defaqto

Secure Lifetime Income in a Self-Invested Personal Pension (SIPP)

September 2019

Contents

Acronyms

CRP	Centralised Retirement Proposition
FAD	Flexi-access drawdown
MPAA	Money purchase annual allowance
SIPP	Self-invested personal pension
SLI	Secure Lifetime Income

Introduction

Secure Lifetime Income explained

Just has launched a new underwritten annuity style solution called Secure Lifetime Income (SLI). It provides a guaranteed income for life within a self-invested personal pension (SIPP) which provides a solution for blending drawdown and guaranteed income to meet the challenges of providing flexibility and certainty of income in retirement.

The guaranteed income is purchased by the trustees of platform-based SIPPs. It includes a death benefit and cash-in value. Both features are personalised to each customer and last for a set period.

The solution can be offered by platforms, using new technology developed by Spire Platform Solutions[1]. The technology will also enable other providers to enter the market to offer SLI. All pre-sale, point of sale and post-sale processes are conducted on-platform.

Background

Just has commissioned Defaqto to carry out an independent fact-based review of the SLI solution. The objective of this review is to provide advisers with the key information to assess the suitability of the solution for their Centralised Retirement Proposition (CRP) or general retirement planning for clients.

The Q&A review was conducted using *Just's* full suite of adviser and client facing marketing literature. Defaqto has also had access to representatives at *Just* throughout the process. This report represents Defaqto's understanding of the product. This includes the product features, target market and platform integrations. We have structured this review as a Q&A report.

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Defaqto's 13 questions

1. Why should you consider Secure Lifetime Income?
2. What advice challenges can income blending solve?
3. How can Secure Lifetime Income be used for a client's regular income needs?
4. How can Secure Lifetime Income be used to de-risk pension assets?
5. What would happen if I recommended Secure Lifetime Income and my client returns to work?
6. What is the customer journey and will I need to change my processes?
7. What death benefits are payable?
8. Can my client cash in their Secure Lifetime Income if their circumstances change?
9. What are the technicalities of holding an annuity as an asset of a SIPP?
10. How do the income rates compare to conventional lifetime annuities?
11. What are the costs associated with recommending the product?
12. How will Secure Lifetime Income affect my Centralised Retirement Proposition?
13. Who is *Just*?

[1] Spire Platform Solutions is a FinTech company. It creates product and proposition design services for the insurance and wealth platform sectors. For SLI they act as an enabler to facilitate platforms hosting this solution.

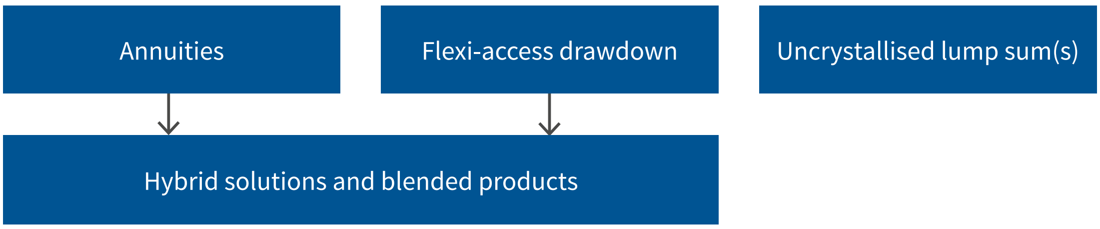
1. Why should you consider Secure Lifetime Income?

The purpose of a pension is to provide lifetime income. Secure Lifetime Income provides this inside a SIPP.

Just's SLI inside a SIPP has been designed to solve the challenge of providing flexibility and certainty of income in retirement. To answer this question we have looked at the current landscape, possible consumer options and the advice challenges when recommending products to deliver these. This is followed by the possible advice opportunities and an explanation of how the product solution works.

The retirement options landscape

A number of different styles of solution have been introduced to the UK retirement market over the last ten years or so. A number of these have included a form of income guarantee. Some of these have been more successful and more widely received than others. The 2017 FCA Retirement Outcomes Review (ROR) identified the retirement income options for consumers as:



Manufacturers of solutions with guarantees and blended structures face numerous challenges. The most obvious is the necessary technology integrations to ensure compatibility with adviser firms' advice models and CRPs. As platforms have increased in popularity, the distribution landscape appears to be narrowing in their favour.

It is also accepted that guarantees must come at a price. The consequence for advisers is the burden of suitability appropriateness in respect to cost and product complexity. Product providers have the unenviable challenge of delivering simpler product designs with technology integration and competitive charges.

Why consumers need innovation

Retirement income options for retirees are in a transitional phase. Defined benefit company pensions are closing and are less likely to be the main source of retirement income for many retirees in future. The state pension age is increasing. The low interest rate environment and increasing life expectancy have also reduced annuity rates. The impact from auto-enrolment is not likely to be significant for the generation on the cusp of retirement.

Against this backdrop, the FCA has also spoken about innovation in this area and are keen to see new solutions being offered in the market. They stated in their Retirement Outcomes Review Interim Report (2017) that "Product innovation has been limited to date. For example we have not seen products emerge for the mass market that combine flexibility with an element of guaranteed income."

Retirees receiving advice also face many different financial planning considerations:

- the ability to delay retirement or retire flexibly
- disproportionate personal wealth held in property
- the breadth and complexity of available product solutions
- improving life expectancy and possible long-term care costs, to name but a few.

With all this in mind, the need for engagement, understanding and advice is as great as ever. Equally, advisers require adaptable product solutions that can deliver the income requirements of their clients as they move through the retirement lifecycle. Just considers income blending to be among the most appropriate solution for this need.

Income drawdown offers flexibility, but what if the fund runs out?

