Laddered solutions for retirement

Adrian Lowcock, Investment Communications Director

Introducing Evelyn Partners for Financial Advisers

evelyn PARTNERS

Personalised, expert wealth management advice

Providing investment solutions to financial intermediaries for their clients

£63bn
Assets under management

25
offices across the UK, Ireland and the Channel Islands

180k+
Clients

190 years
Experience

500+
professional adviser firms supported

326
Investment Managers

Helping you help your clients

As of 31 December 2024

Awards

Investment Management Awards

PAM Award 2024
Investment performance – Cautious Portfolios

STEP Private Client Award 2024
Investment Team of the Year

Past performance is not a guide to future performance.

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

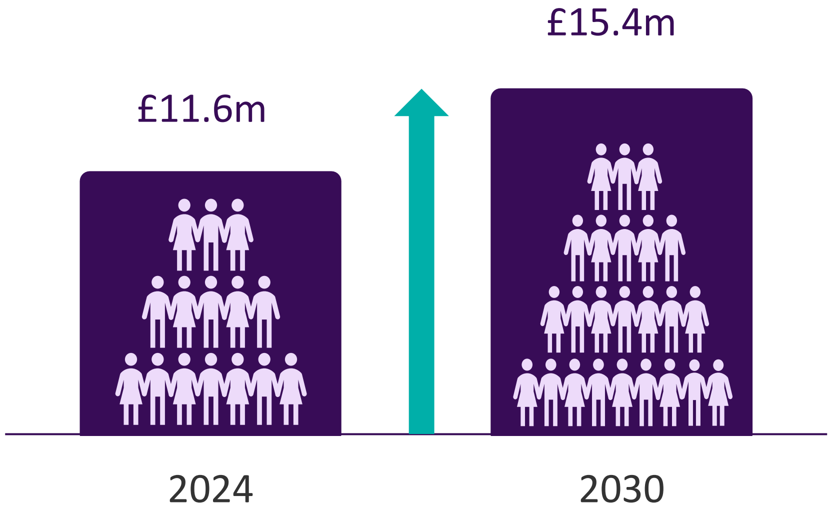
The current landscape

Go-go years

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

The current landscape

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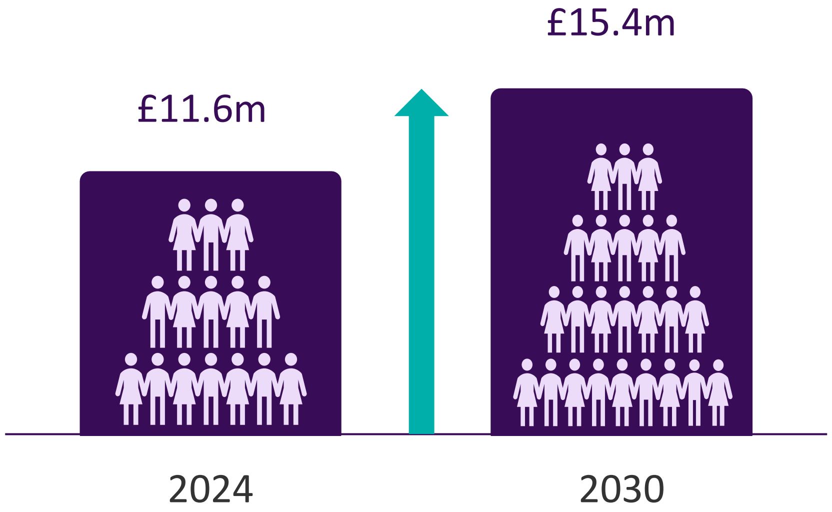

