

# Help your clients retire with confidence by powering up your CRP

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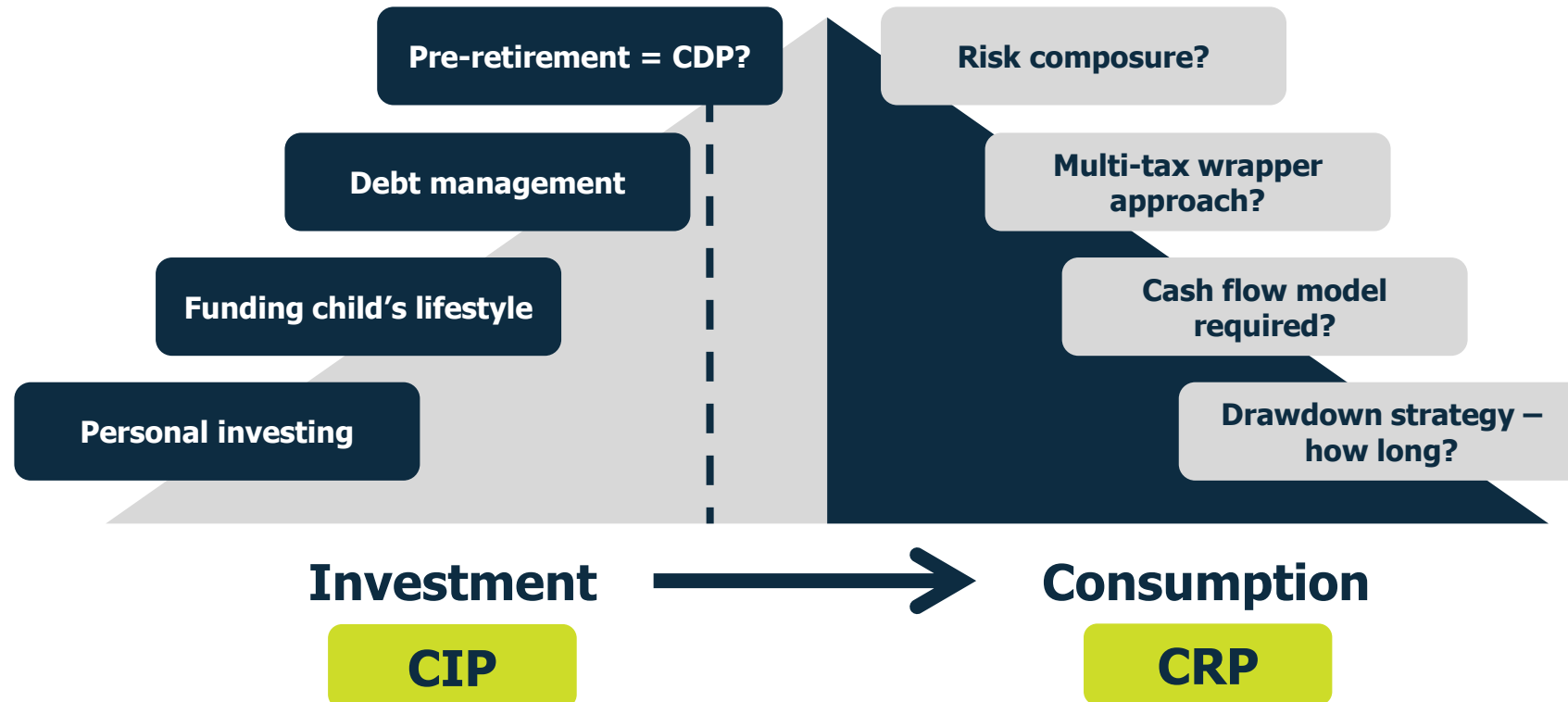
**For UK financial advisers only. Not to be used with customers.**

## This session will explore:

1. How a better understanding of attitudes towards financial risk can help deliver optimal client outcomes in retirement.
2. The importance of building stronger relationships with female clients.
3. The psychology of investing and how you can mitigate behavioural biases and support client composure.
4. The benefits of a Centralised Retirement Proposition and how to enhance retirement portfolios.