Income drawdown is increasingly popular post pension freedoms. It offers the necessary flexibility and resolves the reported trend of consumer apathy towards annuities. It brings its own risks, many of which require consumers to display increased awareness and understanding. These include investment and longevity risk.

Considering longevity risk specifically, if your client is unable to reasonably estimate life expectancy, it is likely that they will have even less chance of understanding how to make their money last for their lifetime. Life expectancy can only ever be an average and is an unknown. Therefore, the assumptions used on how to generate sustainable income using an investment-only strategy could be flawed from the very start of the planning process. Whether the returns required to sustain the income happen will depend entirely upon the behaviour of the investment markets.

Continued positive investment returns in recent years have reinforced the perception on a practical level that an investment-only strategy can be sustainable. The contrarian view is that those same returns are only delaying inevitable conversations about the need for income certainty through annuity purchase.

Academic theory supports withdrawal levels far lower than these recent returns have provided. Bengen's 4% rule, notwithstanding its flaw regarding charges, has been challenged in more recent studies by Morningstar (2016) and Aegon (2017), which concluded the safe withdrawal rate is closer to 3%.

Combining drawdown with annuitisation can lead to better outcomes

A paper by the Institute and Faculty of Actuaries concluded in March 2018 that, based upon their assumptions, to have a high likelihood of a sustainable income using drawdown, a typical 65 year old would need to take their pension at a flat rate of 3.5% (ie £3,500 from a £100,000 pot). In comparison, a typical 65 year old could expect to receive 4.5%–5.5% per annum from a level annuity (ie £4,500–£5,500 from a £100,000 pot).

The paper, titled *Helping consumers secure an adequate and sustainable retirement income*, considers the impact of blending drawdown and annuities at different ages.

Table 1 below, assuming a £100,000 pension pot, shows that using drawdown in the first few years of retirement to retain flexibility and buying annuities later in life increases sustainable annual incomes.

Table 1: Blending drawdown and annuities

Scenario	Initial annual income from drawdown	Proportion of remaining pension pot spent on an annuity	Long-term expected annual retirement income
1	£3,500	100% at age 75	£6,400 from age 75
2	£3,500	50% at age 70 100% at age 75	£6,600 from age 75
3	£1,750 (the remaining £1,750 comes from the annuity at age 65)	50% at age 65 50% at age 70 100% at age 75	£4,300 from age 70 £6,500 from age 75
4	£3,500	0%	Money starts to run out from age 85/90

Source: *Helping consumers secure an adequate and sustainable retirement income*, Institute and Faculty of Actuaries, 2018

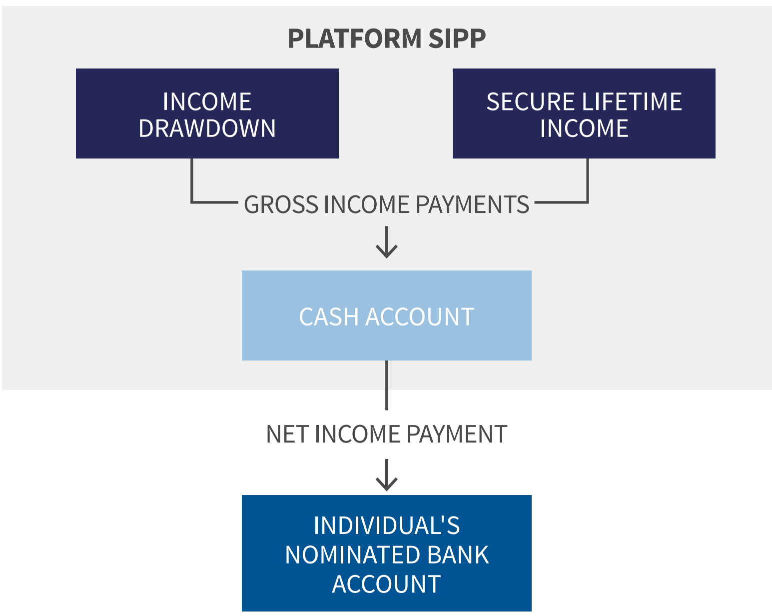
- **Scenario 1** shows that on average, if a client withdraws £3,500 each year using drawdown from age 65 and fully annuitises at age 75, the average outcome is to receive an income of around £6,400 each year from age 75.
- **Scenario 2** shows that on average, if a client withdraws £3,500 each year using drawdown from age 65, then partially annuitises at age 70 with half of the pension pot and uses the remaining pot at age 75, then they will, on average, receive an income of £6,600 each year from age 75.
- **Scenario 3** shows partial annuitisation at ages 65 and 70 using the remaining pot at age 75. Average income increases at age 70 and then again at age 75 to an income of £6,500 each year.
- **Scenario 4** shows a drawdown for life strategy with a stable income of £3,500 per annum until the average reduces around age 85 or 90 as some clients' money runs out.

The average incomes shown above can vary at age 75 as clients' funds have remained invested, even partially, for 10 years. This means that there are a range of outcomes.

Blended retirement income solutions combine flexible and secure income within one product, typically a SIPP.

Chart 1 sets out the SLI structure and how it makes gross income payments to the SIPP cash account.

Chart 1: Blended retirement income using SLI



Why hold Secure Lifetime Income as an asset of the SIPP?

SLI is an insurance-backed annuity style plan purchased inside a SIPP. This approach enables Just to provide important product features, such as a flexi-access drawdown (FAD) death benefit under FAD rules and a cash-in value. It also enables Just to utilise their core expertise as an insurance-based annuity provider and avoid the cost of market-based investment guarantees when setting their rates.

There are a number of reasons why setting up a guaranteed lifetime income in this way can help overcome the advice challenges you may face. These include tax efficiency, income flexibility and the death benefits falling under FAD rules.

