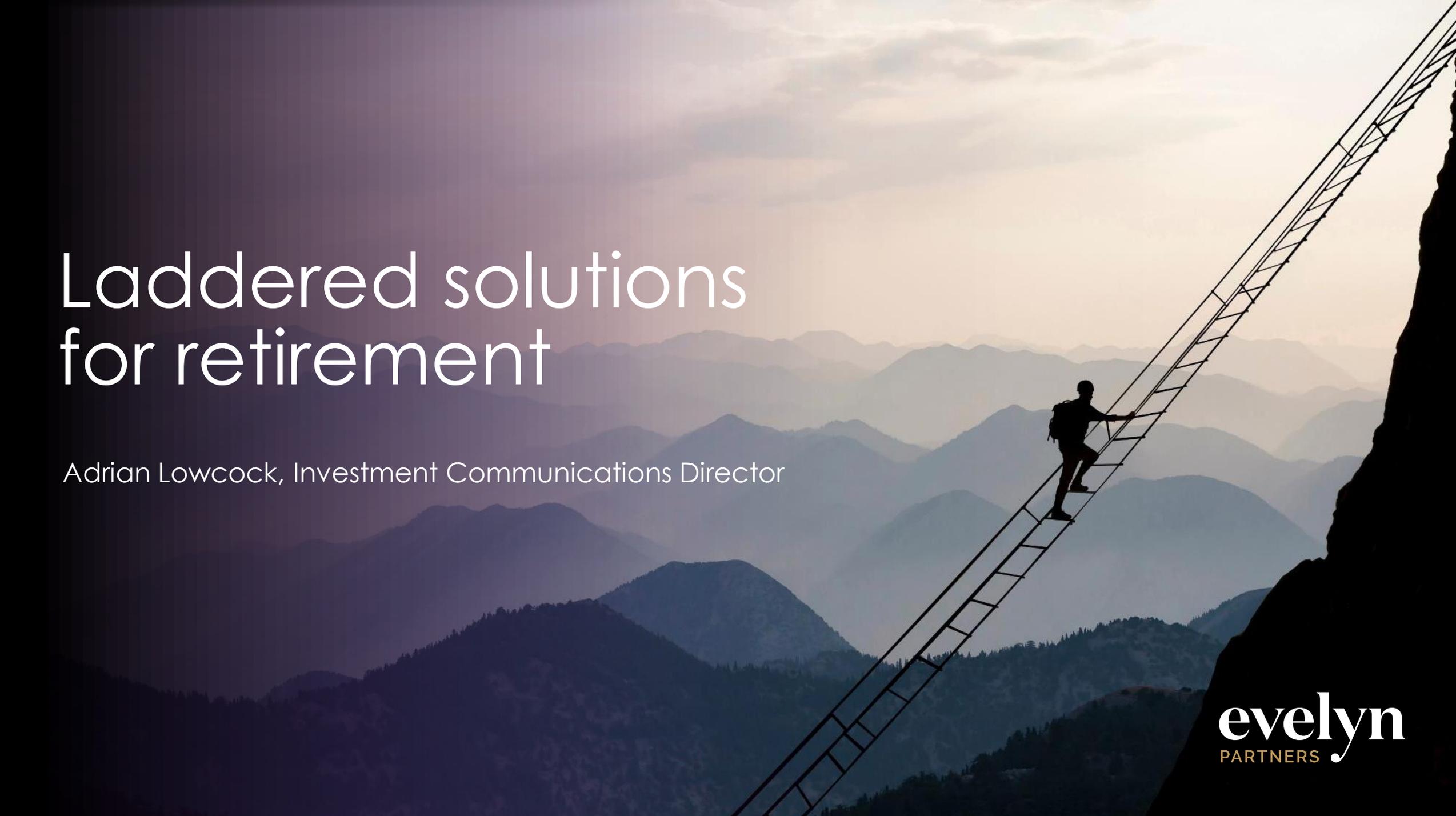


Laddered solutions for retirement

Adrian Lowcock, Investment Communications Director



evelyn
PARTNERS

Learning objectives

Objective 1

To be able to describe Gilts and how/why to use Gilt ladders within a portfolio.

Objective 2

To be able to describe structured products and their role in retirement planning.

Objective 3

To leave the session with new ideas on how to work with their clients during their retirement phase.



Agenda

Retirement challenge & volatile markets

The decumulation conundrum & strategy

Gilt ladders & structured products

Decumulation case study & Our Discretionary Portfolio Service

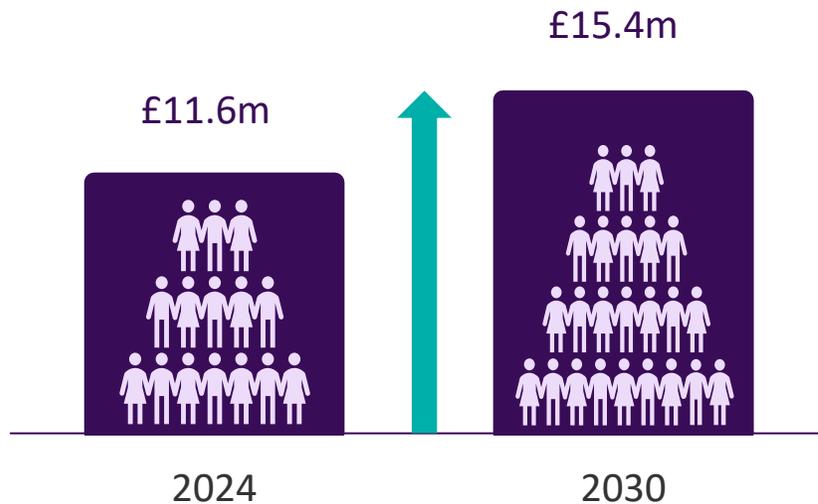
Retirement challenge

The current landscape

An ageing and changing population...

In the United Kingdom, the population aged 65 and older is projected to increase significantly by 2030*:

The **65-plus** population is expected to rise to 15.4 million by 2030, up from 11.6 million today.



*Source: Office for National Statistics

Go-go
years

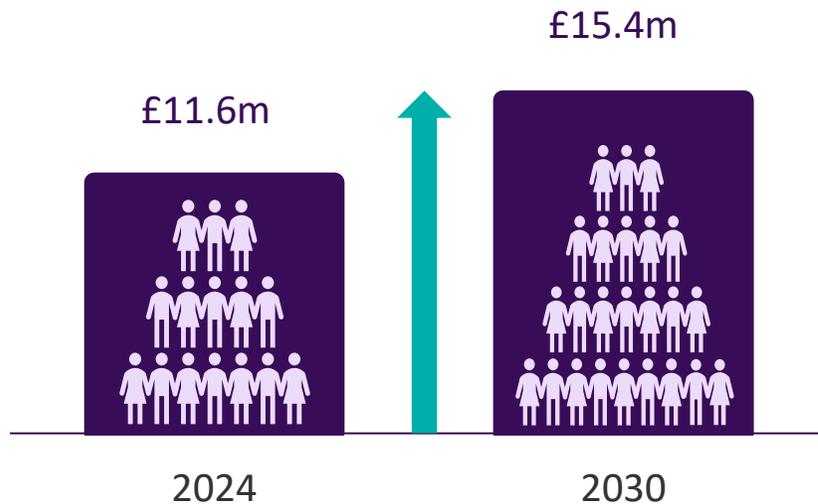


The current landscape

An ageing and changing population...

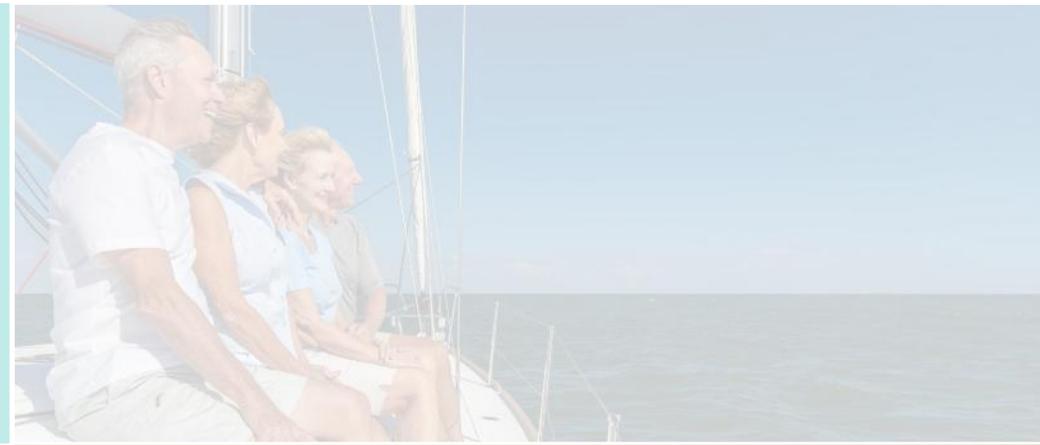
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Go-go
years



Slow-go
years

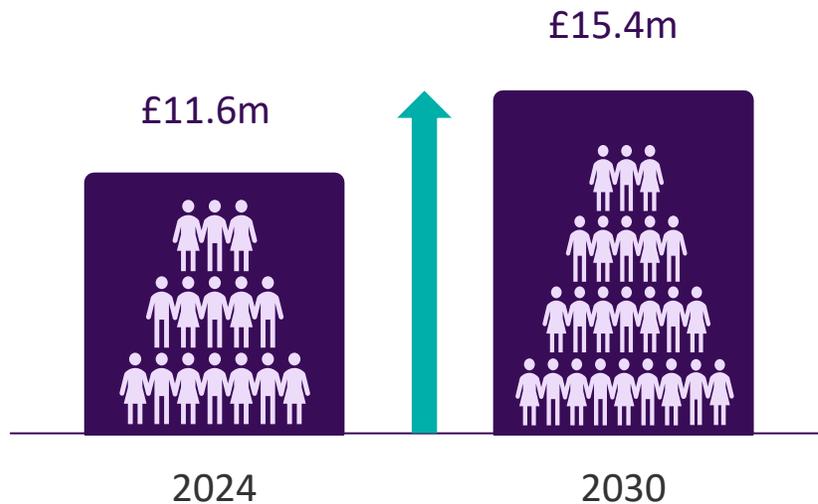


The current landscape

An ageing and changing population...

