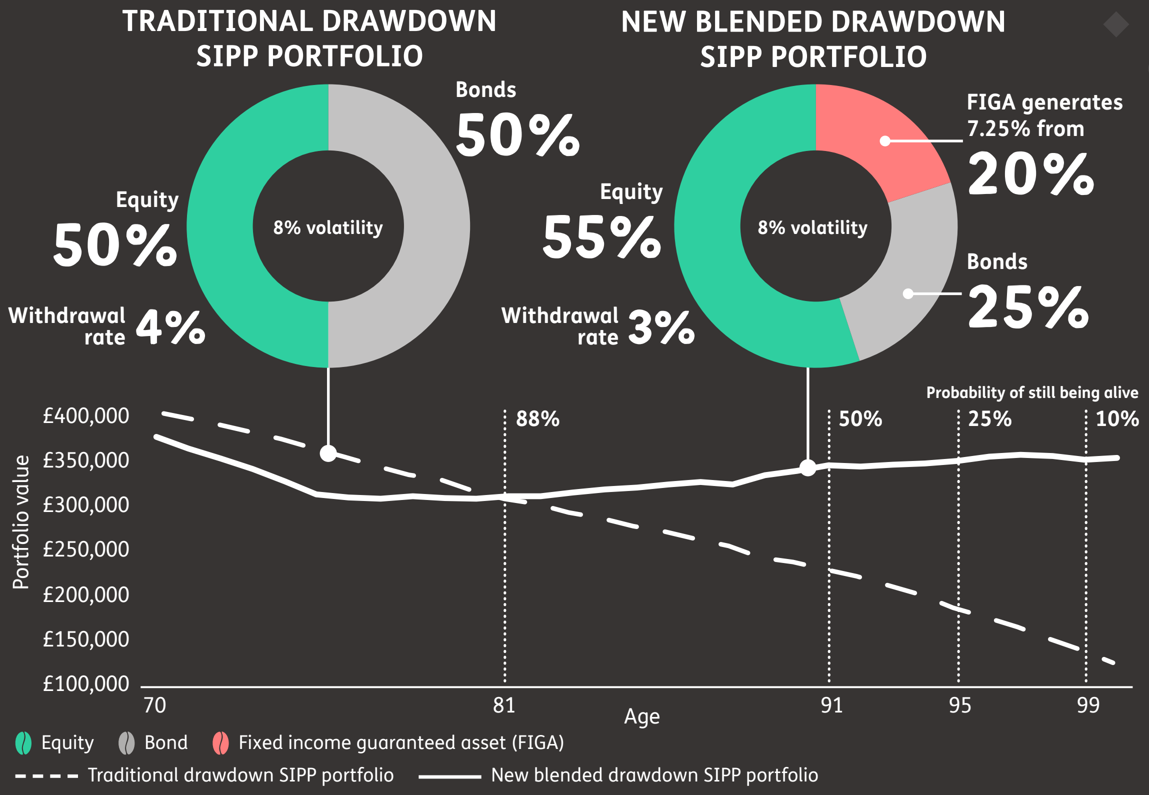


Example based on 70 year old, average health non-smoker, with a £400,000 total portfolio value, taking £12,000 (3%), non escalating income per annum. 1.75% AMC/ongoing adviser charge. New blended drawdown SIPP portfolio scenario assumes a £166,000 (41.5%) FIGA purchase price and includes the cash-in-value within total portfolio value. Graph shows median scenario of 1,000 stochastic projections.

A closer look at improving the efficiency of the portfolio

This example shows in more detail the construction of a more efficient portfolio. In the new blended drawdown SIPP portfolio scenario, the FIGA element is uncorrelated to other portfolio assets and helps to dampen portfolio volatility.

Taking this approach enables a more adventurous equity allocation, whilst ensuring the overall level of risk being taken is comparable to the traditional drawdown SIPP scenario.



Example based on 70 year old, average health non-smoker with a £400,000 total portfolio value, taking £16,000 (4%), non escalating income per annum. 1.75% AMC/ongoing adviser charge. New blended drawdown SIPP portfolio scenario assumes an £80,000 (20%) FIGA purchase price and includes the cash-in-value within the total portfolio value. Graph shows median scenario of 1,000 stochastic projections.

Creating better client outcomes

The tables on the right and the next page illustrate the impact of allocating 20% of the initial portfolio value to purchase FIGA, at age 70, whilst maintaining flexibility on the remaining 80% of assets in the portfolio.

The new blended drawdown SIPP approach generates significantly higher projected long-term portfolio values, whilst also improving the probability of successfully achieving the target outcome of the portfolio.

Dependent on client objectives, alternatively, or in combination with achieving higher long-term portfolio values, more income could be taken than with the traditional drawdown SIPP portfolio approach.

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Median projected future portfolio value of £400,000 invested

Example based on 70 year old, in average health, non-smoker, with a £400,000 total portfolio value. Traditional drawdown SIPP portfolio scenario is based on 50% mature equity / 50% investment grade bond asset allocation. New blended drawdown SIPP portfolio scenario is based on an £80,000 FIGA purchase / 55% mature equity / 25% investment grade bonds asset allocation, total fees of 1.75%.

Creating better client outcomes (continued)

The table on the right shows the same scenario as the previous page. This time illustrating the percentage point improvements of the probability of the new blended portfolio maintaining annual target income over the traditional portfolio, at ages when the client has a reasonable chance of still being alive.

Projected plan success ratios of £400,000 invested

	WITHDRAWAL RATE 4% – £16K		PERCENTAGE POINT (PP) IMPROVEMENTS	WITHDRAWAL RATE 4.5% – £18K		PERCENTAGE POINT (PP) IMPROVEMENTS
	New blended drawdown SIPP portfolio	Traditional drawdown SIPP portfolio		New blended drawdown SIPP portfolio	Traditional drawdown SIPP portfolio	
AGE 91 50% chance of still being alive	99%	96%	+3PP	97%	89%	+8PP
AGE 95 25% chance of still being alive	98%	87%	+11PP	92%	74%	+18PP
AGE 99 10% chance of still being alive	95%	76%	+19PP	87%	58%	+29PP

Traditional drawdown SIPP portfolio New blended drawdown SIPP portfolio

Example based on 70 year old, in average health, non-smoker, with a £400,000 total portfolio value. Traditional drawdown SIPP portfolio scenario is based on 50% mature equity / 50% investment grade bond asset allocation. New blended drawdown SIPP portfolio scenario is based on an £80,000 FIGA purchase / 55% mature equity / 25% investment grade bonds asset allocation, total fees of 1.75%. Plan success rate is the number of simulations, out of a thousand, where the client will receive their target income until the relevant survival point.

Retirement income is our specialty

Just's guaranteed income solutions include:

- Secure Lifetime Income, the ground-breaking solution which enables advisers to offer their clients a fixed income guaranteed asset (FIGA) within a SIPP on platform.
- Pension Annuity which provides guaranteed income for life solutions off platform.

Taste buds tickled?

We think you'll be surprised how powerful FIGA is. We've got independent professionals to stress test portfolios including and excluding this asset. We'd love to show you the results so you can see how you may be able to deliver better outcomes for your clients.

Please get in touch with your usual Just contact, or, go to **justadviser.com/justblends** to book a consultation.

The value of investments may go up and down and less may be received back than originally invested. Tax rules are subject to change and taxation will vary depending on individual circumstances. Any reference to specific products or services are included for information purposes only and do not constitute a recommendation.

For more information

Call: **01737 233297** Email: **support@wearejust.co.uk**
Or visit: **justadviser.com**

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