As the income payable does not need to be immediately withdrawn from the pension wrapper, the adviser has the flexibility to match the income payable to the client's tax position year by year. It can be wholly or partially reinvested and is not subject to assessment against the annual allowance or money purchase annual allowance (MPAA).

The death benefit is payable to the SIPP and is therefore subject to FAD death benefit rules. This can lead to a simpler approach for inheritance tax planning.

Secondary benefits for advisers include consolidated reporting, management and income payments. It is also worth noting that the payment of income via the SIPP enables a single tax code to be used. This reduces the potential for incorrect tax payments when combining one or more tax codes.

It is important to note that SLI is not technically a 'lifetime annuity' (as per the definition in the Finance Act 2004 Defined Pensions Regulations). It is an investment that can be bought by a registered pension scheme which pays a guaranteed lifetime income in the same way and also provides full FSCS protection via the trustees of the SIPP.

Just provides a personalised income rate

Just provides a common online quotation form to capture personal, health and lifestyle information to calculate your client's personalised income rate. This removes some of the cross-subsidy and enables *Just* to offer competitive personalised rates with additional product features. This is explained in Question 10.

The maximum age is 90

SLI is available to any individual aged up to 90 and will continue to pay for life. This differs from the approach adopted by hybrid solutions incorporating fixed term annuities (FTAs). Other solutions incorporating blended income may set a maximum age of 85 for annuitisation.

No disruption to your current advice and fee model

The use of integration technology means that you are able to extend your Centralised Investment Proposition into a Centralised Retirement Proposition without disrupting your existing advice and fee model(s).

SLI is represented as value and income units. The income unit(s) will distribute your client's income monthly. The value units will show the cash-in value of the policy.

The value of the SLI asset is the SLI cash-in value.

SLI is not a pension switch

The purchase of SLI is not considered a pension switch as it is purchased by the SIPP once it is already established. The SLI structure therefore enables financial advisers to undertake a potentially less onerous advice process.

2. What advice challenges can income blending solve?

SLI can help to resolve the platform versus packaged product conundrum.

A platform alternative to packaged products

Hybrid pension solutions are predominantly offered by insurers, combining their expertise in underwriting, administration and fund management to deliver a packaged solution.

For SLI to offer a blended approach, *Just* focuses on its expertise in annuity underwriting and administration, and partners with a platform to access their infrastructure to deliver the pension administration and fund management.

Any platforms offering SLI will use a solution developed by Spire Platform Solutions to deliver the front and back office integrations. This includes:

- an automated and electronic common quotation form
- multiple quotes and rates via an income comparison portal
- pre-populated application form and electronic application process
- policy and cash reconciliations between annuity provider and investment platform

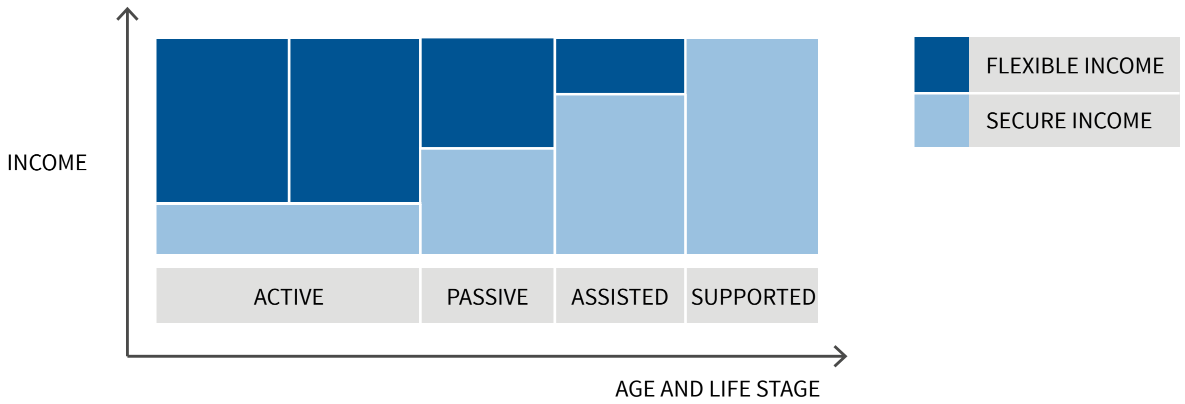
We explain Spire Platform Solutions' role within the customer journey in Question 6.

How income blending works as a solution

Income blending is the combination of drawdown and annuitisation which is supported by SLI. It is used to manage investment and longevity risk, and provide sustainable retirement income.

For many individuals requiring advice, blending offers the necessary flexibility to support the financial decisions they will make as they go through the retirement lifecycle. Chart 2 is an example of how an individual can transition from flexible to secure income.

Chart 2: Transitioning from flexible to secure income



Target market

Whilst secure income can be an appropriate strategy for many clients, *Just* has identified a number of client characteristics and/or scenarios for which blending using secure retirement income could be appropriate.

The typical client is considered to be an individual aged between 60 and 75 (although SLI is available to those aged between 55 and 90), who is seeking and values financial advice and has more than £100,000 in defined contribution pensions. This client is seeking modest income and may also have a defined benefit pension.