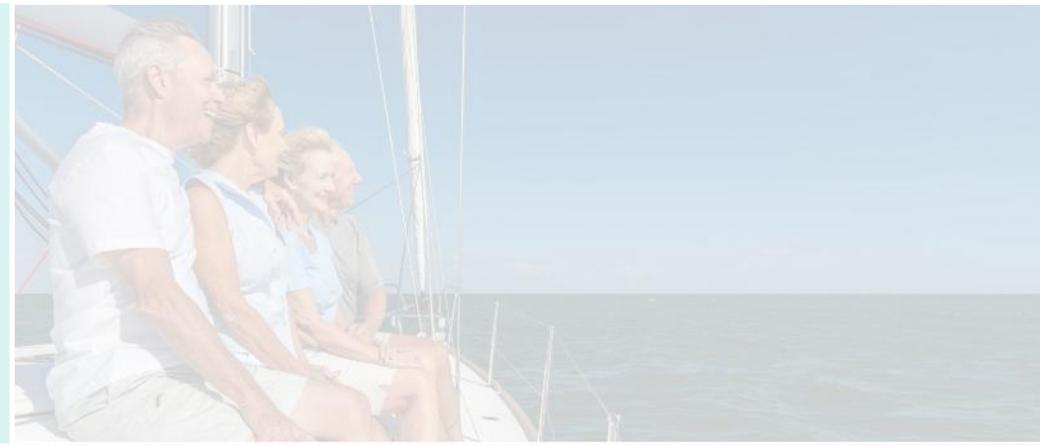
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Go-go
years



Slow-go
years

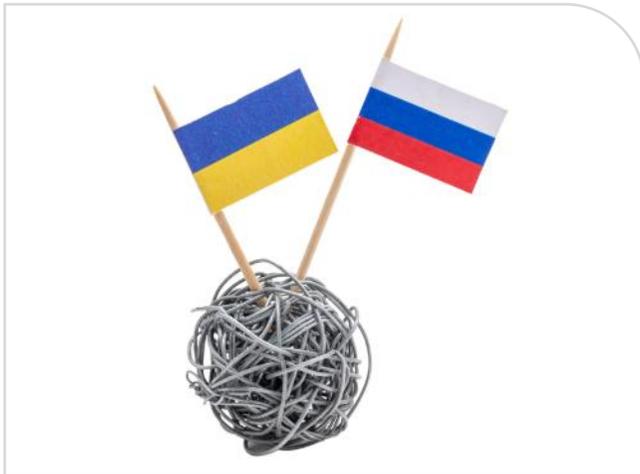


No-go
years



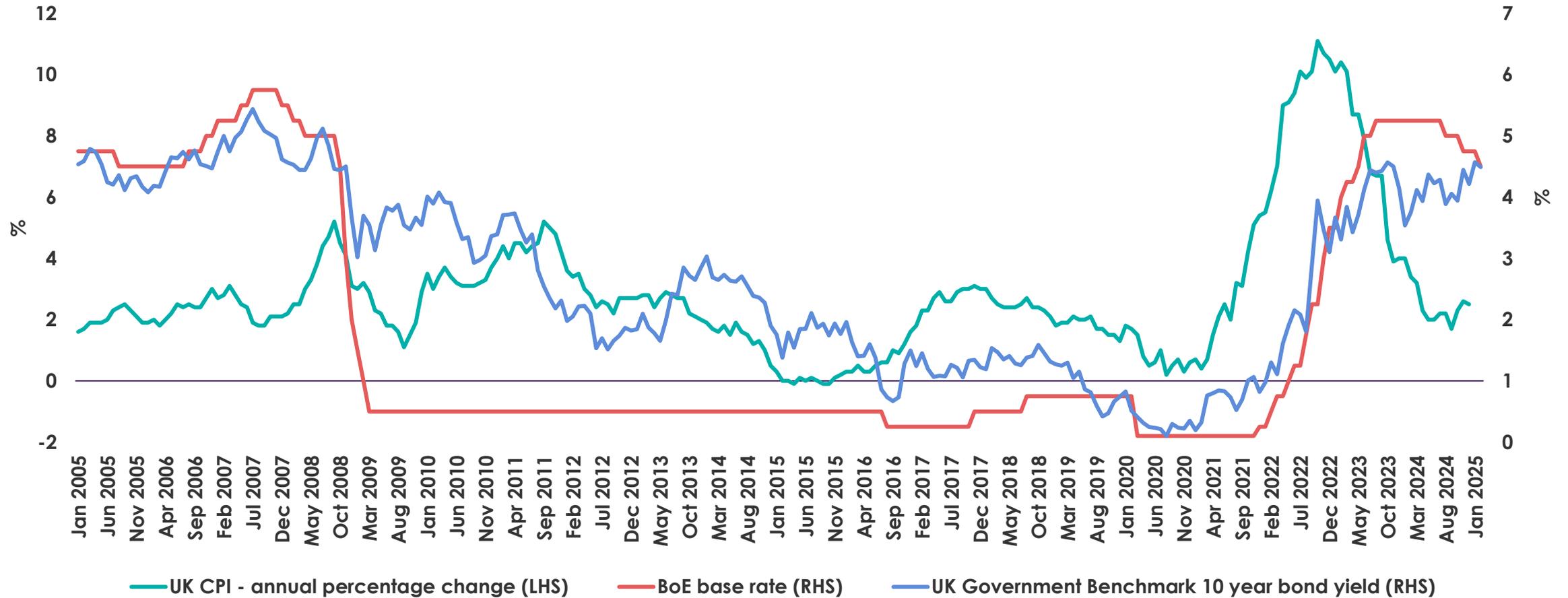
Volatile markets

Outside influences effecting markets



The current landscape

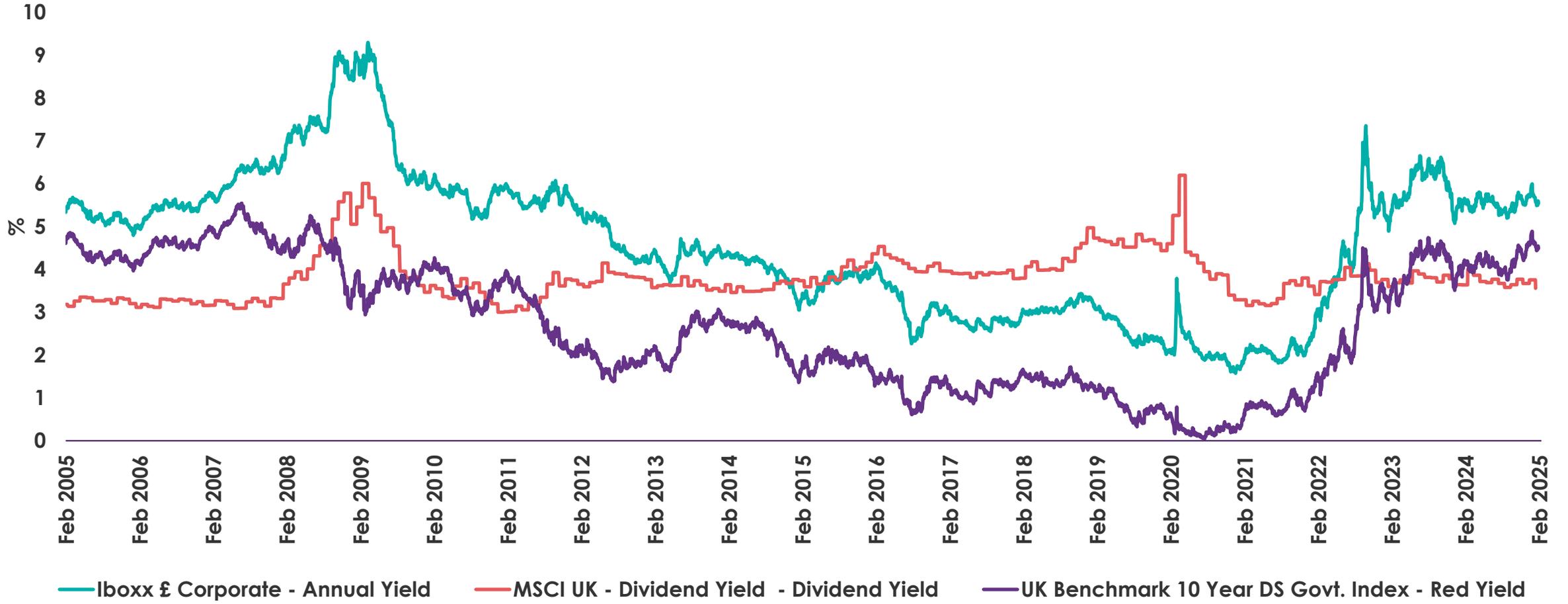
Fundamentals driving markets



Source: LSEG Datastream/Evelyn Partners, data as at 28/02/2025

Income yields have risen across all asset classes

Asset class yields



Source: LSEG Datastream/Evelyn Partners data as at 07/03/2025

The decumulation conundrum

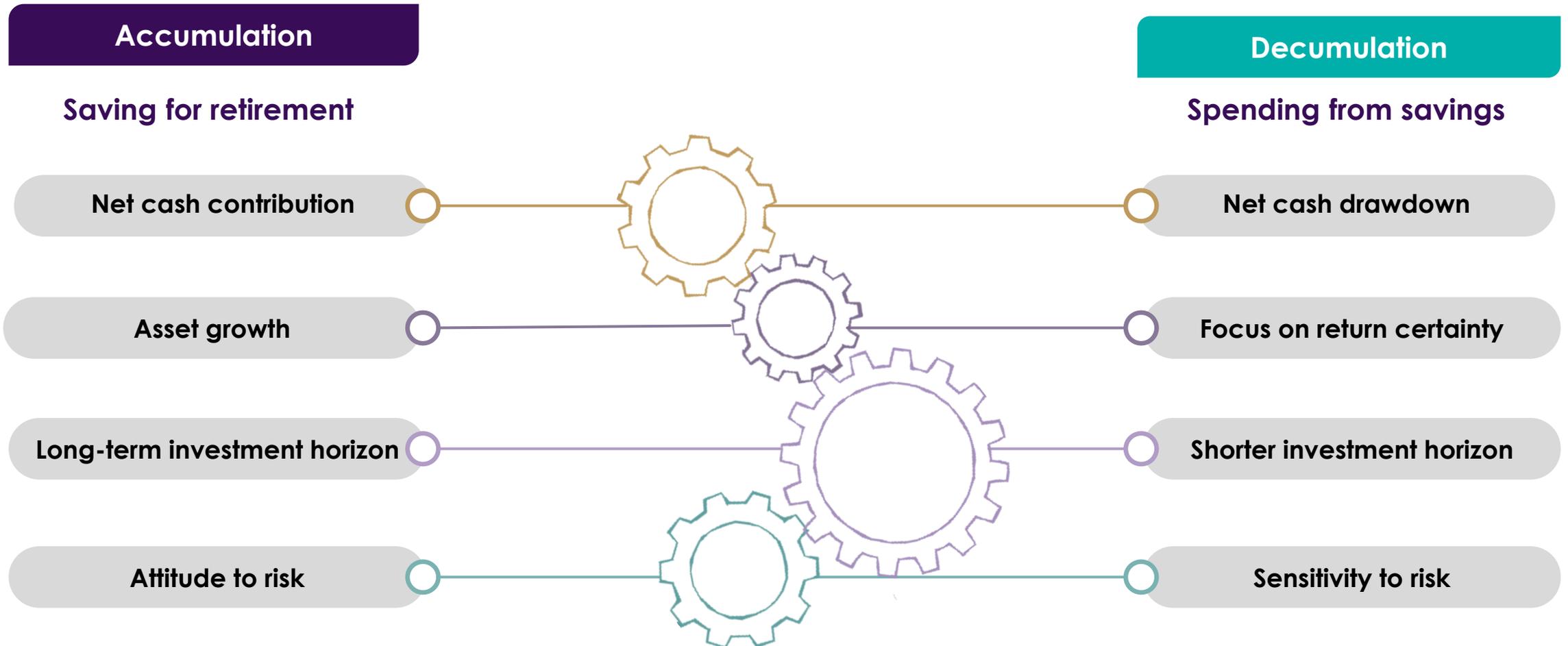
“The nastiest and hardest problem in finance”

William F. Sharpe



What is decumulation?

Refers to the process after retirement when you shift from accumulating wealth to spending it



The decumulation conundrum

● Longevity

How many years income do you need?