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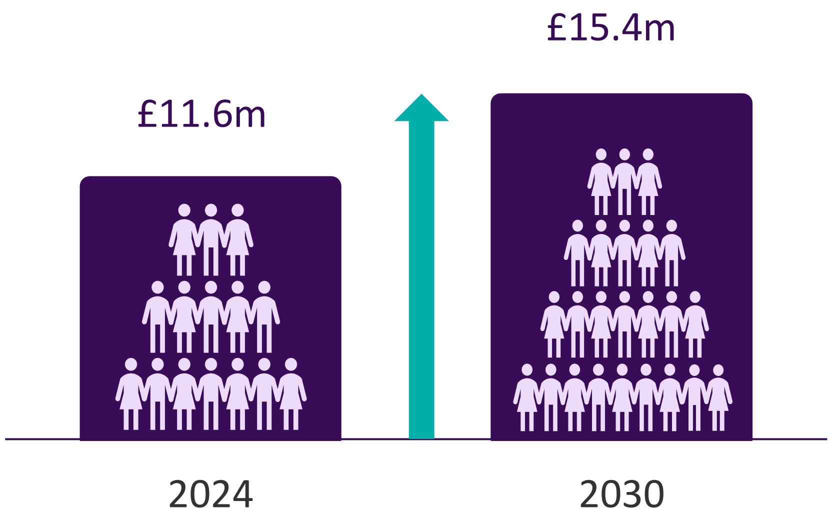

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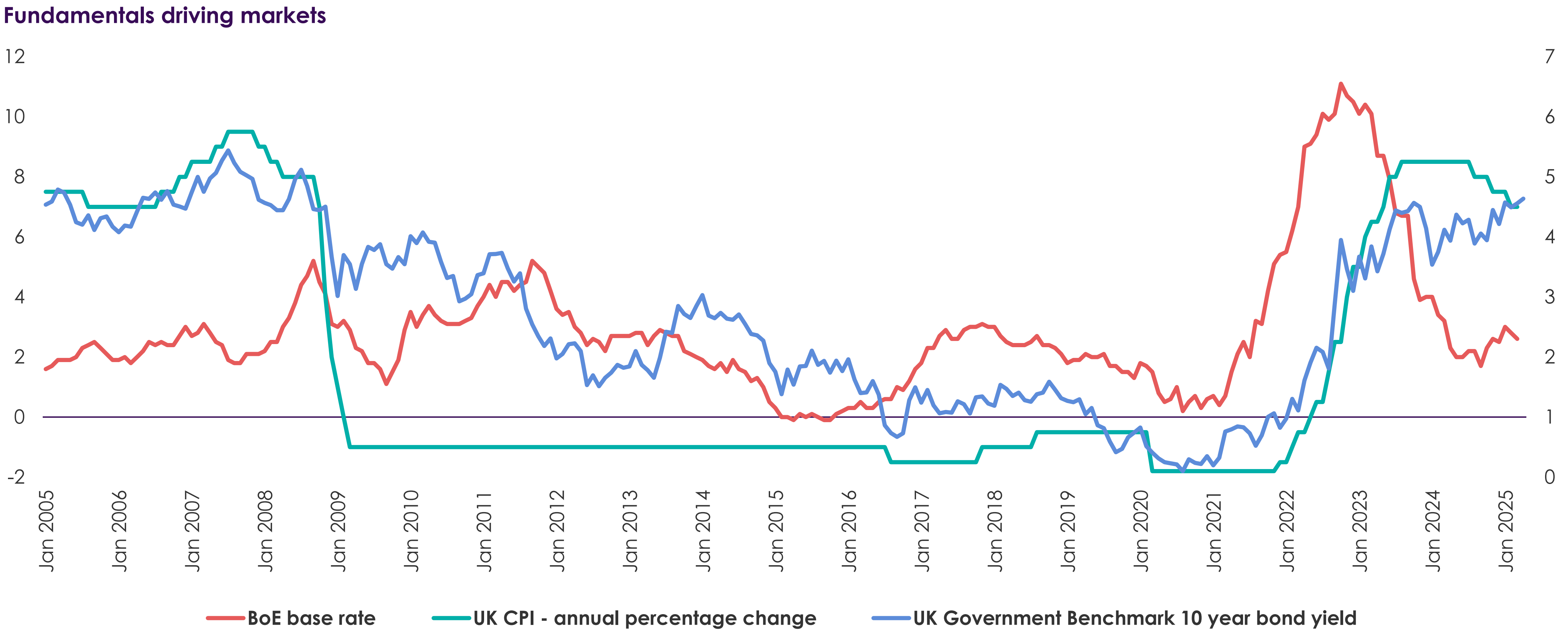
Volatile markets