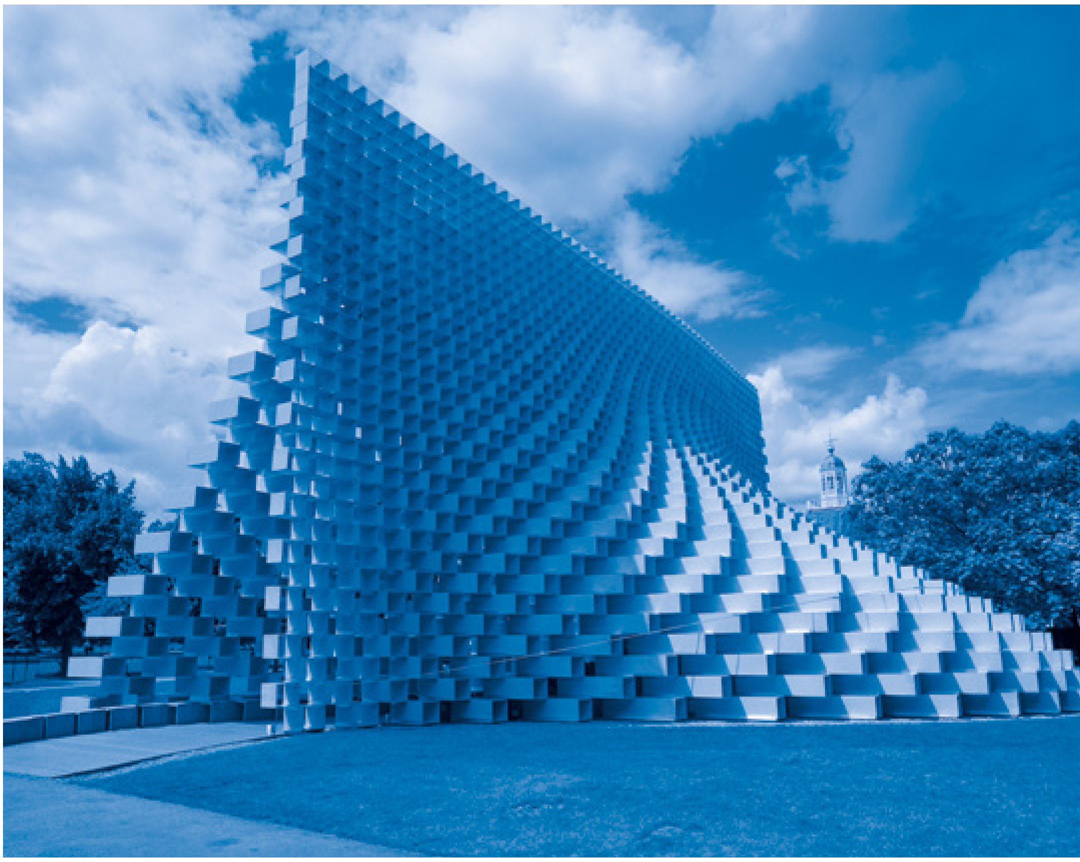
Just has identified three advice priorities which the income blending solution can support:

1. The client wants a secure lifetime income underpin for a drawdown portfolio.
2. The client likes the security and peace of mind provided by a stream of guaranteed income for life to cover their regular outgoings.
3. The client wants to consider or start de-risking their drawdown pension on a phased or full basis.

A number of illustrative case studies below demonstrate some scenarios in which income blending can support retirement income advice.

The technology does not replace an adviser's role

The product and technology solution helps to try to solve the administration challenges faced by financial advisers who are seeking to deliver advice using blended income. The technology itself is not a substitute for personalised advice.



3. How can Secure Lifetime Income be used for a client's regular income needs?

SLI enables an individual to cover their regular expenditure throughout their lifetime.

Clara is 67 and has been retired since age 60. Having taken her pension commencement lump sum, she has drawn a further £1,250 gross per month as flexi-access drawdown income from her pension to top up her state pension. Her personal pension is currently worth £250,000.

Having enjoyed her early retirement and spending her tax-free lump sum, Clara has decided that she wants to ensure her regular outgoings over and above what her state pension pays for are covered.

Her adviser suggests purchasing an annual guaranteed income of £9,000 to cover this additional expenditure. She uses £169,500 to purchase SLI, which pays £750 per month into her SIPP.

The benefits for Clara include the use of a simple product design that can cover her core expenditure and be used to manage her income needs in future years. The advice will enable Clara to manage her longevity risk so that she does not run out money. She also obtains a comparable market income rate.

Note: the above numbers are supplied by *Just* for illustrative purposes only. Please obtain a personalised quote for the latest SLI rates.

4. How can Secure Lifetime Income be used to help de-risk pension assets?

Phased SLI purchase can help to ensure an individual does not run out of money.

David is single, age 70 and has been retired for 5 years. David has drawn £2,000 gross per month from his pension as flexi-access drawdown. His pension is currently worth £500,000. He is also in receipt of the full state Pension.

David is still in good health and maintains an active lifestyle. He is now more risk averse and wants the security of knowing this income will continue for the remainder of his life.

His adviser suggests the phased purchase of secure income over a five-year period, using £90,000 each year to purchase SLI each year. David would receive income, based on the rates available when he purchases the SLI, as shown in Table 2. The table illustrates the impact of incremental increases to David's income when buying SLI in yearly tranches.

Table 2: David's SLI income from age 76

Age	Gross income pa (£)
76	£5,900
77	£6,100
78	£6,400
79	£6,700
80	£7,000

After five years, his total income from the five-year phased purchase of SLI is £32,100 per annum. This is well in excess of the £2,000 per month required.

The benefits for David include the use of a simple product design to administer an ongoing process. The advice will help him manage his longevity risk by funding his current spending through guaranteed income. The advice also de-risks any subsequent investment advice. He will also be able to obtain a market comparable income rate.

Note: the above numbers are supplied by *Just* for illustrative purposes only. Please obtain a personalised quote for the latest SLI rates.

5. What would happen if I recommended Secure Lifetime Income and my client returns to work?

SLI can be reinvested to save income tax and potentially increase its value.

Peter is 66 and retired last year. He currently receives £8,767 in state pension and £10,470 SLI. His total income each year is £19,237 and he has £55,000 invested in his SIPP.