● Inflation

Insidious impact on your wealth

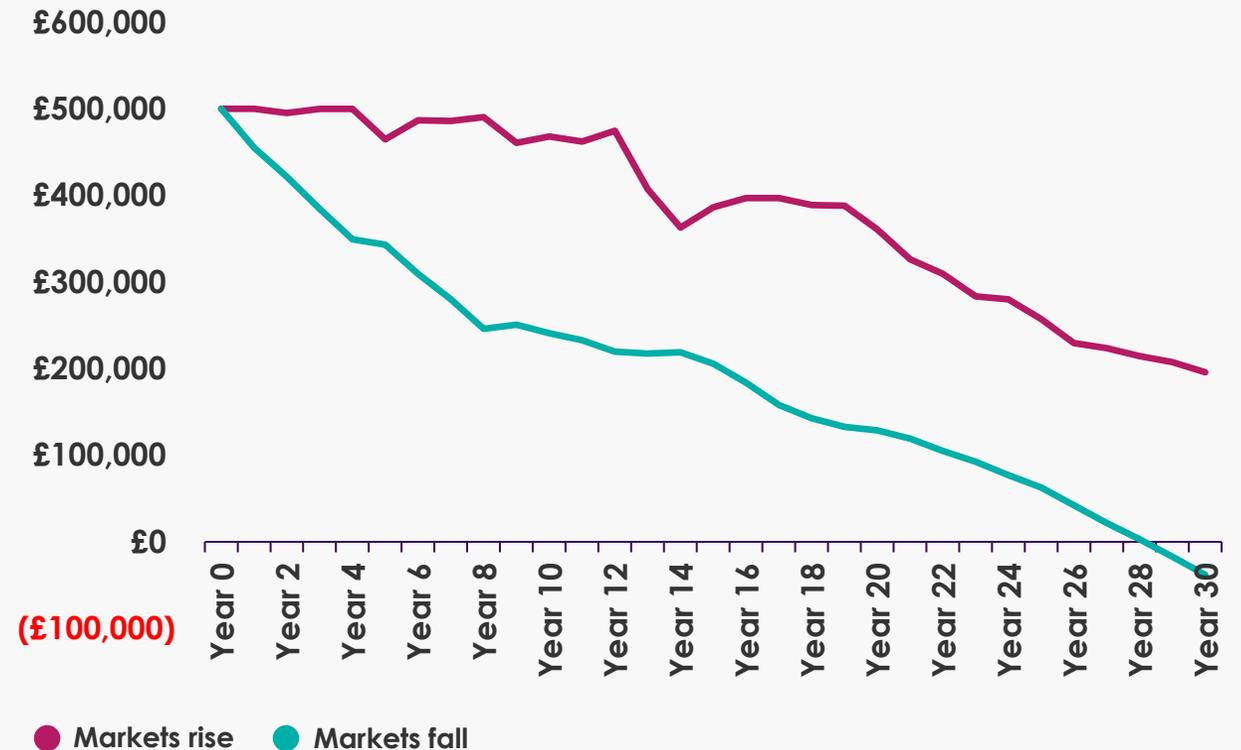
● Market Volatility

Clients are sensitive to volatility in retirement

● Sequencing Risk

Withdrawing capital when markets fall

Sequencing risk - £20,000 withdrawal each year



Source: LSEG Datastream/Evelyn Partners. Theoretical performance of a financial investment over 30 years. Returns are the same but the first three years show a market rising or falling by the same amount.

Decumulation strategy



Off the shelf lacks the personal touch needed in decumulation

● Why?

○ Single portfolio designed only to meet the models Asset Allocation

○ Objectives of the model do not change

○ Not designed for decumulation phase

○ No flexibility

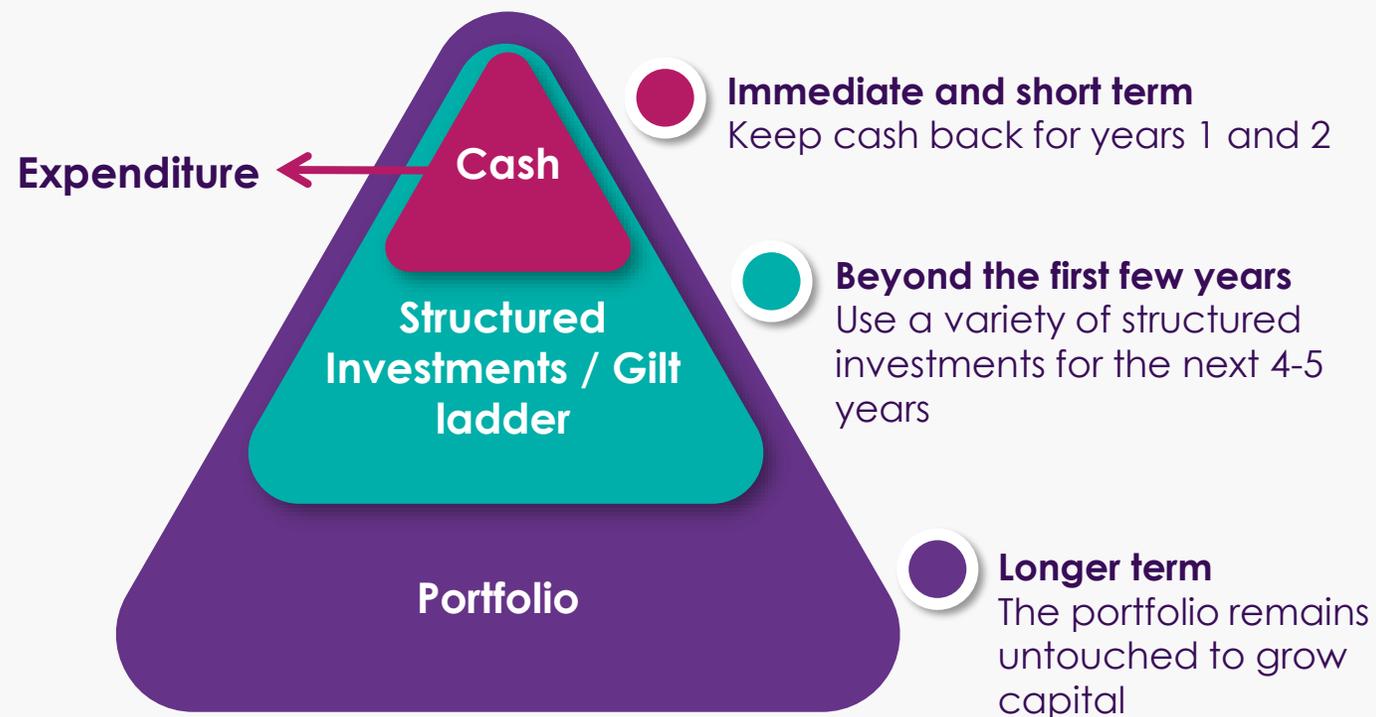
○ Not bespoke for your client



Discretionary decumulation strategy

- A model based scenario is inflexible
- Greater diversification is required
- At retirement investments decisions are driven by more than the risk profile of the portfolio
- To protect the portfolio, retirement income should be broken down into:
 - ✓ Immediate and short term (1-2 years)
 - ✓ Beyond the first few years (3-7 years)
 - ✓ Longer term (7 years plus)

How to achieve this can be done in a variety of ways.
This is the “Buckets” approach’ within a portfolio.



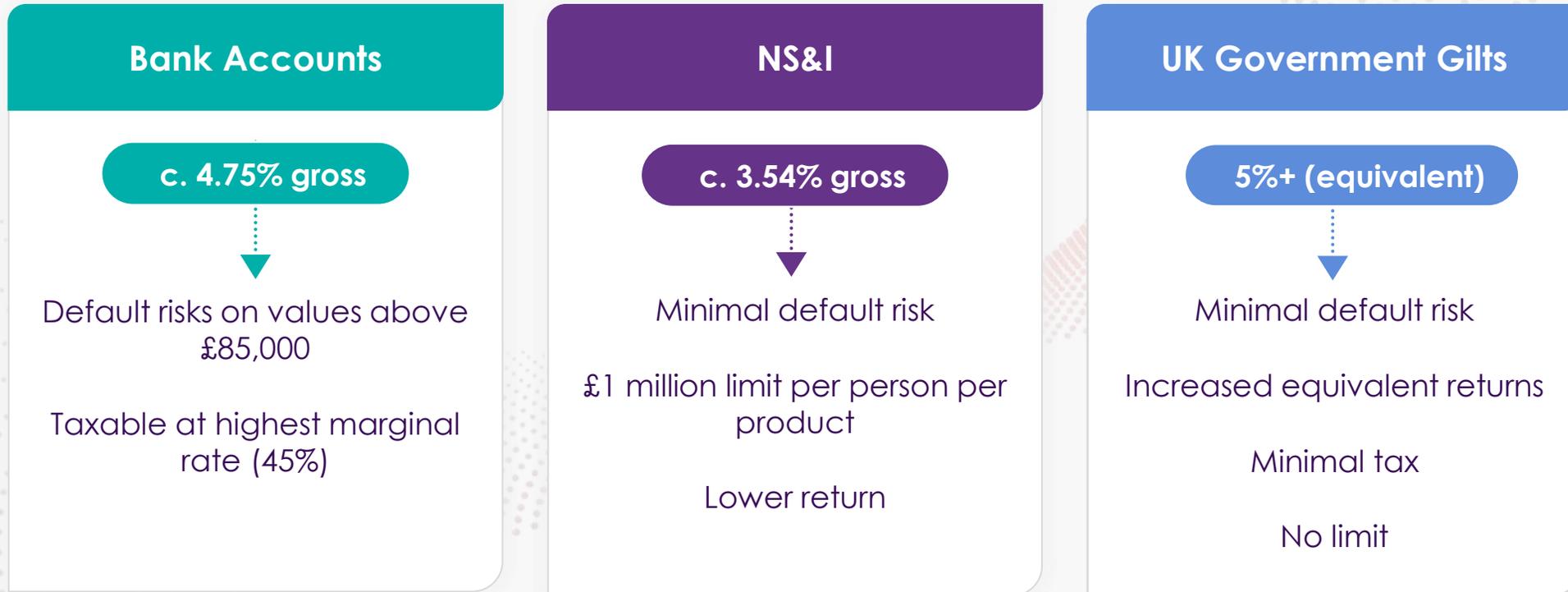
Gilt ladders

Why use gilts?