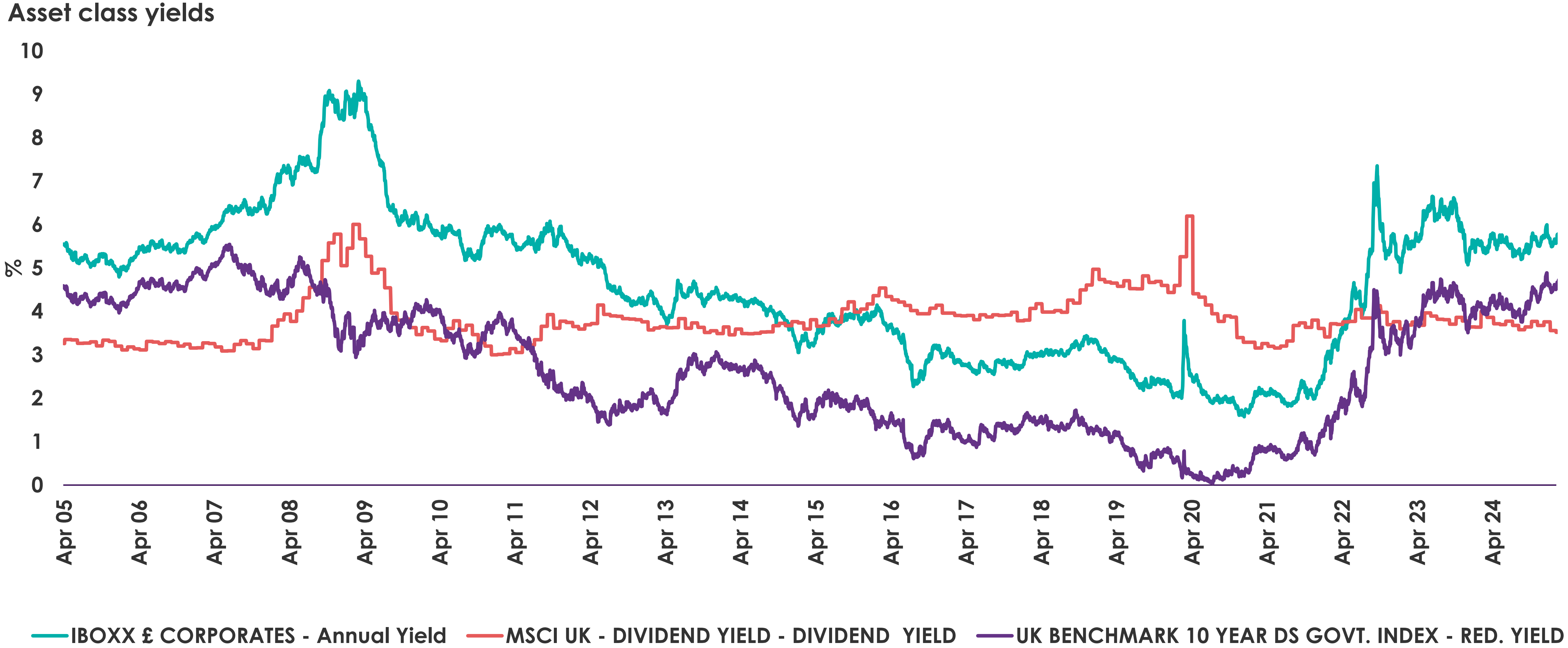
Outside influences effecting markets

The current landscape



Source: LSEG Datastream/Evelyn Partners, data as at 01/04/2025

Income yields have risen across all asset classes



Source: LSEG Datastream/Evelyn Partners data as at 25/04/2025