Peter has been offered a consulting role, which he accepts. He will receive £45,000 per annum for a three-day week. He decides he has no need for the SLI and wants to understand what options he has.

His adviser explains that as the SLI is paid gross into the SIPP, he will not be taxed on it unless he draws it as an income. He recommends reinvesting the income payments into the chosen investment funds to attempt to achieve modest returns over the medium term. His adviser checks with Peter's accountant and confirms that this action will save Peter £4,188 in income tax.

Peter's pension could increase by the amount shown in Table 3, in today's terms (assuming no growth or charges).

Table 3: Potential increase in Peter's pension

Age	Value (£)
66	55,000
67	65,470
68	75,940
69	86,410
70	96,880

The benefits for Peter are income tax efficiency and reinvestment opportunities that could lead to a larger fund (with associated income and inheritance tax benefits).

What about reinvesting and the money purchase annual allowance?

Ordinarily, if someone had taken an income from a SIPP and then decided to reinvest it, the MPAA would have restricted the amount that could have been paid back in (to a maximum of £4,000 a year based on current rules). However, in Peter's case, the income is reinvested whilst still within the wrapper so it has not actually been withdrawn or reinvested as a new contribution. Therefore, the reinvestment is not counted for these purposes.

Note: the above numbers are supplied by *Just* for illustrative purposes only. Please obtain a personalised quote for the latest SLI rates.

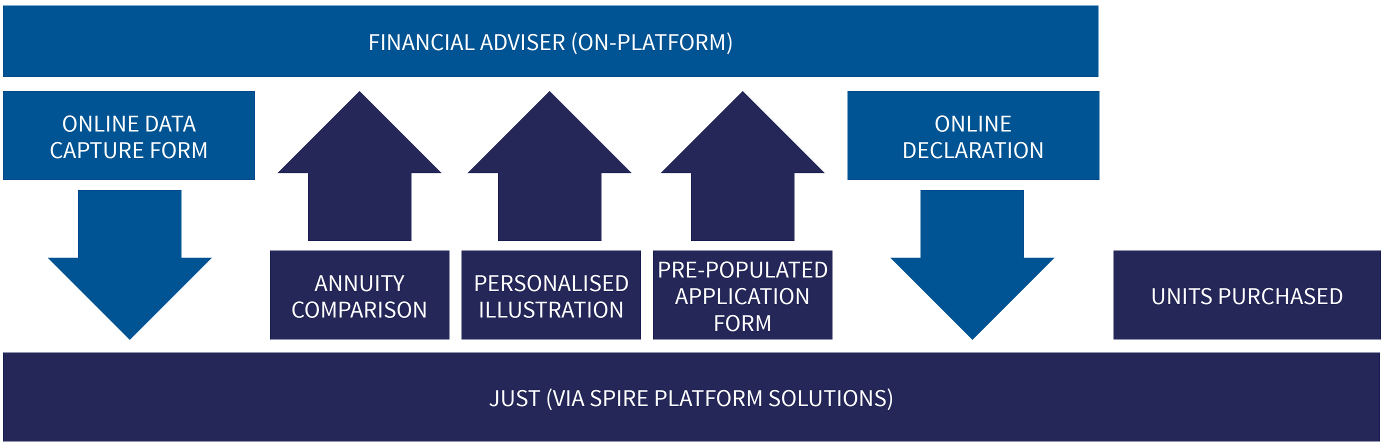
6. What is the customer journey and will I need to change my processes?

New, platform-integrated technology.

Just has partnered with Spire Platform Solutions to enable financial advisers to use their existing processes for initial and ongoing advice. *Just* uses two-way straight through processing to ensure that advisers can perform all of the necessary pre- and post-sale activities on-platform.

The process is summarised in Chart 3.

Chart 3: Straight through processing on-platform



7. What death benefits are payable?

SLI includes a sliding death benefit for a set period.

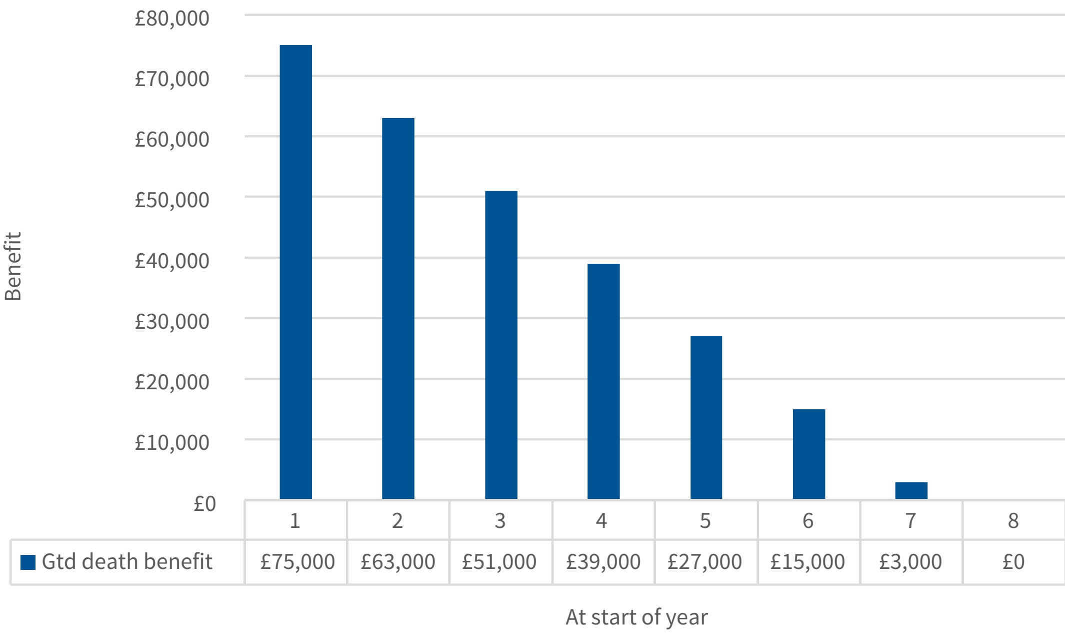
A guaranteed death benefit is payable for a set period after the SLI is purchased.