# Current considerations for clients

Is it enough?



# The balancing act for advice

What is the risk required for clients' objectives?

Do they have the **composure** for the risk required?

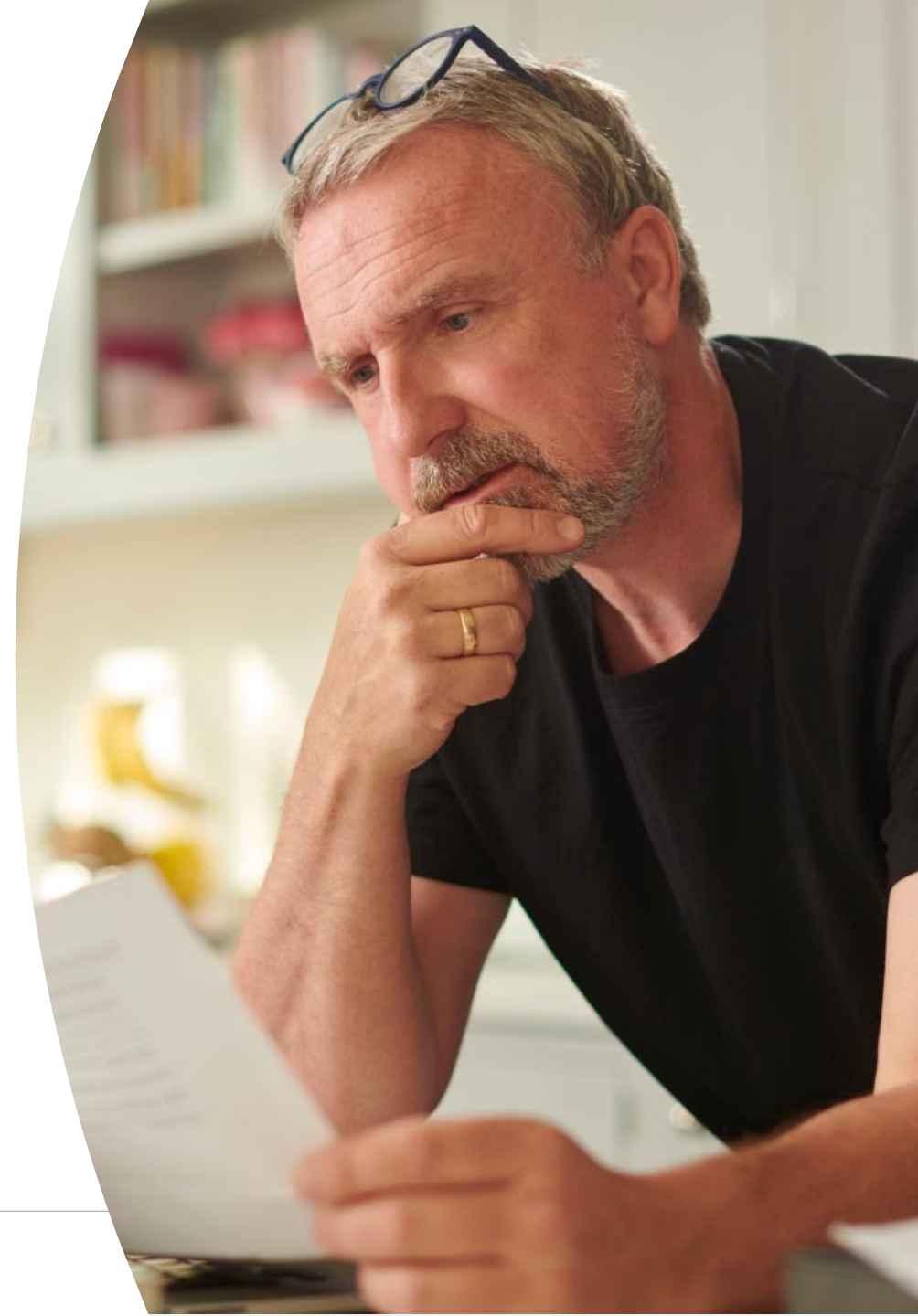
Does the client have the attitude to risk required and what is their capacity for loss?