- **Credit Risk – UK Sovereign exposure**
- **Currency – Sterling**
- **Return – 3.5-4.5% on average currently**
- **Liquidity – liquid secondary market**
- **Flexibility– Maturities can be almost anything to suit the client's needs**
- **Capital Gains Tax exempt – No CGT**
- **Returns are known upfront – reducing risk**

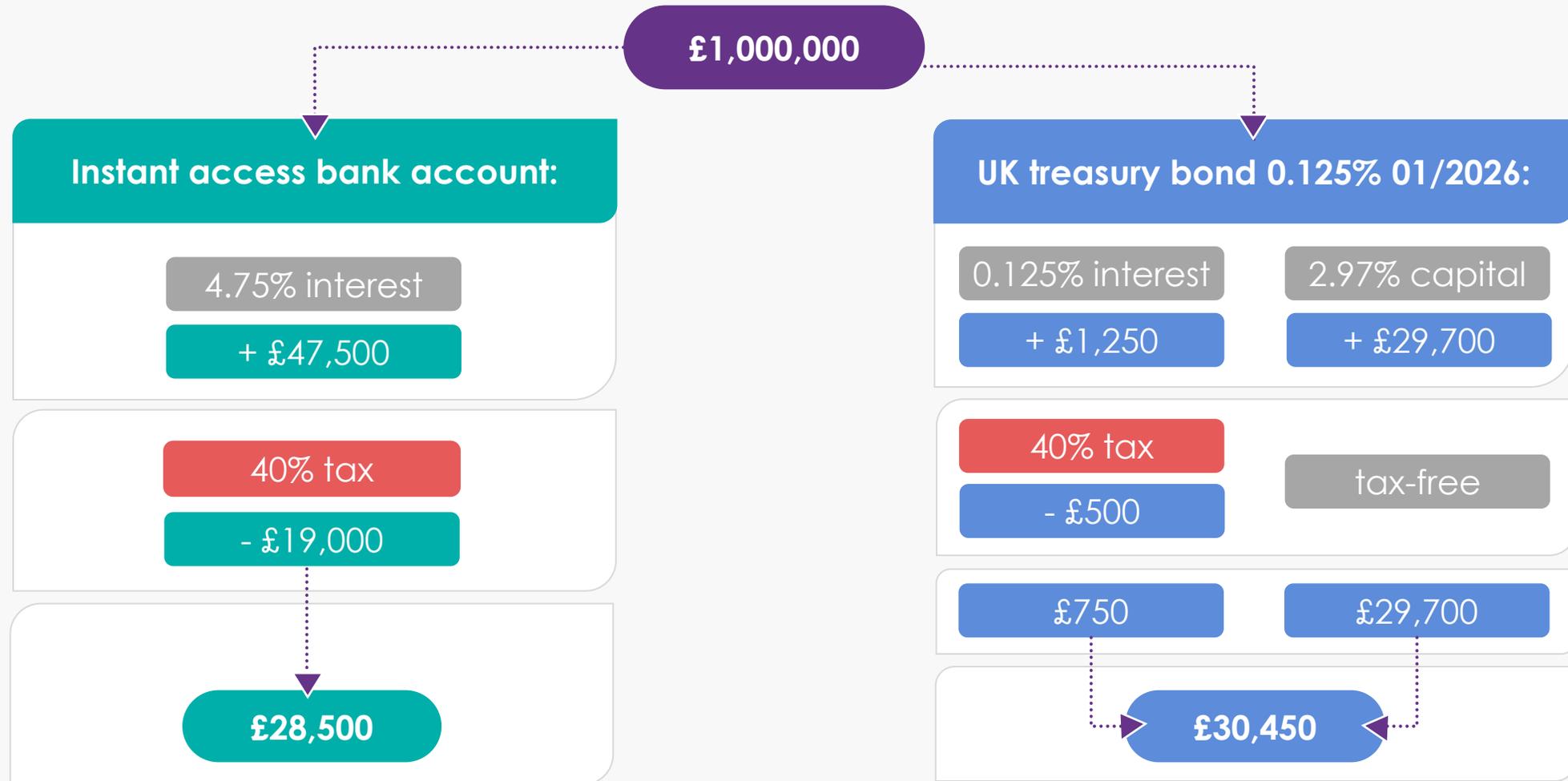


Why use gilt ladders?



Source: Bank Accounts from Moneyfacts.co.uk. NS&I rate is the NS&I 2-year guaranteed income bond (Issue 72) from NS&I.com. UK gilt equivalent yield is based on 40% taxpayer, LSEG Datastream/Evelyn Partners. All as at 10 March 2025.

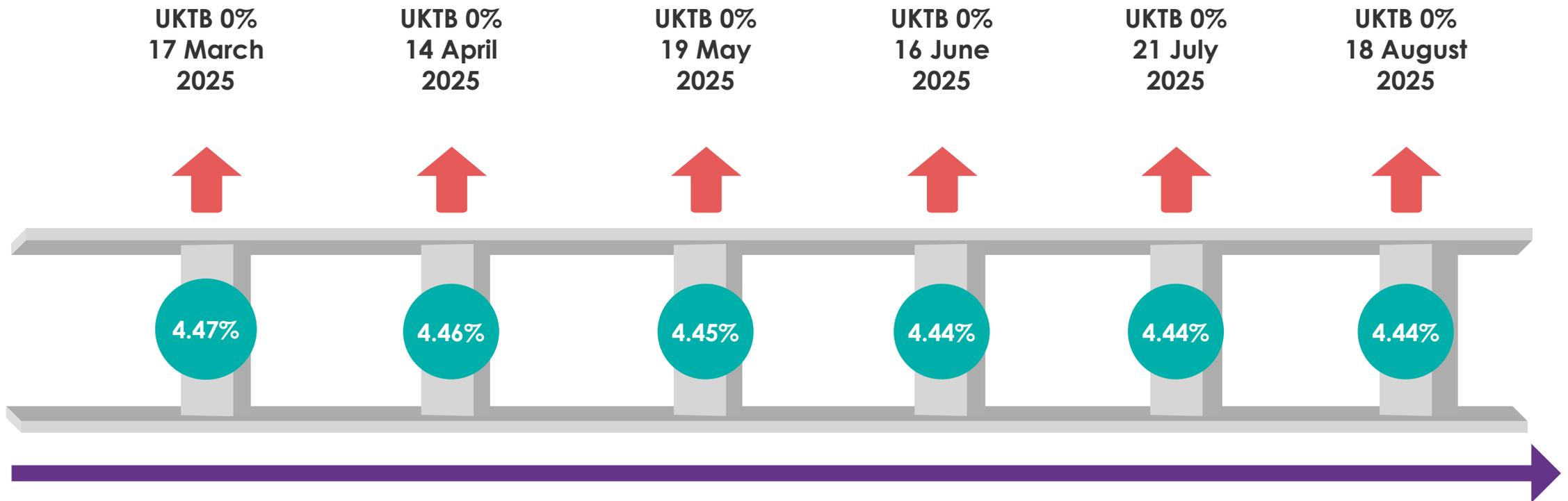
A comparison (A full years return)



Source: LSEG Datastream / Evelyn Partners as at 10 March 2025. For illustrative purposes only. Government bond is clean price.

Gilt ladder example

Example UK Government Treasury bills rolling profile: Instrument and associated Yield to Maturity



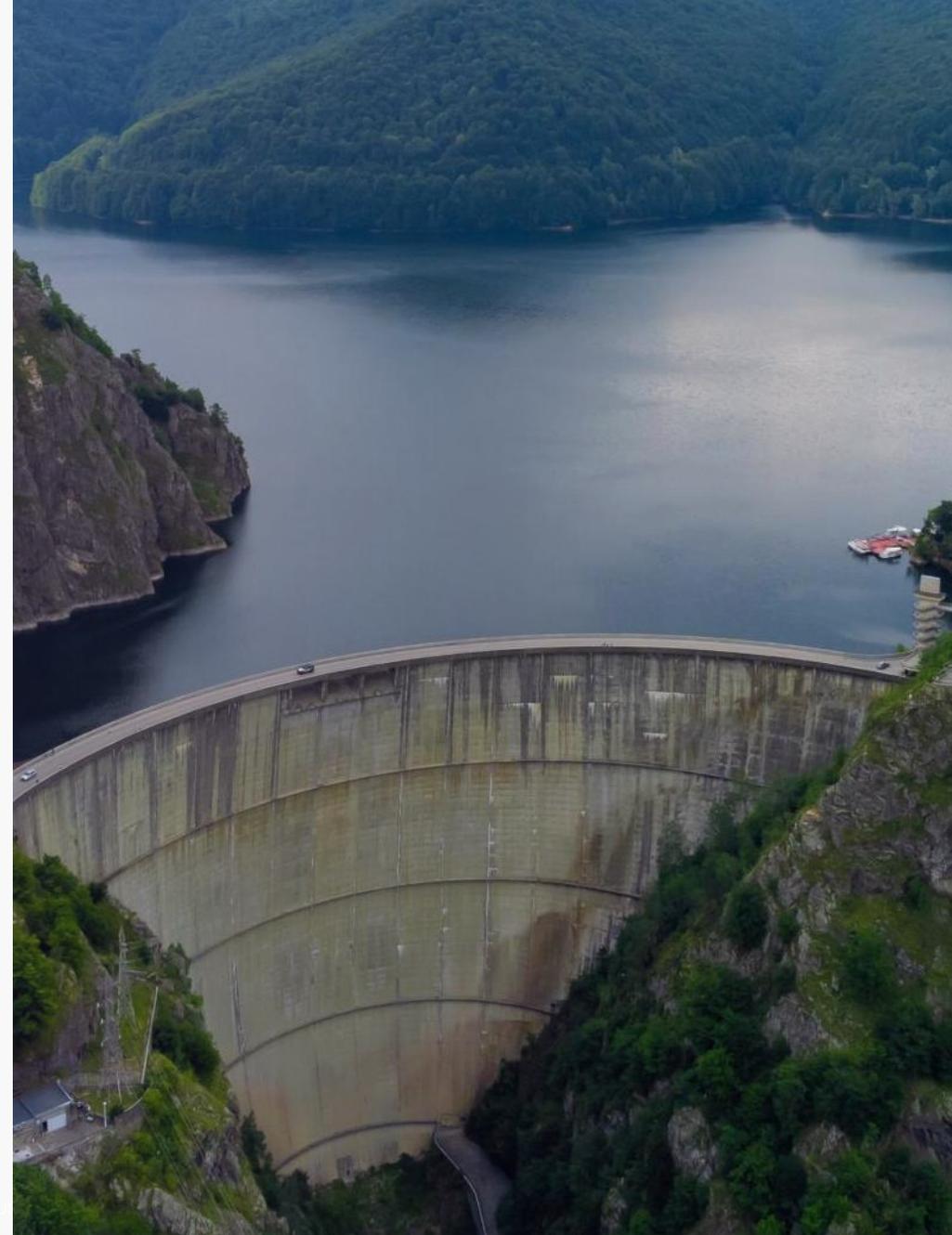
For illustration purposes only. **Source:** DMO / Evelyn Partners. As at 7 March 2025

An aerial photograph of a large, curved concrete dam situated in a valley. The dam is the central focus, with a road and some structures on top of it. Behind the dam is a large, calm lake that reflects the surrounding green, forested mountains. The sky is clear and blue. The overall scene is a mix of natural beauty and industrial engineering.