The benefit reduces on a sliding scale. The starting amount is 75% of the purchase price. The death benefit value then reduces by twice the amount of each SLI payment until it reaches zero.

The amount payable is guaranteed and is not affected by market conditions.

Chart 4 shows how the death benefit can work for a 66 year old customer buying SLI with £100,000 to receive a guaranteed income of £6,000 per annum (figures used are for illustrative purposes).

Chart 4: Illustration of how death benefit works with SLI



8. Can my client cash in their Secure Lifetime Income if their circumstances change?

SLI includes a sliding cash-in value for a set period.

A cash-in value is payable for a set period after the SLI is purchased.

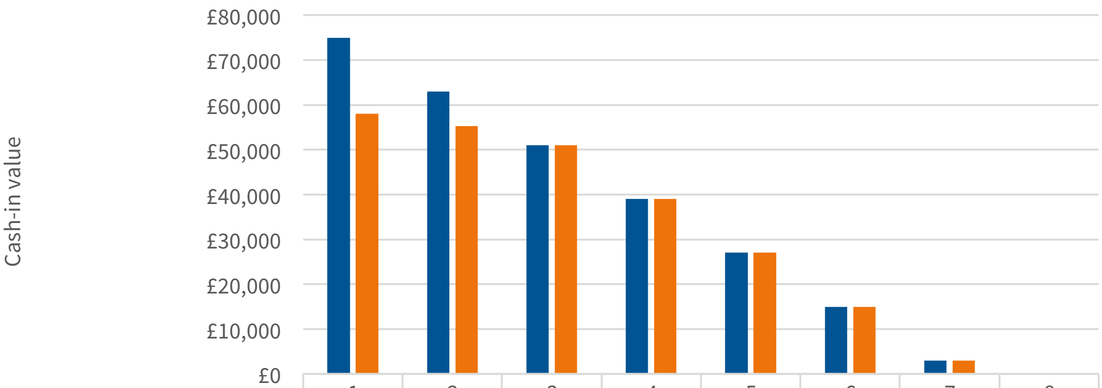
It is important to note that the amount is not guaranteed and is affected by market conditions. As an example, the cash-in value may decrease when long-term interest rates increase.

The benefit is subject to a ceiling equal to the death benefit, which reduces on a sliding scale, irrespective of long-term interest rate movements. The starting amount is 75% of the purchase price. The ceiling on the amount payable then reduces by twice the amount of each secure income payment until it reaches zero, so the cash-in value will never be more than this amount.

As the cash-in value is not guaranteed, *Just* provides two examples within the product illustration. The first is based on current interest rates. The second is based on a scenario where interest rates are 3% higher, from the day after purchase.

Chart 5 sets out how the cash-in value can work for a 66 year old customer buying SLI with £100,000 to receive a guaranteed income of £6,000 per annum (figures used are for illustrative purposes).

Chart 5: Illustration of how cash-in value works with SLI



	1	2	3	4	5	6	7	8
Current market conditions	£75,000	£63,000	£51,000	£39,000	£27,000	£15,000	£3,000	£0
Interest rate +3%	£57,984	£55,276	£51,000	£39,000	£27,000	£15,000	£3,000	£0

At the start of year

Current market conditions   Interest rate +3%

Note: the above numbers are supplied by *Just* for illustrative purposes only. Please obtain a personalised quote for the latest SLI rates.

9. What are the technicalities of holding an annuity as an asset of a SIPP?

Annuities are an eligible asset for a SIPP.

Does the customer buy a lifetime SLI plan?

No. SLI is an annuity-style solution but not a lifetime annuity, as it does not satisfy the conditions for a lifetime annuity as defined in the Finance Act 2004.

Who owns the SLI plan?

The trustees of the pension scheme are able to purchase SLI for the beneficial interest of a named member of the scheme.

How do *Just* pay the income?

The income is payable gross to the SIPP every month and is only subject to income tax if it's withdrawn from the SIPP.

Just applies a single cut-off date each month. The income from any applications made prior to this are paid at the start of the next month. Any applications made after the cut-off date will be payable at the start of the month after next.

The gross payment is made directly to the SIPP.

How do *Just* pay the death benefit?

As the SLI is an asset of the SIPP, the death benefit is payable into the SIPP and is subject to the FAD death benefit rules.

What customer protection is available?

Just is covered by the Financial Services Compensation Scheme (FSCS). The Trustees would receive any compensation that was due on the scheme member's behalf from the FSCS.

10. How do the income rates compare to conventional lifetime annuities?

Just has confirmed to Defaqto that income rates payable from SLI are similar to those paid from their pension annuities.

Rates are individually underwritten and subject to change however, initial analysis carried out by Just has shown that SLI rates were broadly similar to their guaranteed lifetime annuity rates with a 10 year guarantee selected.