# For the client, it's not just about the outcome

It's about the journey.

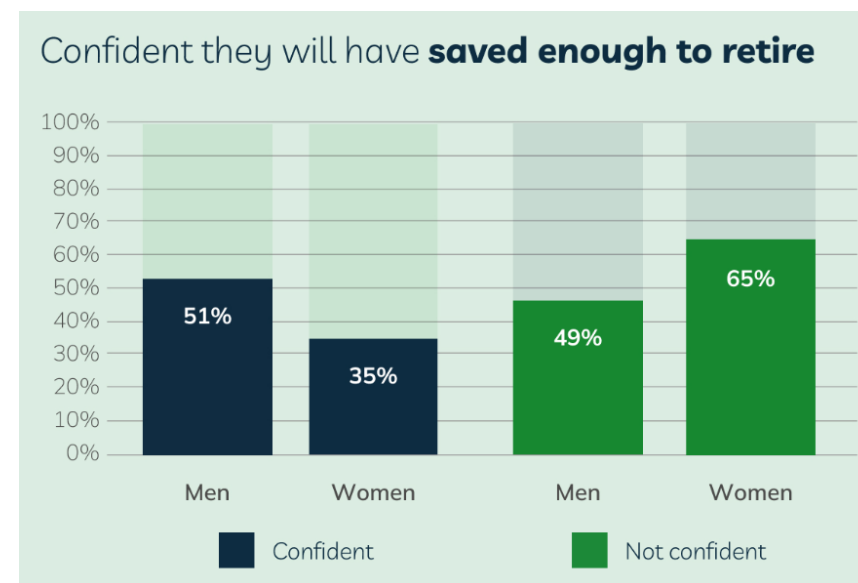
Clients that are not confident with investing may be likely to:

- Immediately contact their adviser should their investments fall suddenly.
- Be more concerned about possible losses than probable gains.
- Feel uncomfortable with financial uncertainty.
- Want minimal exposure to undue risk.



# How are consumers feeling about risk and retirement?

- For UK workers, finances are a key worry when they think about their retirement
  - 26% worry about their financial future in general
  - 17% worry about not being able to give up work and rely on retirement funds
- 32m UK adults (60%) are not comfortable with financial uncertainty**
  - 69% of women vs 51% of men**
- Women were also more inclined to predict they are going to struggle financially in retirement (58% said they think they will struggle vs 49% of men)
- Almost 2/3rds of women don't know what they will do with their pension in retirement.





# Women's wealth matters

## The opportunity

### Women's wealth is accelerating

**35%** of total global personal investable wealth is expected to be controlled by women in 2025

**60%** of the UK's wealth is predicted to be in women's hands by 2025

### First inheritors

**70%** of women in the US change advisers within 1 year of their partner dying

### Grey divorce

**15%** of people who divorced in the US in 2022 were over 65



# Clients in decumulation need sustainable income and returns to manage longevity risk



**Volatility drag** +

A 10% loss on a £400,000 investment in year 1 will take 11.1% growth in year 2 to return to £400,000 (ignoring withdrawals)



**Sequencing risk** +

Poor investment performance in the early years of retirement can quickly reduce the value of a pension fund



**Withdrawals** =

Withdrawals when a portfolio is suffering losses, will simply lock in losses



**'Pound cost ravaging'**

Many clients have to worry about taking a lower income, or risk running out of money