How structured products work

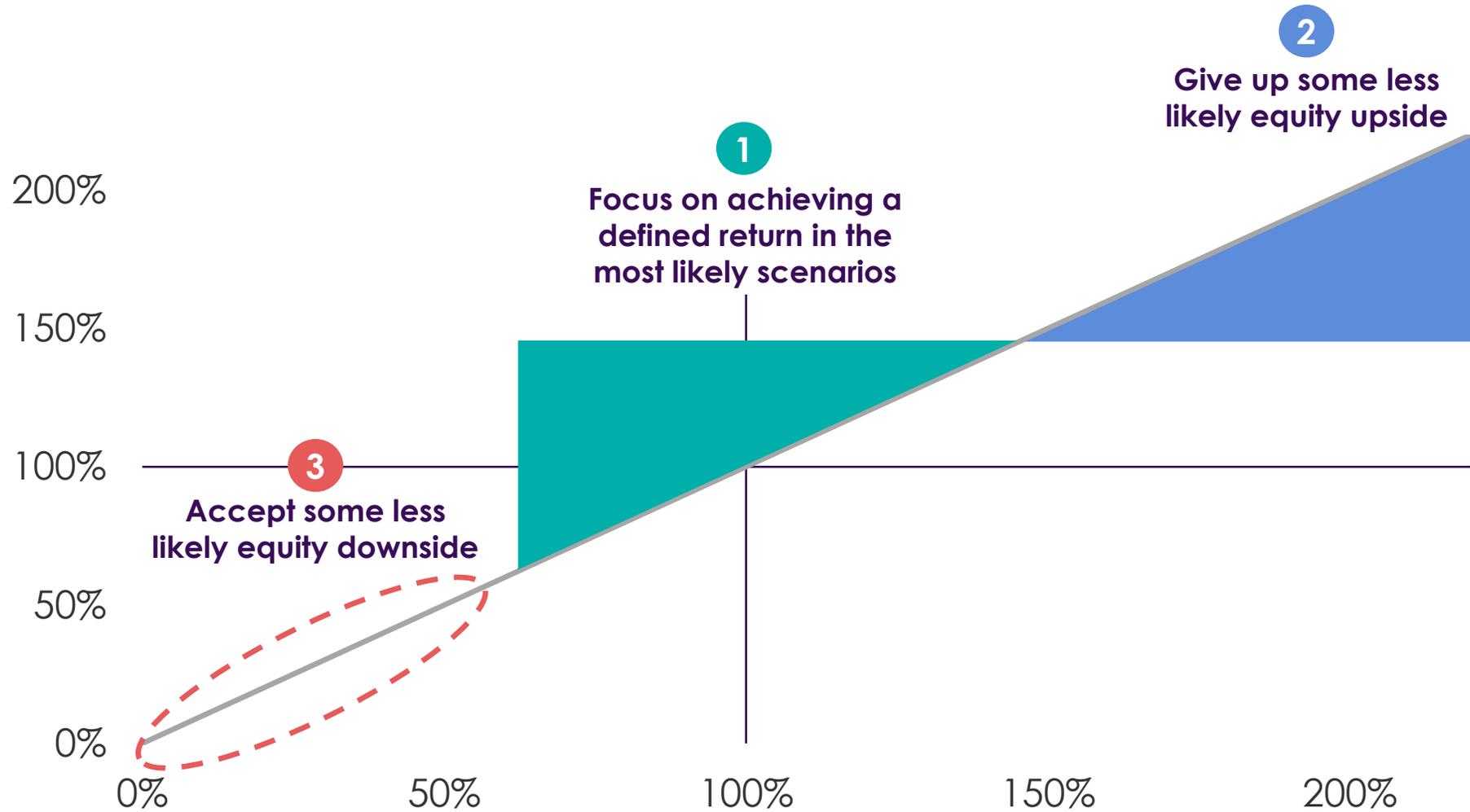
Why use Structured Investments?

- More predictable journey – defined outcomes
- Long term equity like returns
- Pays a positive return in all but the bleakest of markets
- Simple products with probable outcomes
- Capital is protected at maturity up to a defined level
- Counterparty risk is the same as senior unsecured bonds
- Backed by expertise
- Liquidity
- Lower costs



How

Another way



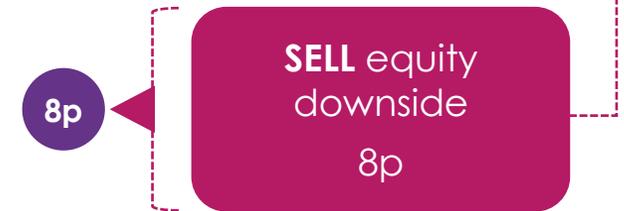
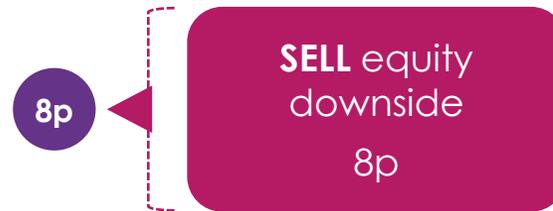
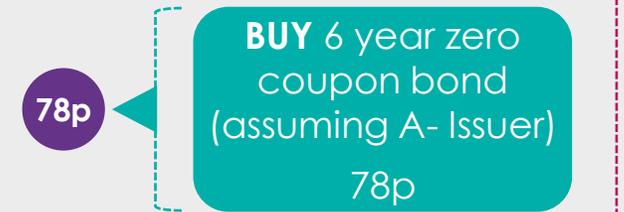
Source: Atlantic House

Building Blocks

STEP 1 Buy Zero Coupon Bond

STEP 2 Sell Equity Downside

STEP 3 Buy Equity Upside



Terms

- **Length:** 6 years
- **Issuer:** Same A- Issuer
- **Currency:** GBP

Source: Bloomberg/Atlantic House

Bespoke decumulation case study



Retirement is a very personal thing

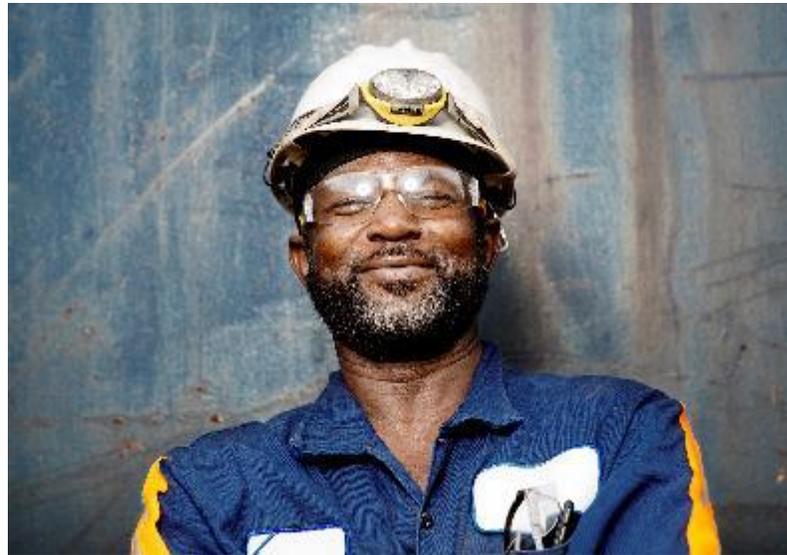
Scenario A

“On course to achieve the planned retirement I had dreamed of”



Scenario B

“Still able to enjoy retirement but my pension will need to deliver a sustainable return of between 3% and 5% per annum if I am to maintain my lifestyle”



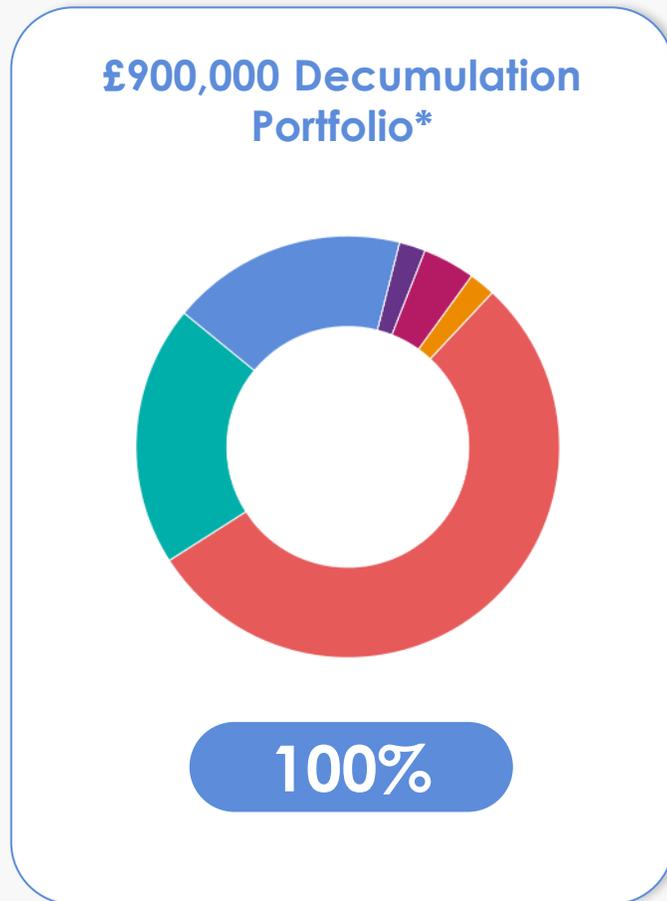
Scenario C

“My retirement planning hasn't gone to plan and so I need to change my expectations or increase the risk in my portfolio to achieve my income requirements”



Scenario B: Example Portfolio

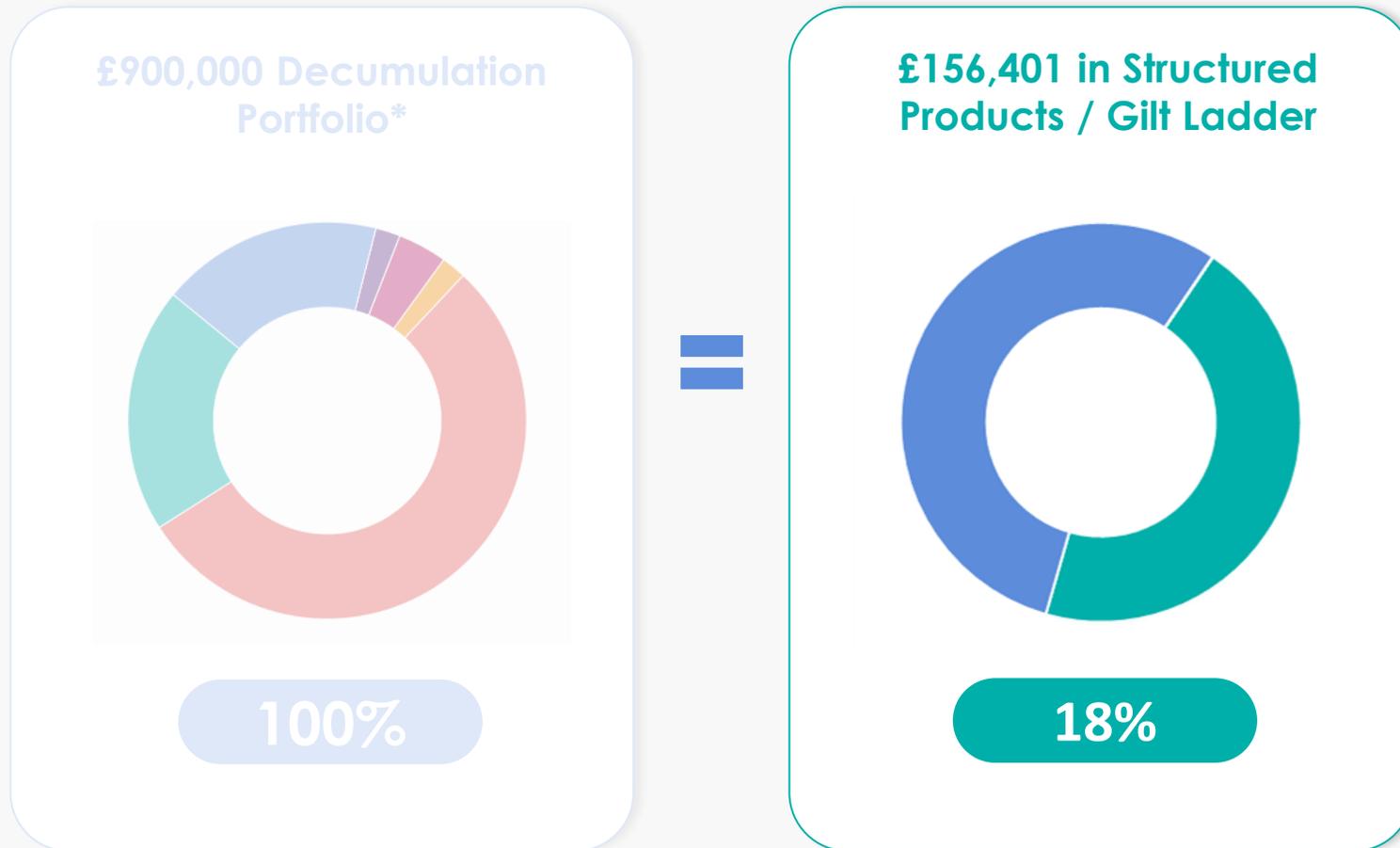
£1,000,000 less the £100,000 kept back in cash for years 1 and 2, leaving £900,000 for investment.