The decumulation conundrum

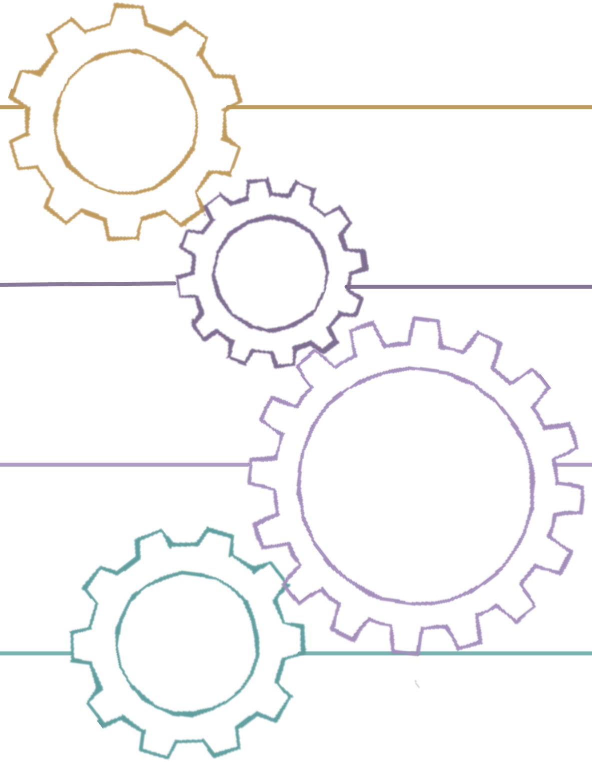
"The nastiest and hardest problem in finance"

William F. Sharpe

What is decumulation?

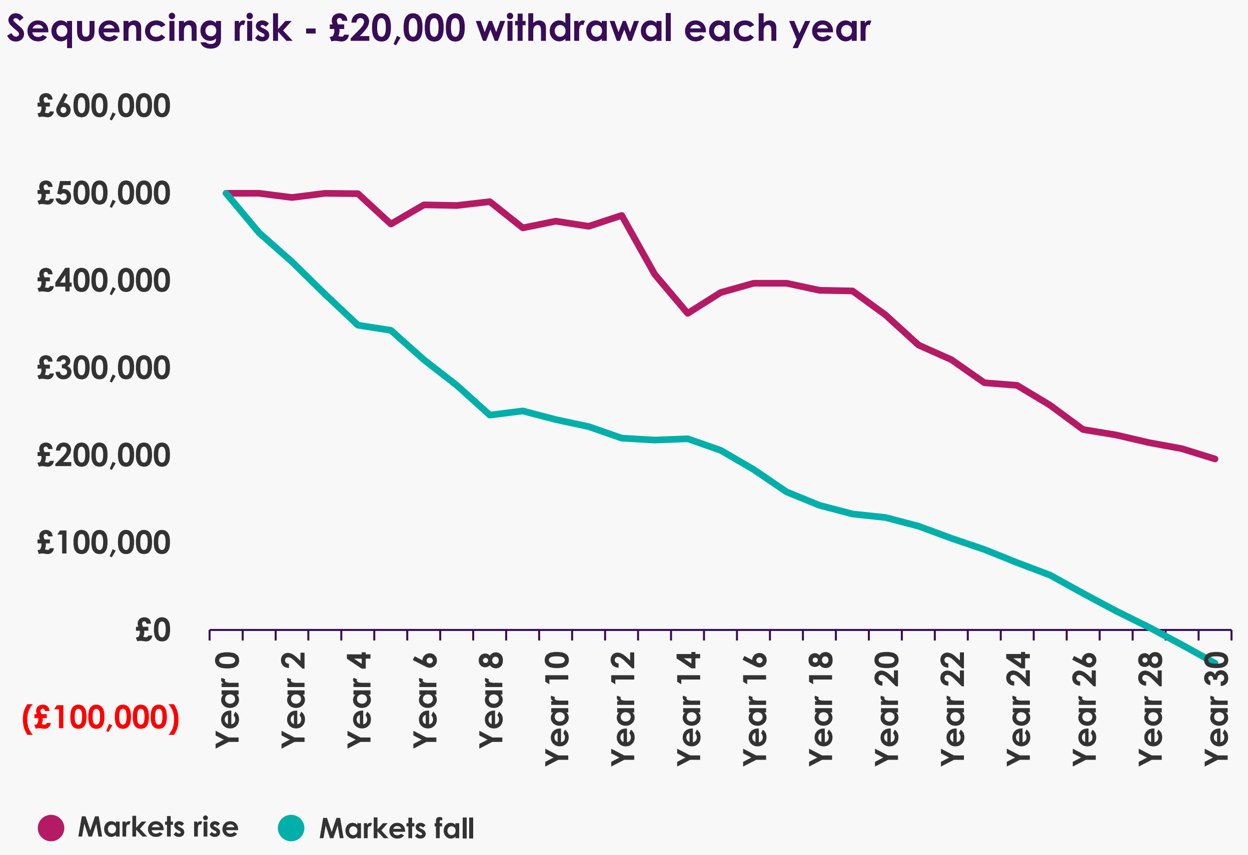
Refers to the process after retirement when you shift from accumulating wealth to spending it