# Volatility drag

Why it's so important

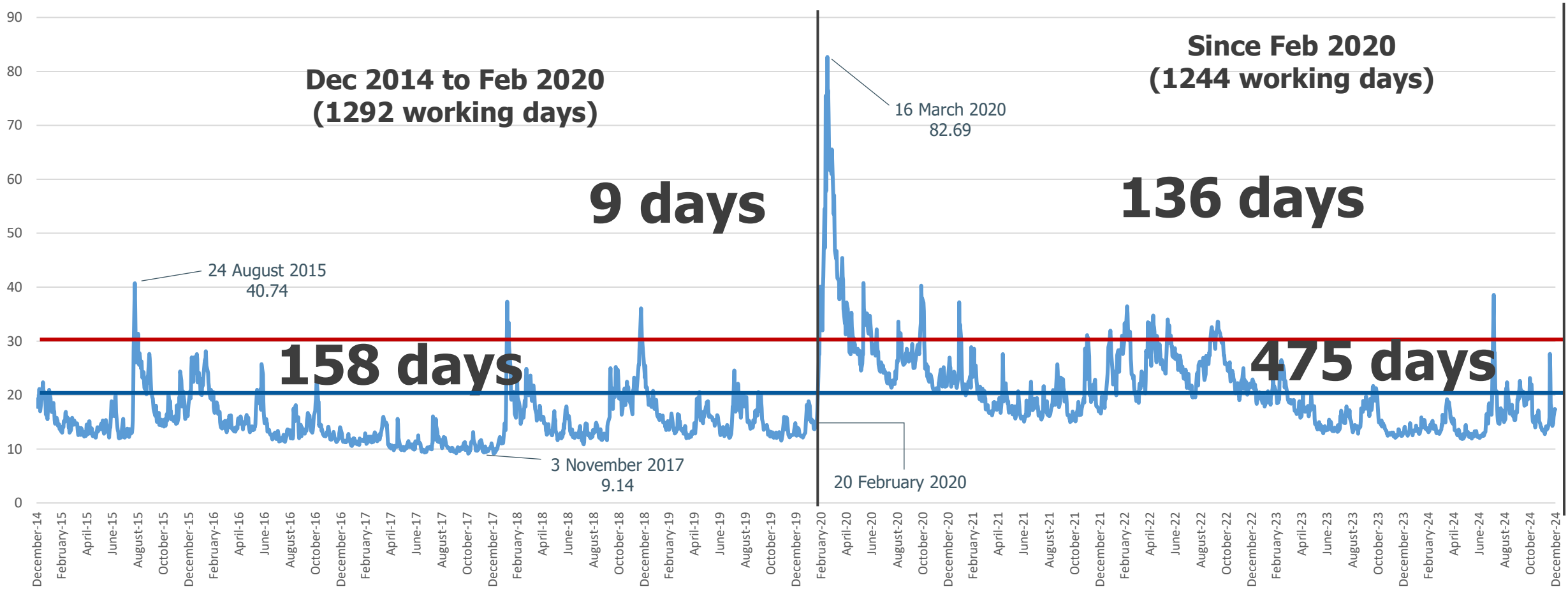
- Volatility drag in its simplest form is the difference between arithmetic and compound investment returns.
- If you start with a portfolio value of £200,000 and it drops by 20% to £160,000 it's easy to think you just need 20% to get you back to where you were.
- However, you need £40,000 to get you back to where you were, which is now 25% of £160,000.

<b>Loss</b>	<b>Gain required to get back to parity</b>
5%	5.26%
10%	11.11%
15%	17.65%
35%	53.85%
50%	100%

# Is volatility here to stay?

CBOE Volatility Index (VIX) closing values for the last 10 years

>30 is considered to signal heightened volatility from increased uncertainty, risk and investor fear.  
 <20 generally corresponds to more stable, less stressful periods in the markets.



# The sequence of returns

A	
Year 1	25%
Year 2	5%
Year 3	20%
Year 4	-15%
Year 5	-20%
Year 6	-5%

B	
Year 1	-5%
Year 2	-20%
Year 3	-15%
Year 4	20%
Year 5	5%
Year 6	25%

C	
Year 1	25%
Year 2	-5%
Year 3	5%
Year 4	-20%
Year 5	20%
Year 6	-15%

**Which option would you pick?**

They are all the same, have the same volatility and produce the same overall return of 1.75%.