*For illustration purposes only. Source Evelyn Partners

Scenario B: Example Portfolio

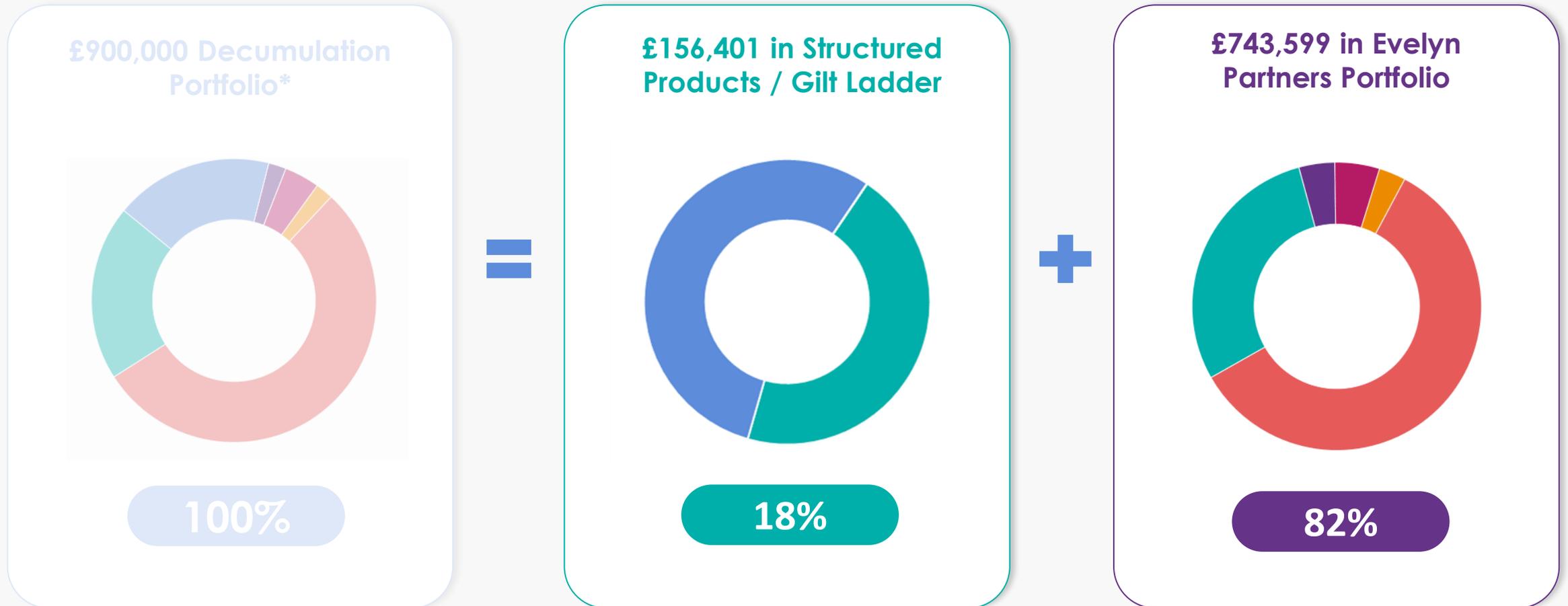
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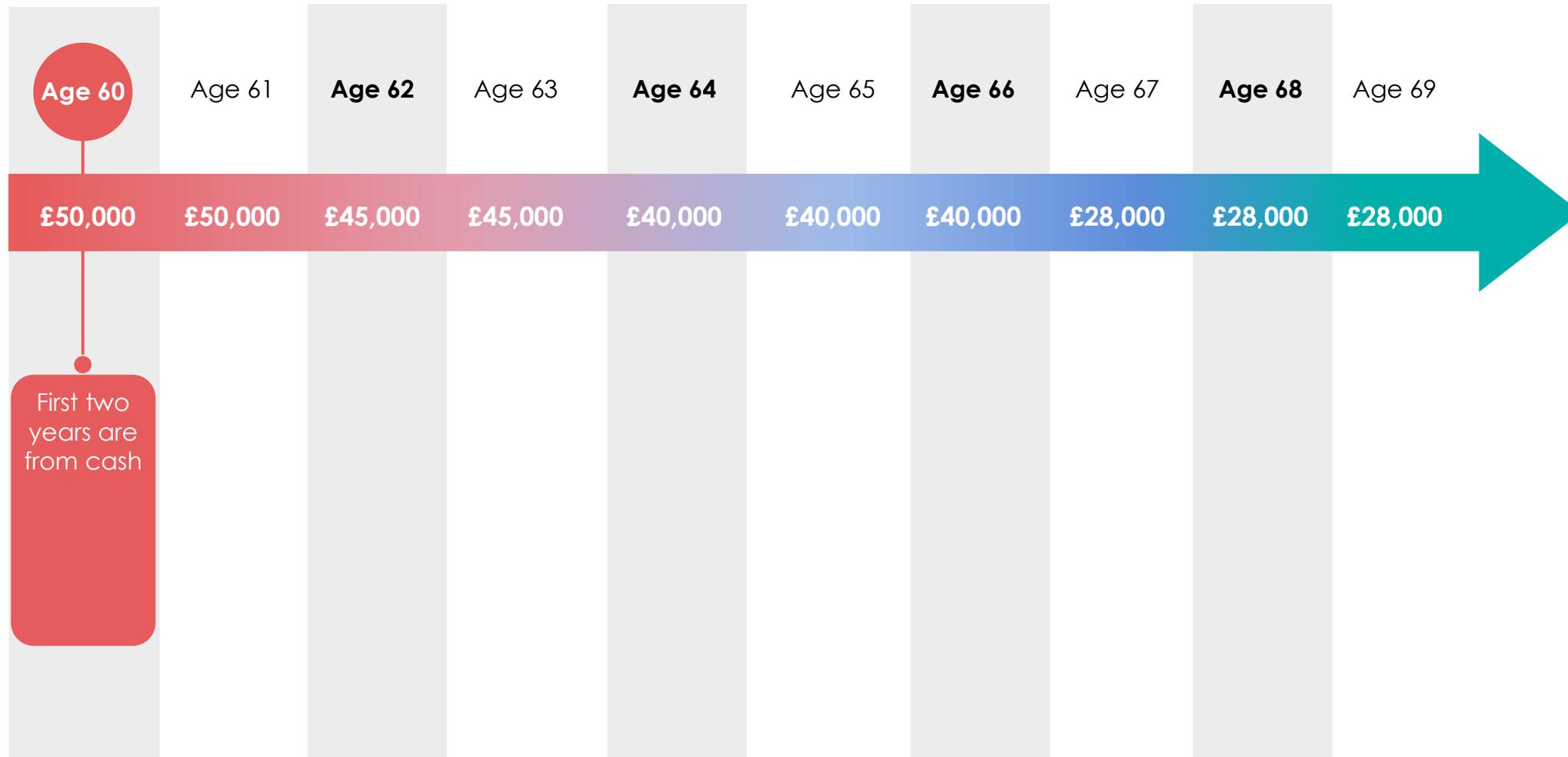
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Scenario B: Income requirement