Accumulation	Decumulation
Saving for retirement	**Spending from savings**
Net cash contribution	Net cash drawdown
Asset growth	Focus on return certainty
Long-term investment horizon	Shorter investment horizon
Attitude to risk	Sensitivity to risk



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



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

The personal touch is needed in retirement

Why?

- **Single portfolio designed only to meet the models Asset Allocation**
- **Objectives can change to reflect the stage in retirement**
- **Portfolios can be designed for decumulation phase**
- **Fully flexible**
- **Tailored for your client**

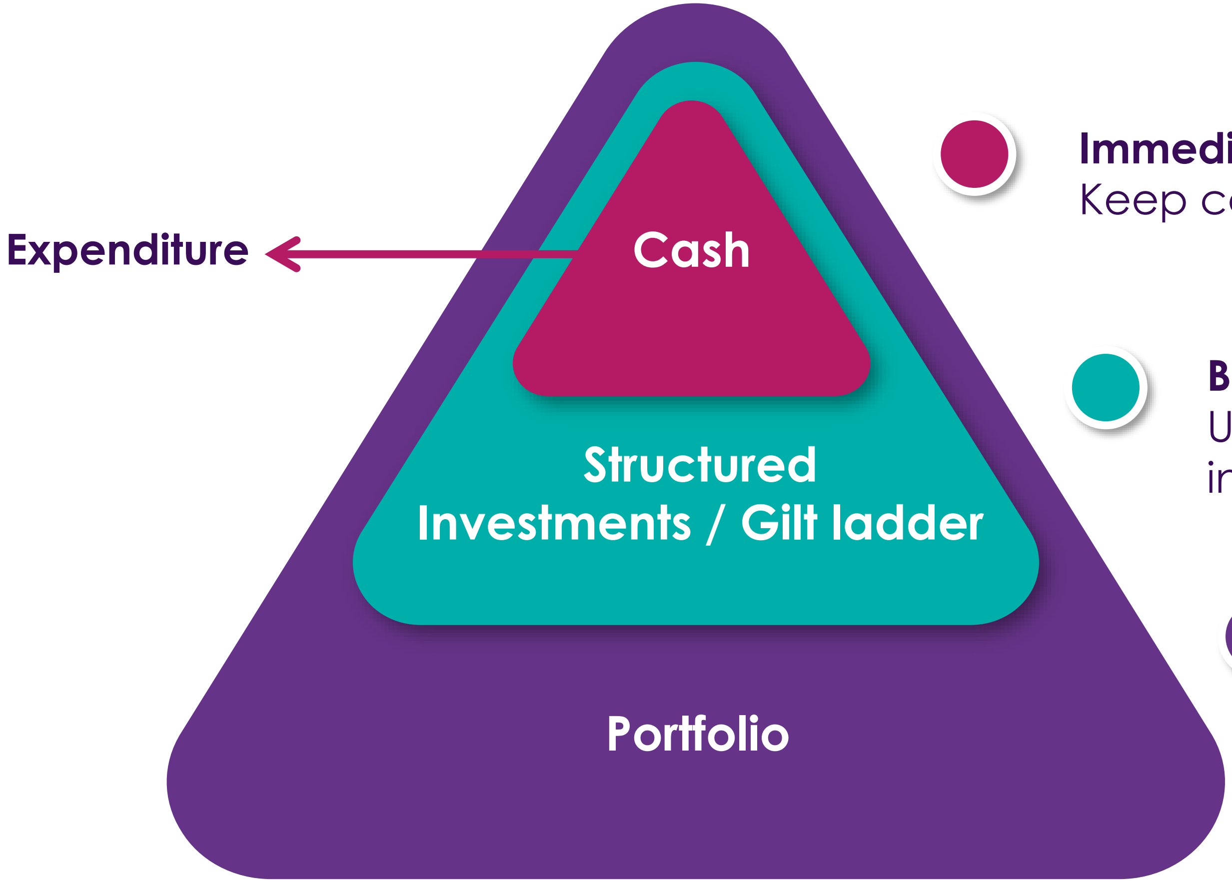
FCA review key findings

What are the key areas for improvement highlighted by the FCA review?