# The sequence of returns

A	
Year 1	25%
Year 2	5%
Year 3	20%
Year 4	-15%
Year 5	-20%
Year 6	-5%

B	
Year 1	-5%
Year 2	-20%
Year 3	-15%
Year 4	20%
Year 5	5%
Year 6	25%

C	
Year 1	25%
Year 2	-5%
Year 3	5%
Year 4	-20%
Year 5	20%
Year 6	-15%

Using a withdrawal at the end of each year, say **5% of the original investment**, the **amount remaining after 6 years as a percentage of the original investment** is:

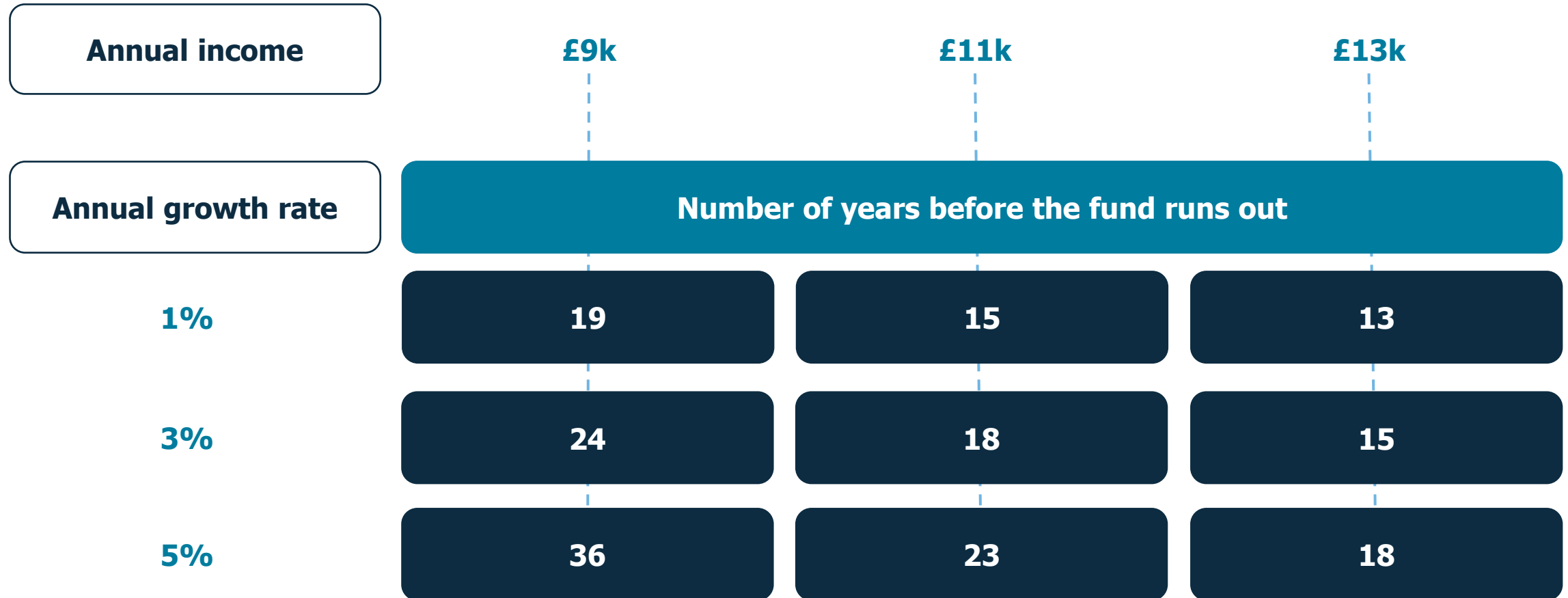
A = 77.02%

B = 64.01%

C = 74.96%

# How long will your money last in retirement?

How long will a fund of £150,000 last?



# Which clients could benefit from a smoother journey?

Consider your clients who

...would immediately contact you should their investments fall suddenly.