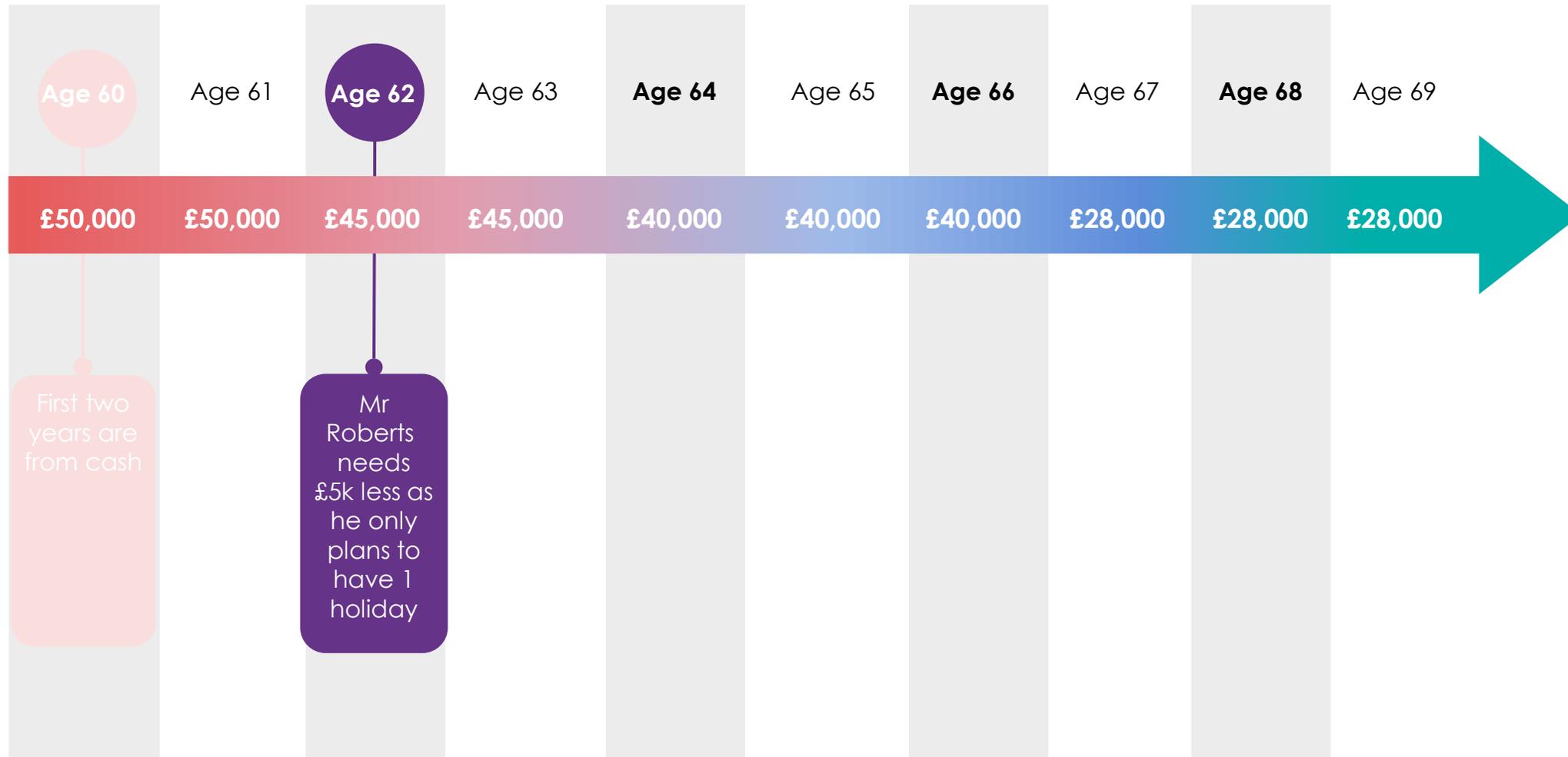
Setting annual income liability



*Assuming strategy 4

Scenario B: Income requirement

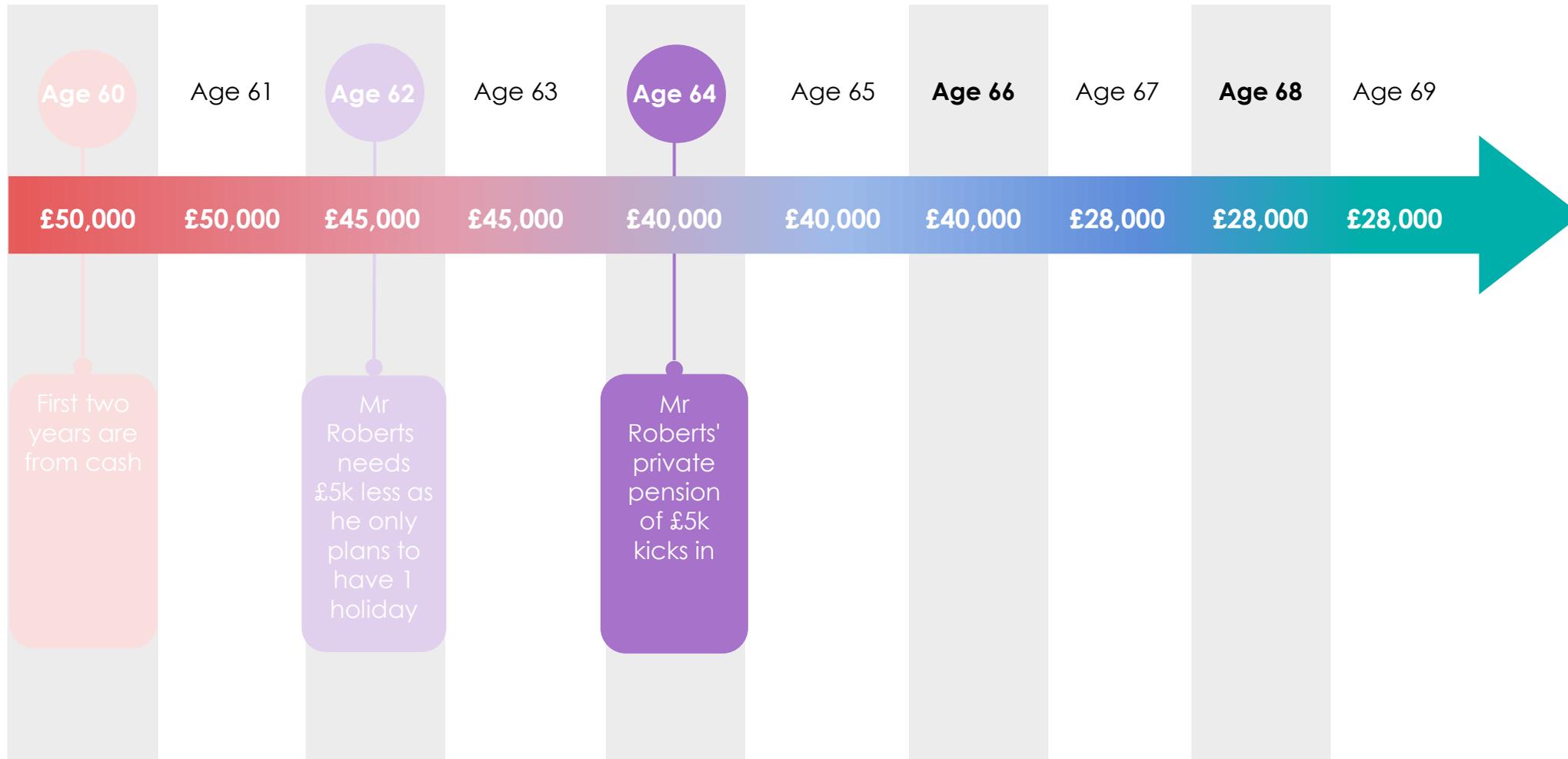
Setting annual income liability



*Assuming strategy 4

Scenario B: Income requirement

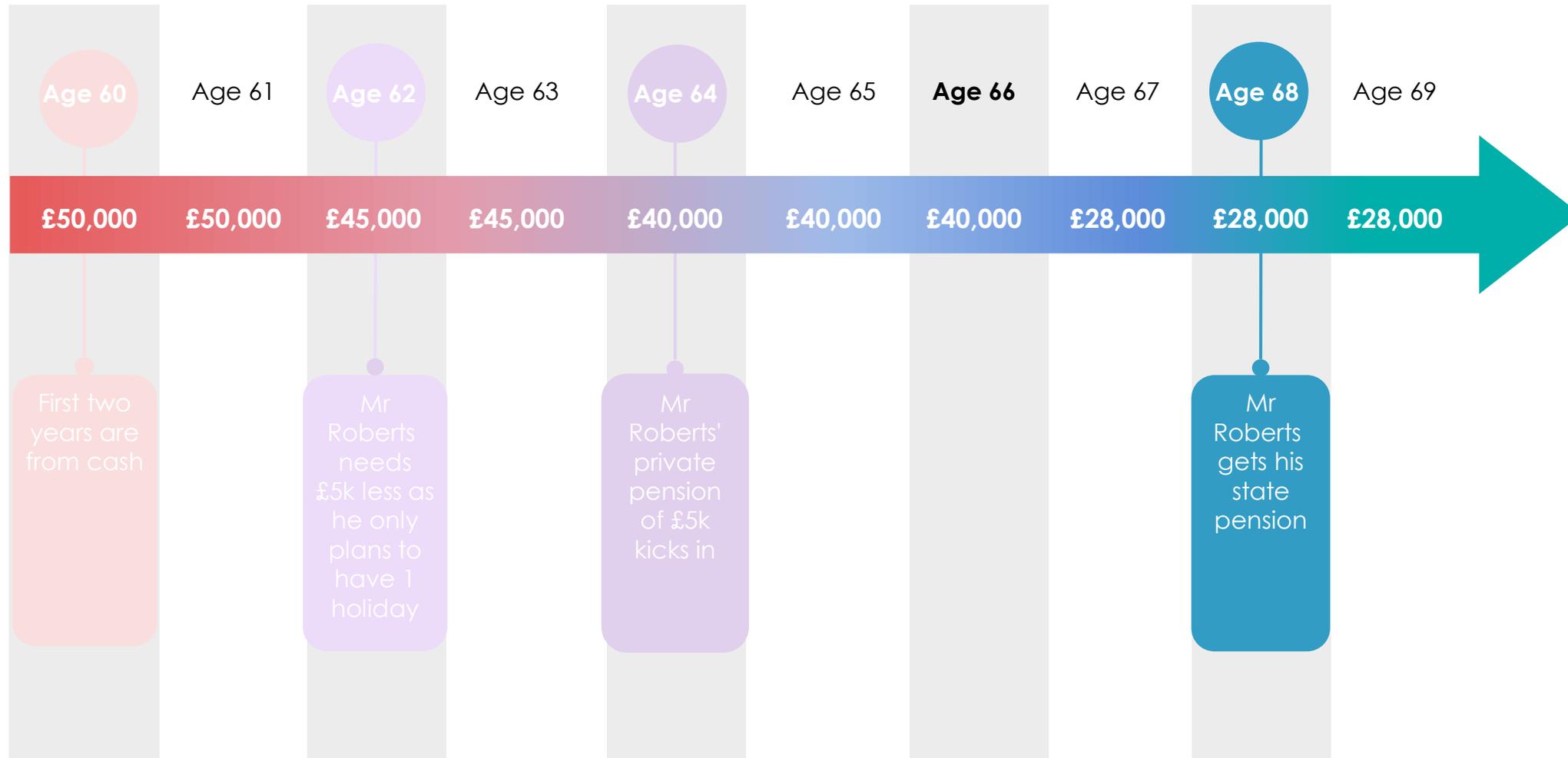
Setting annual income liability



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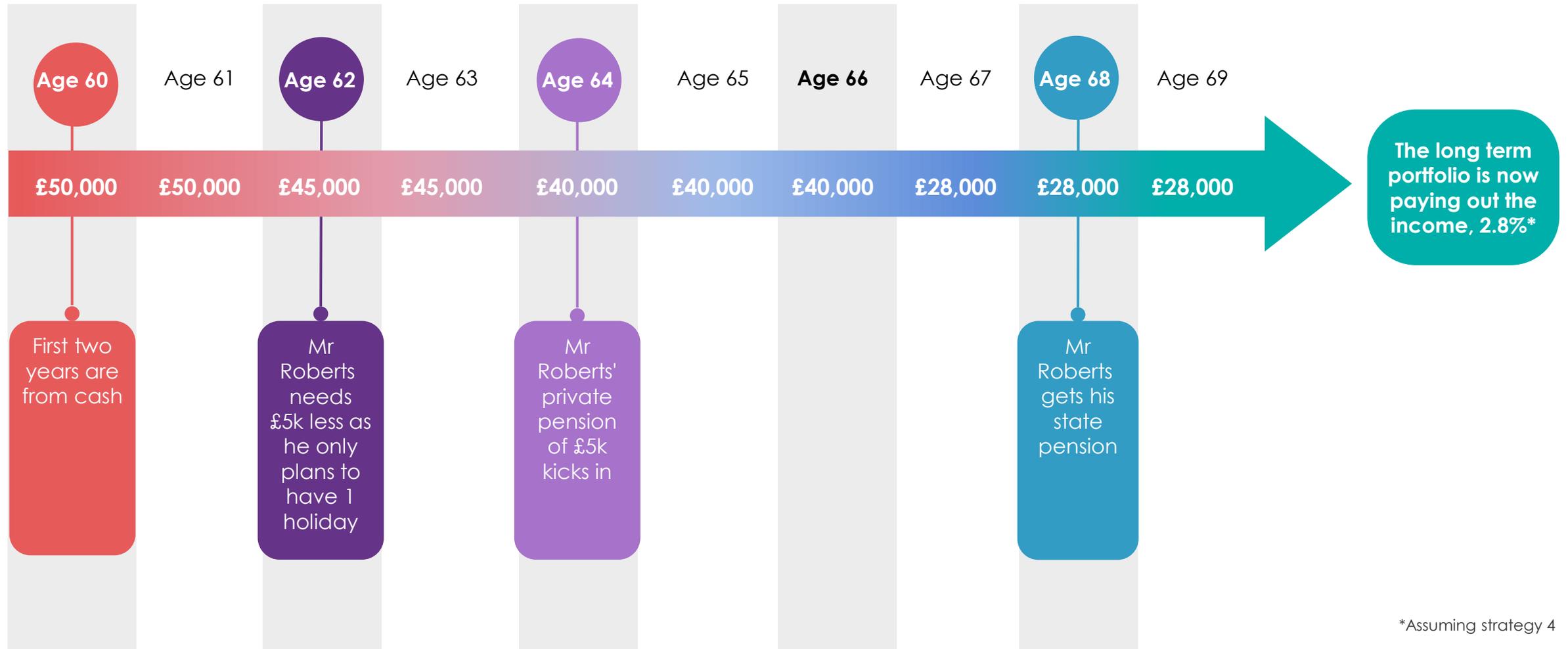
Setting annual income liability