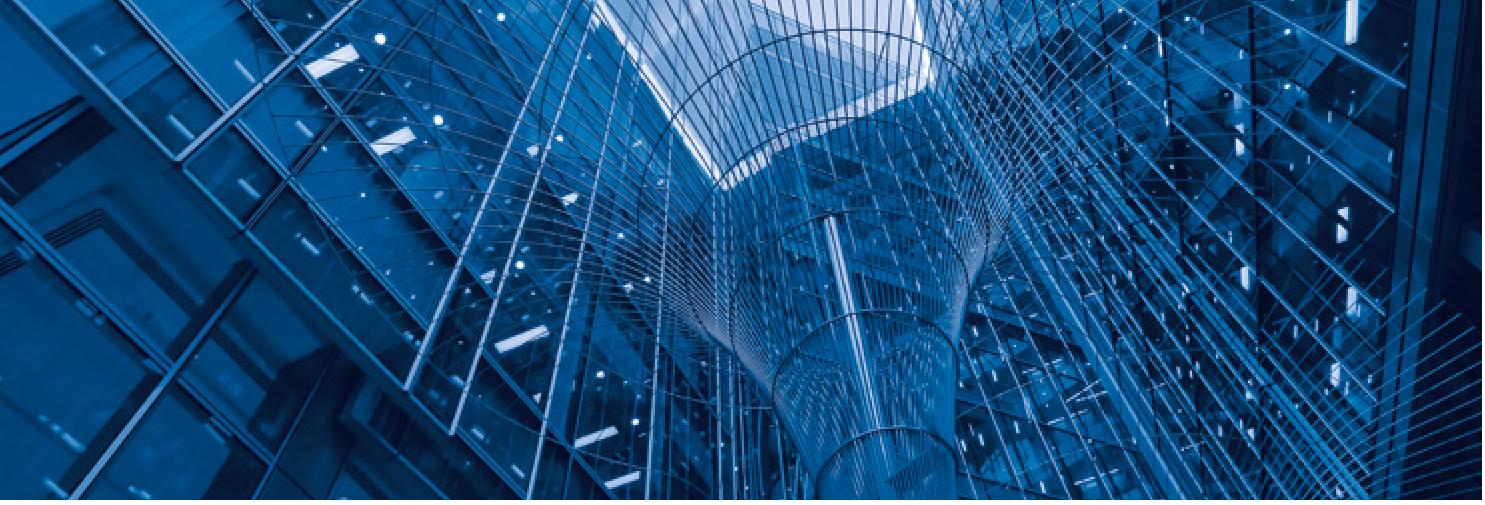
As SLI contains a death benefit and cash-in value, financial advisers may have expected the income rate offered to be considerably lower than a single life annuity with a guarantee, particularly for younger lives.

Just have explained that this has been possible for the following reasons:

1. The annuity is sold to the trustee rather than the financial adviser. Advice remuneration and payroll costs are not priced into the quoted rate.
2. The income is payable via a single aggregate payment to the platform, meaning reduced administrative costs for Just associated with payroll runs and queries.
3. Guaranteed lifetime annuities most commonly include guarantee periods, and the cost of these can be similar to the cost of the death benefit offered under SLI.

The Spire Platform Solutions' quote portal includes an income comparison tool, which automatically compares the Just SLI rate to the best whole of market pension annuities on both a 5 and 10 year guarantee basis for each quote.

This allows advisers to quickly and simply assess the value of the SLI for each individual client.



11. What are the costs associated with recommending the solution?

There are no direct costs for purchasing SLI.

The costs involved are the costs the customer pays to take income drawdown from their SIPP. Some typical platform costs are shown in Table 6 as an example:

Table 6: SIPP charges

Charge type	Charge frequency	Fee applicable
SIPP account (tiered charging structure)	Annual	0.15% – 0.5%[2]
Income drawdown payment fee	Annual	Subject to platform used
Investment fund(s)	Annual	Variable %

Although there are no direct explicit costs for its customers, the income rate payable already allows for *Just's* deductions for expenses and profits, as well as the provision of the lifetime income guarantee and the death benefit and the availability of the cash-in value. The cost for the technology integration developed by Spire Platform Solutions is shared between providers and the platform provider(s).

The income is paid gross to the SIPP. This means that all other indirect costs are deducted at platform level. This includes the platform and tax wrapper charges and any initial and ongoing advice fees. As the cash-in value is considered to be an asset on the platform this can attract platform charges and any ongoing adviser charge which may be applied.

A compliant key facts document containing a personalised illustration is available via the income comparison tool on the platform.

This fee structure means that recommending the *Just* SLI will not disrupt your current fee model. Your initial and ongoing fees will continue to be deducted explicitly from the platform, typically via the main cash account.

[2] This varies depending on the SIPP offered by the platform

12. How will Secure Lifetime Income affect my Centralised Retirement Proposition?

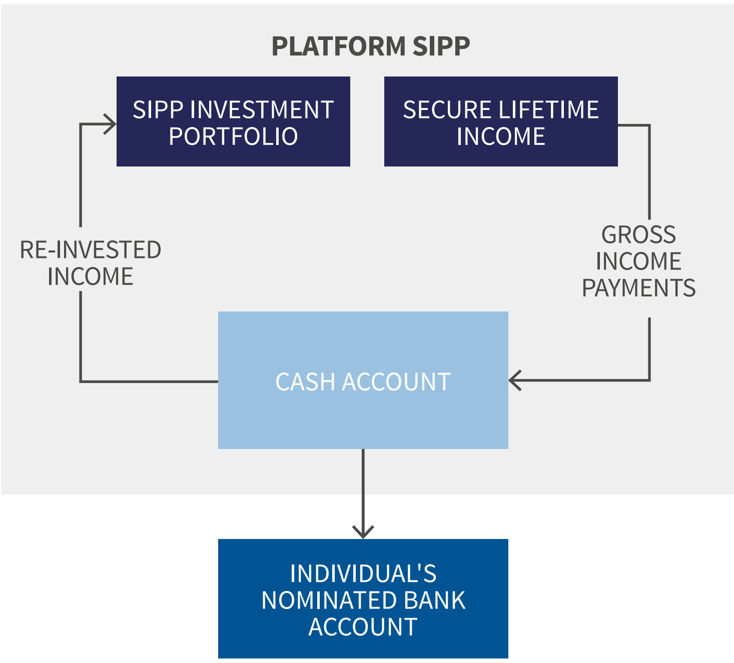
The integrated technology helps to ensure your administrative processes and service proposition do not need to change.