...are more concerned about possible losses than probable gains.

...feel uncomfortable with financial uncertainty.

...want minimal exposure to undue risk.

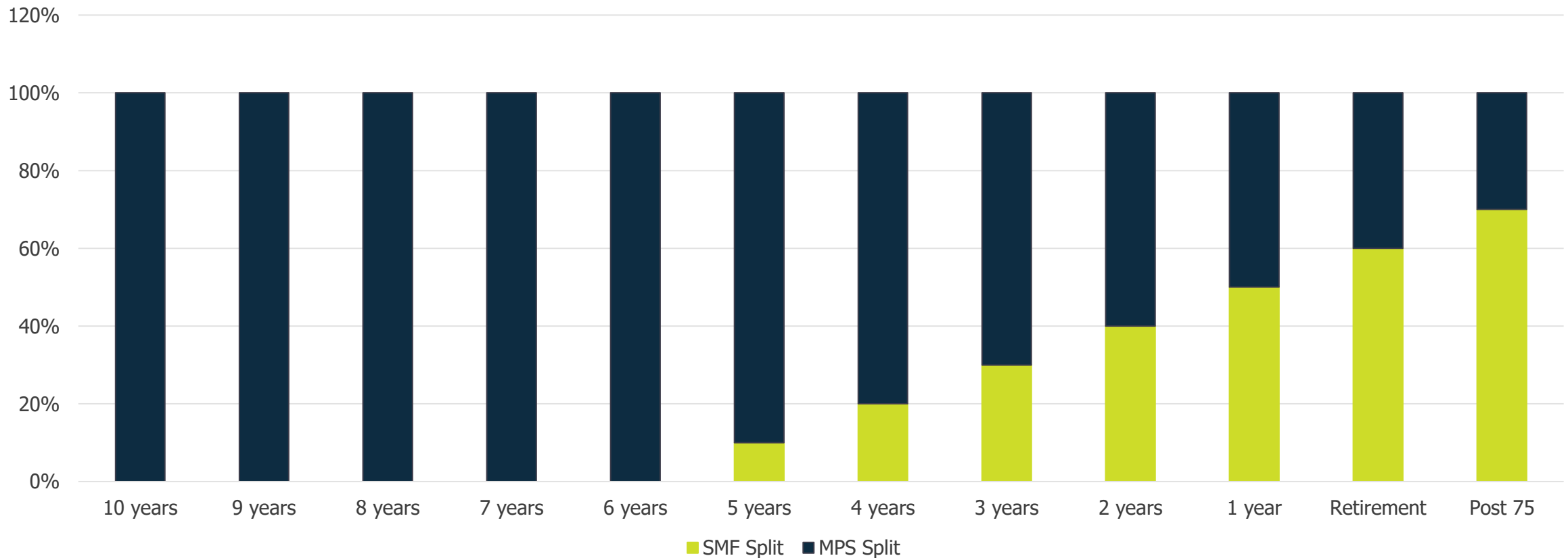
The LV= Smoothed Managed Funds provide an investment journey with a smoother return profile than is generally available from many multi-asset investment funds through our fund price averaging mechanism.



# Using SMF to de-risk in the lead up to and through retirement

Gradually increasing exposure to reduce volatility

Example de-risking timeline























# Volatility

	Typical MPS only	80/20 blend	Smoothed Managed Funds Only
Typical RP 3 MPS LV= SMF Cautious	6.71	5.50	2.84
Typical RP 4 MPS LV= SMF Balanced	7.30	5.93	3.16
Typical RP 5 MPS LV= SMF Growth	9.97	8.15	3.53

20% allocation to Smoothed Managed Funds results in an **approx. 18% reduction** in volatility.