*Assuming strategy 4

Scenario B: Income requirement

Setting annual income liability



*Assuming strategy 4

Scenario B: Applying the decumulation strategy

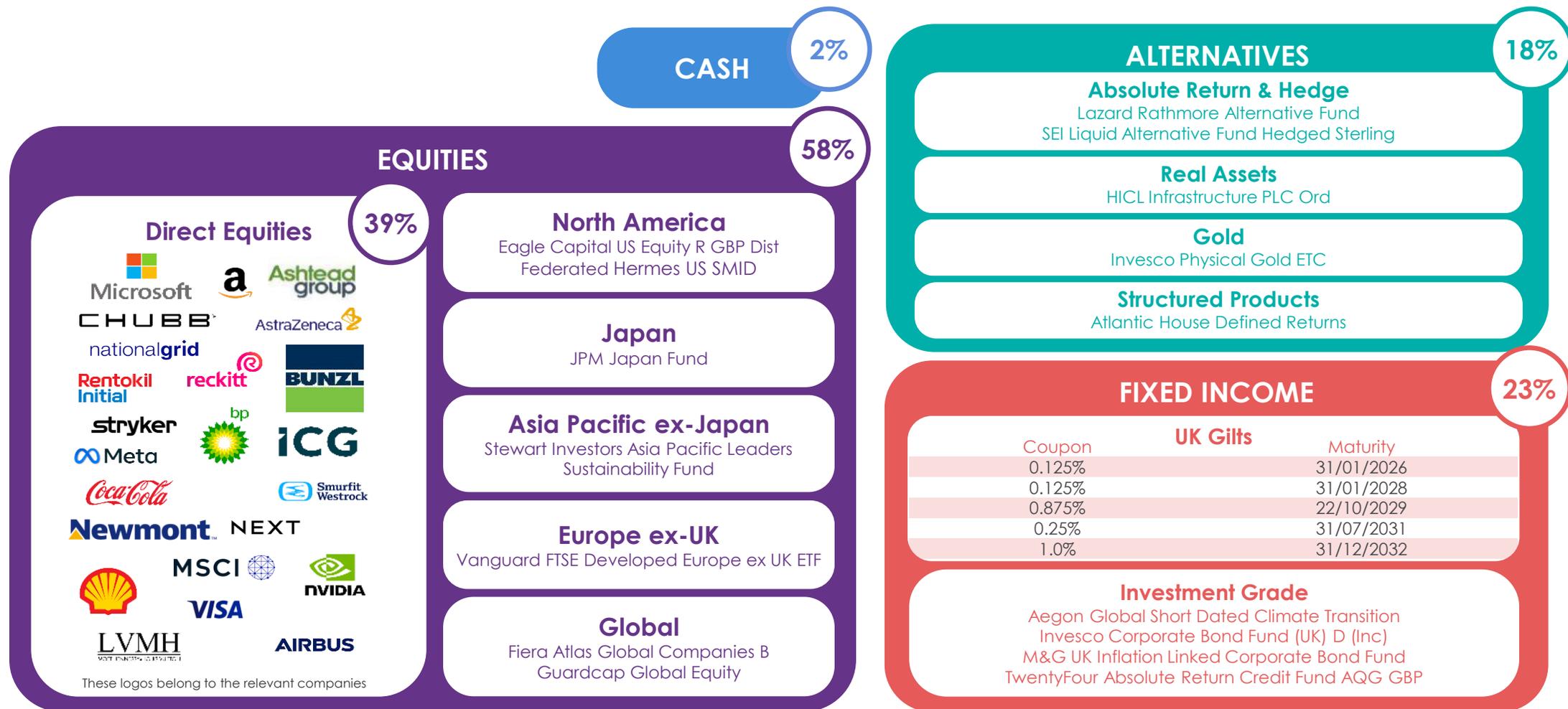
Delivering on the objective of the clients changing income requirement

Gilt/Structured Product	Investment	Maturity date	Gross redemption yield	Payout
UK Treasury 3.5%	£21,075	Oct-2025	4.46%	£22,500
UK Treasury 1.5%	£20,394	Jul- 2026	4.01%	£22,500
MS 35.1% FTSE-ESTX	£17,703	Aug-2027	7.51%	£22,500
Barclays 40.5% UK US Zero	£18,107	Oct-2027	8.32%	£22,500
JP Morgan 55.2% FTSE / S&P Digital Zero	£14,431	May-2028	8.50%	£20,000
CS UK/US 59% Zero	£14,571	Sep-2028	8.32%	£20,000
CS 62.25% FTSE-Eurostoxx	£12,815	Oct-2029	9.31%	£20,000
BNP FTSE 100 EuroStoxx 61.5% Zero	£13,113	Oct-2029	8.81%	£20,000
CIBC 6.5 year FTSE S&P Digital 58.73%	£12,437	May-2030	8.24%	£20,000
MS FTSE Digital 67.5%	£11,756	Sep-2030	9.26%	£20,000
Total	£156,402		Total	£210,000

For illustration purposes only.

Source: Evelyn Partners as at 03 Sept 2024. Gross redemption yields are based on current price, not the strike price.

Decumulation Discretionary Portfolio



Past performance, or any yields quoted, should never be considered a reliable indicator of future returns. This is not advice to invest, or to use any of our services.

For illustrative purposes only. Asset allocation is subject to change.

Source: Morningstar Portal and Evelyn Partners Investment Management Services Limited . As at 11 February 2025.

Our bespoke service



Discretionary Portfolio Service

The Evelyn Partners Discretionary Portfolio Service (DPS) is our flagship, bespoke Investment management service

Our dedicated Investment Manager can invest in a wide range of investment vehicles, such as;

- Active and Passive funds
- Direct equities and fixed interest
- Structured products
- Investment trusts
- Alternatives
- Cash

All delivered through Evelyn Partners' range of bespoke investment solutions



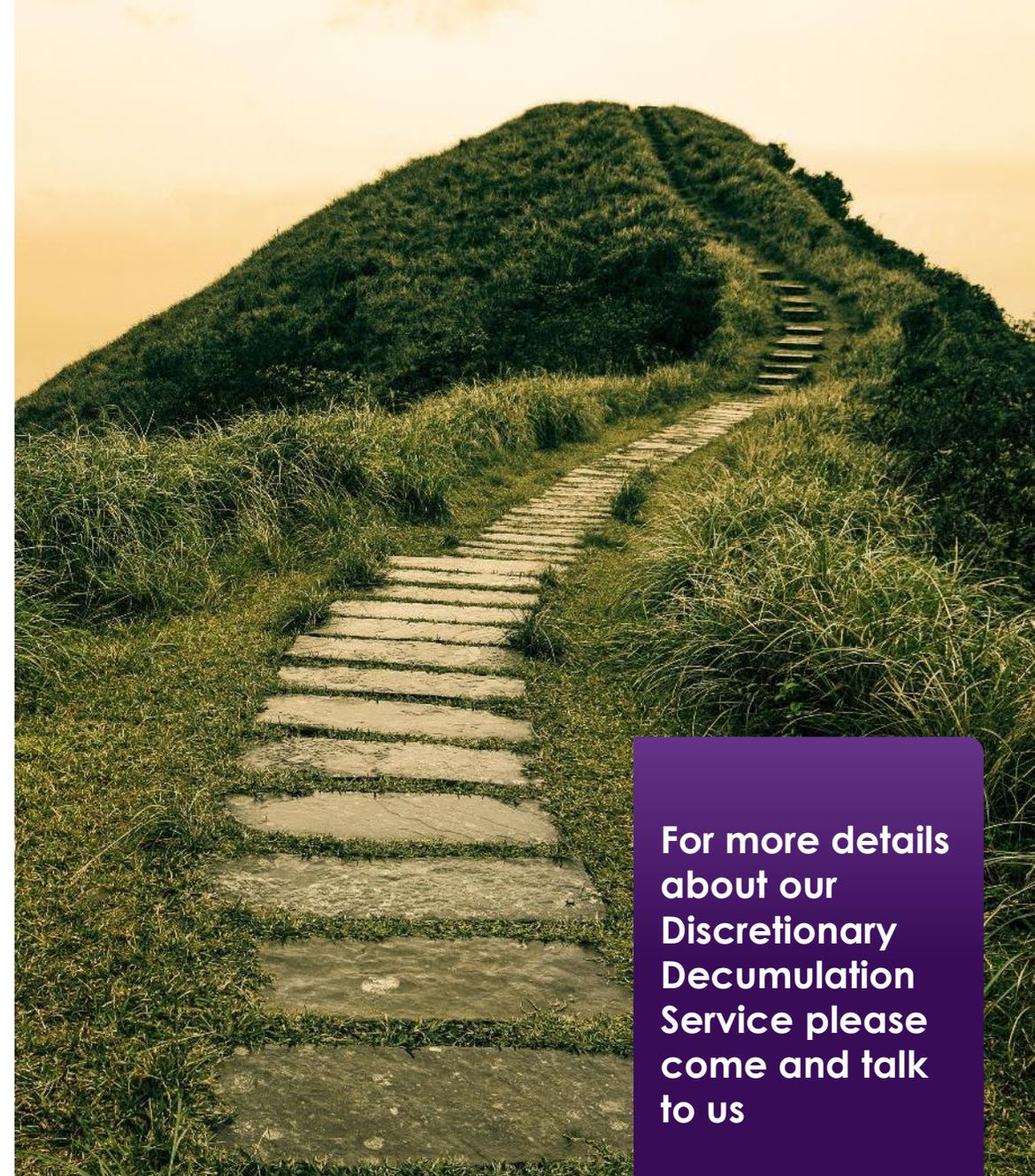
The proposition

meets the needs of clients with over £250,000 to invest.

Further 'value added' services available

Summary

- **Fast growing and high focus sector**
- **Dealing with additional risks your clients will face**
- **A bespoke solution**
- **Beyond a basic 60:40 solution**
- **Dedicated investment manager**



**For more details
about our
Discretionary
Decumulation
Service please
come and talk
to us**

Learning outcomes

Outcome 1

To be able to describe Gilts and how/why to use Gilt ladders within a portfolio.

Outcome 2

To be able to describe Structured products and their role in retirement planning.

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To leave the session with new ideas on how to work with their clients during their retirement phase.

Always remind your clients...

This presentation is solely for professional advisers and should not be construed as investment advice - not for use by or distribution to retail investors.

Nothing in this presentation is intended to constitute advice or a recommendation, and you should not take any investment decision based on its content. Our opinions may change without notice.

The value of an investment, and the income from it, may go down as well as up and you may get back less than you originally invested.

Past performance is not a guide to future performance.

Examples of specific stocks or sectors are included solely to illustrate the investment process and strategies which may be utilised by the Portfolio Manager and should not be considered as a recommendation or advice relating to the acquisition or disposal of investments.

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