The use of integration technology means that you are able to extend your Centralised Investment Proposition into a Centralised Retirement Proposition without disrupting your existing advice and fee model(s).

The income can be used flexibly

The gross income is payable to the SIPP. The income can be withdrawn, held in the cash account or be re-invested into the SIPP using the recommended investment strategy. Chart 6 helps to explain this.

Chart 6: How gross income can be used in the SIPP cash account



Advice remuneration is payable at platform level

Initial, ad hoc and ongoing adviser remuneration are payable from the SIPP cash account. The amount can be deducted from the invested funds.

Initial and ongoing percentage fees

SLI is an asset of the SIPP. The initial percentage fee can be calculated using the purchase amount. The cash-in value is available and could for example be used for any ongoing fee.

13. Who is *Just*?

Just is an established provider of retirement income solutions for financial advisers.

Just was formed in 2016 by the merger of Just Retirement and Partnership Assurance. It is an established provider of retirement income products and services to both individual and corporate clients. The individual product range encompasses annuities, lifetime mortgages and care plans. The corporate product range focuses on defined benefit de-risking solutions.

As at 31 December 2018, *Just* had 600,000 customers and an operating profit of £243.7m.[3] The Just Group has been given an A rating from Fitch. Just Retirement Ltd, the Just Group business offering SLI has been rated A+ by Fitch[4] and B+ by AKG[5] in terms of financial strength.

The range of financial products offered by *Just* for financial advisers is shown in Table 7.

Table 7: Range of financial products offered by *Just* to financial advisers

Product type	Explanation
Guaranteed Income for Life	An individually underwritten annuity, payable for life
Lifetime Mortgage	A mortgage that pays a fixed sum with or without the ability to access additional money, repayable on death
Care Funding Plans	A guaranteed income stream to meet the cost of care, payable for life

[3] *Just* Group plc Annual Report and Accounts 2018

[4] Just Retirement Ltd's Fitch Rating A+ (Strong) based on Insurer Financial Strength (IFS) July 2019. The Long-Term Issuer Default Ratings (IDR) of Just Retirement Limited and Just Group plc (Just Group), are 'A'. The Outlooks on the ratings are Stable."

[5] AKG Financial Strength Assessment, November 2018

Send us your feedback

Your feedback is extremely important to us and we would be grateful if, after completing this publication, you would take a few minutes to complete a short survey. Your answers will be treated in the strictest confidence and the results of this will help the development of future publications.

The survey can be accessed at:

snapsurveys.com/wh/s.asp?k=144610976149

About Defaqto

Defaqto is an independent financial information business, helping financial institutions and consumers make better informed decisions.

Our experts research, collect and continuously assess over 43,000 financial products. Our process is extremely robust and is driven by over 60 specialist analysts who have unparalleled knowledge of financial products, services and funds in the market. Our independent fund and product information helps banks, insurers and fund managers with designing and promoting their propositions.

Defaqto Ratings

Defaqto Star Ratings are the most trusted expert assessment of products in the market. Products can receive a Rating of 1 to 5, depending on the quality and comprehensiveness of the features it offers; a 1 Star Rating indicates a basic product, while a 5 Star Rating indicates one of the highest quality products in the market. Star Ratings provide consumers, advisers and brokers with an accurate benchmark so that they can see at a glance how products and policies in the market compare.

A Diamond Rating reflects the performance of a managed fund or fund family. Funds or fund families can receive a Rating of 1 to 5 based on a detailed and well-structured scoring process, allowing advisers and other intermediaries – and their clients – to see instantly where they sit in the market in terms of fund performance and competitiveness in areas such as fees, scale, access and manager longevity. A 5 Diamond Rating indicates it is one of the best quality funds available in the market.

Service Ratings provide advisers with a simple and unbiased assessment of provider service. Based on advisers' perceptions of the service they receive, providers are rated Gold, Silver, Bronze.

Risk Ratings use the projected volatility of a fund using asset allocation and historic volatility, based on observed standard deviations to map a fund to a Defaqto Risk Profile. Risk Profile 10 indicates highest risk and Risk Profile 1 represents lowest risk.

Income Risk Ratings are unique to the market, comparing fund objectives, asset allocations, income and capital volatilities, and maximum drawdown. The Ratings are mapped to four Income Risk Profiles based on the income required and the level of risk. They are: capital preservation, low income volatility, medium income volatility, high income volatility.

Defaqto Engage and Engage Core

Defaqto Engage is our end-to-end financial planning software solution enabling advisers to manage their financial planning process all in one place.

Engage
CORE
At the heart of your advice

Engage Core, the latest version of Defaqto Engage, combines risk profiling, three-way fund, platform and product research and suitability letters templates into one easy-to-use tool. Visit defaqto.com/advisers/engage to learn more.

The Service Ratings and satisfaction results by category are available within Engage. Advisers can use the Service Rating and the individual category satisfaction scores (for example, new business servicing, existing business administration, online servicing) during the research process as one of a number of selection criteria. They can also be added to comparison tables.

Advisers should note that not all providers are rated; to qualify for a Service Rating, providers must receive a minimum number of responses from advisers. So, using any service results in the filtering process may exclude providers offering potentially suitable client solutions from the research output.

We really couldn't create the Service Ratings without advisers – they are different from our Star and Diamond Ratings, which are created by our experts and based on facts, not opinions.

Please contact your Defaqto Account Manager
or call us on 0808 1000 804

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