# Independently rated

Dynamic Planner and Defaqto agree, our funds support risk management in retirement

Agency	Smoothed Managed Extra Cautious Fund	Smoothed Managed Cautious Fund	Smoothed Managed Balanced Fund	Smoothed Managed Growth Fund	Smoothed Managed Growth Plus Fund
defaqto	 Defaqto - Risk Rating 2	 Defaqto - Risk Rating 3	 Defaqto - Risk Rating 4	 Defaqto - Risk Rating 5	 Defaqto - Risk Rating 6
defaqto	 Defaqto Income Drawdown Rating - Low Sequencing Risk	 Defaqto Income Drawdown Rating - Low Sequencing Risk	 Defaqto Income Drawdown Rating - Low Sequencing Risk	 Defaqto Income Drawdown Rating - Medium Sequencing Risk	 Defaqto Income Drawdown Rating - Medium Sequencing Risk
DYNAMIC PLANNER	 Dynamic Planner - Profiled 3  Dynamic Planner - Decumulation 3	 Dynamic Planner - Profiled 3  Dynamic Planner - Decumulation 3	 Dynamic Planner - Profiled 4  Dynamic Planner - Decumulation 4	 Dynamic Planner - Profiled 5  Dynamic Planner - Decumulation 5	 Dynamic Planner - Profiled 6  Dynamic Planner - Decumulation 6

# Case study – Secure Income and GMV

Pension pot **£600,000**

**SIPP wrapper – provided by the LV= Flexible Transitions Account (FTA)**

**£324,000**

**£276,000**

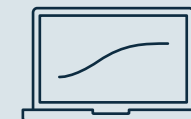
**LV= Protected Retirement Plan (PRP) TIP**

Secure income = £12,570 p.a.  
 (£1,047.50 per month, monthly in arrears)  
 for 7 years plus a GMV of £345,088 (4.77% ROR)



**LV= Smoothed Managed Balanced**

Fund Charge = 0.65% p.a.  
 Wrapper charge = min £195 p.a.



Income, GMV, death benefits  
and/or surrender value

**SIPP Bank Account**

Flexible ad-hoc income payments/PCLS

**Charges at outset – based on £600,000:**

Wrapper = £276,000 \* 0.20% = £552 p.a.  
 SMF Fund charge = £276,000 \* 0.65% = £1,794 p.a.  
 Total charges = £552 + £1,794 = £2,346 (0.39%) p.a.

Tax free cash or taxable income

**Domestic Bank A/C**

# Mutuality and member benefits

## What is available to clients when they invest in Smoothed Managed Funds?

**Care Navigator** - access specialist support to help navigate the complex UK elderly care system.

**Member discounts** - discounts on many general insurance products\* - including pet, car, home and travel insurance.

**Member Support Fund** - Available to all members, your client can apply for practical support or financial assistance from LV= once they've been a member for a continuous 12 months.

Since 2001, we've helped hundreds of members with financial support when they've fallen on hard times.

**Members right to vote** - Once your client has been a member for a continuous 12 months, they'll be invited to vote in our meetings, helping them shape the future of our business.

**LV= Doctor Services** - access quality medical services through LV= Doctor Services. From remote GP 24/7 access and a second opinion service, right through to support for mental health, it's a convenient and confidential option.

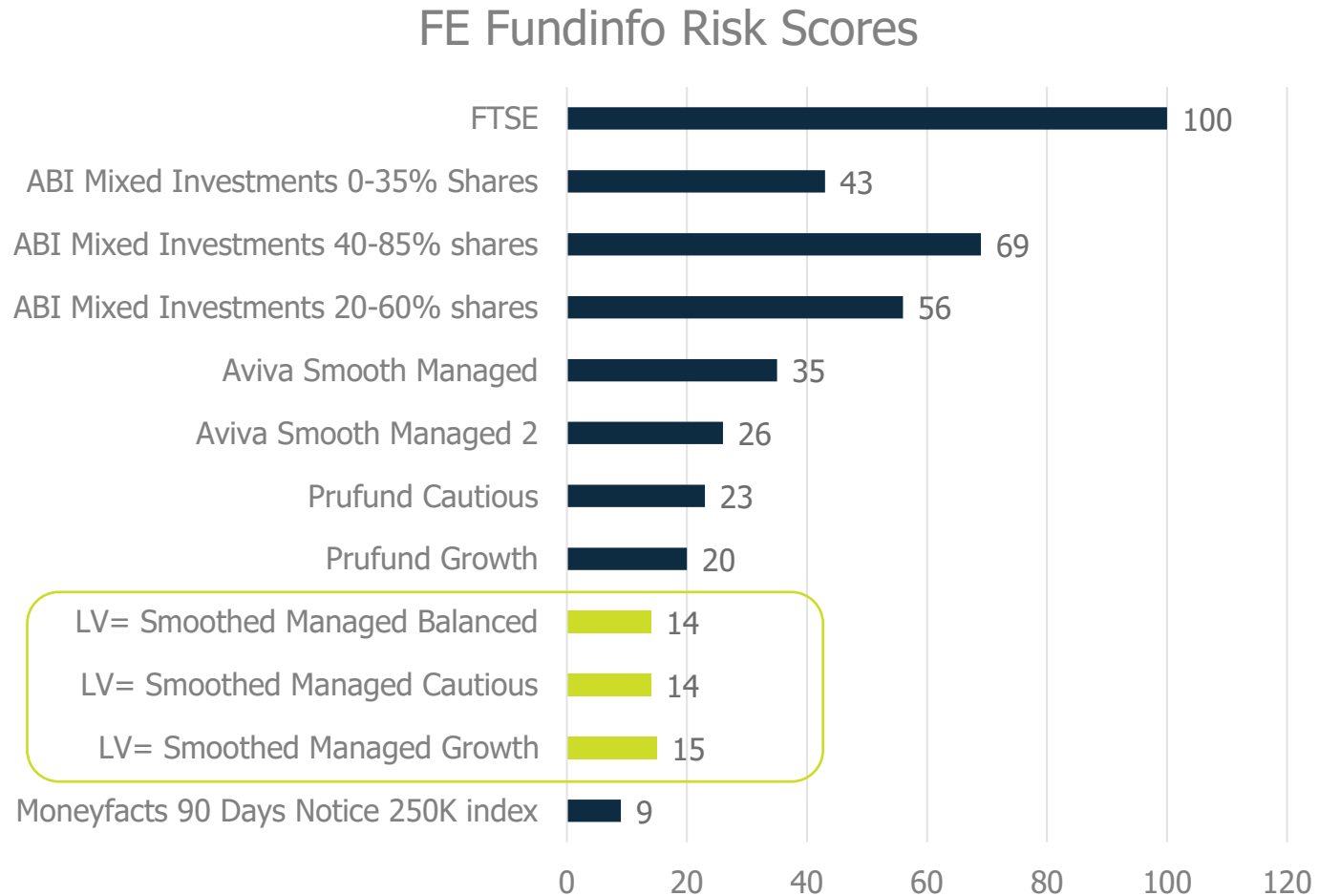
**Mutual bonus** - If the Board declares a mutual bonus, we'll apply it to eligible with-profits policies as long as they've been in place for 12 months.

Previous awards:

- | 2021 - £28m
- | 2022 - £23m
- | 2023 - £20m

# Understanding how smoothed funds behave

FE Risk Scores demonstrate the low volatility of our funds

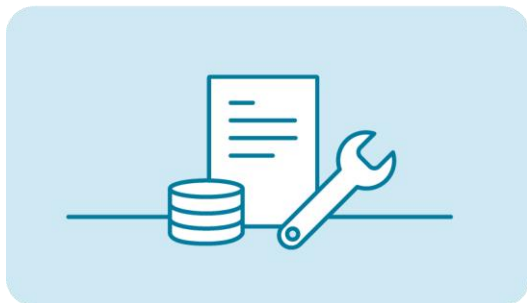




# Learning objectives:

You should now have an improved understanding of:

- 1.** How a better understanding of attitudes towards financial risk can help deliver optimal client outcomes in retirement.
- 2.** The importance of building stronger relationships with female clients.
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