1. **When moving into decumulation attitude to risk and capacity for loss will need to be reassessed.**
2. **Firms to illustrate the longevity of income in a range of stress tested scenarios.**
3. **It is unlikely using the same rate of sustainable withdrawal will meet all clients needs.**
4. **Firms should supplement standard risk profiling with detailed discussion on retirement income needs.**

Discretionary decumulation strategy

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



Immediate and short term
Keep cash back for years 1 and 2

Beyond the first few years
Use a variety of structured investments for the next 4-5 years

Longer term
The portfolio remains untouched to grow capital

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?

Bank Accounts	NS&I	UK Government Gilts
c. 4.56% gross	c. 3.54% gross	5%+ (equivalent)
Default risks on values above £85,000	Minimal default risk	Minimal default risk
Taxable at highest marginal rate (45%)	£1 million limit per person per product	Increased equivalent returns
	Lower return	Minimal tax
		No limit

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)

£1,000,000

Instant access bank account:

4.56% interest

+ £45,600

40% tax

- £18,240

£27,360

UK treasury bond 1.5% 07/2026:

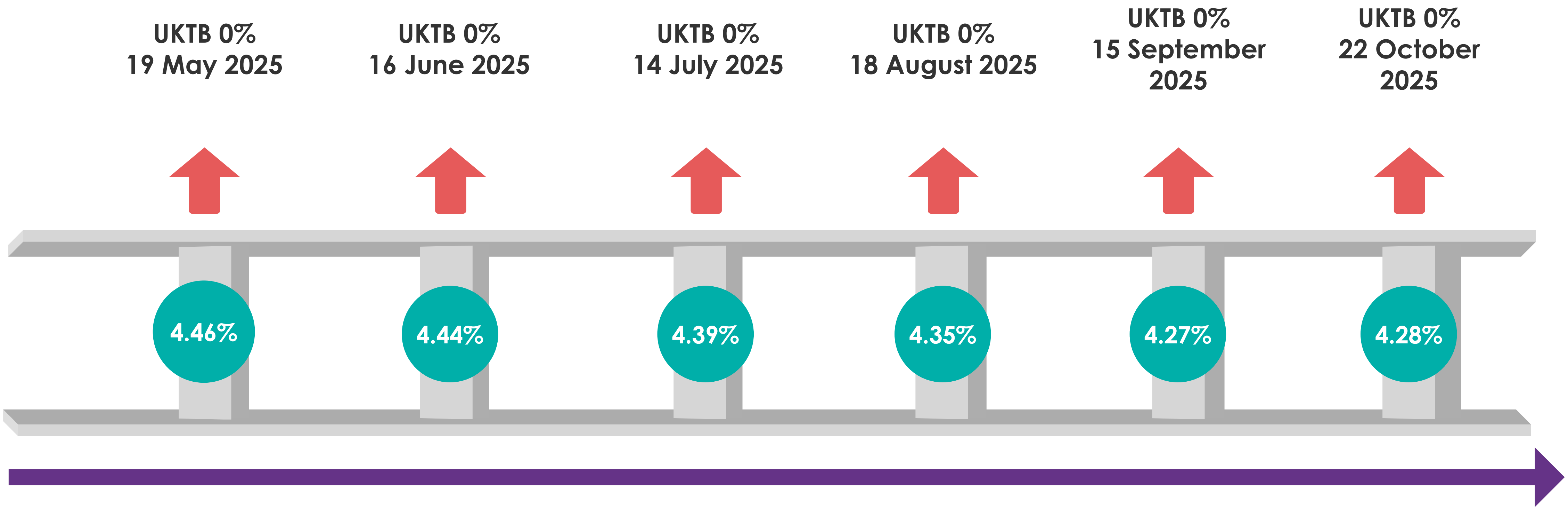
1.5% interest	2.19% capital
+ £15,000	+ £21,900
40% tax	tax-free
- £6,000	
£9,000	£21,900

£30,700

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

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 23 April 2025

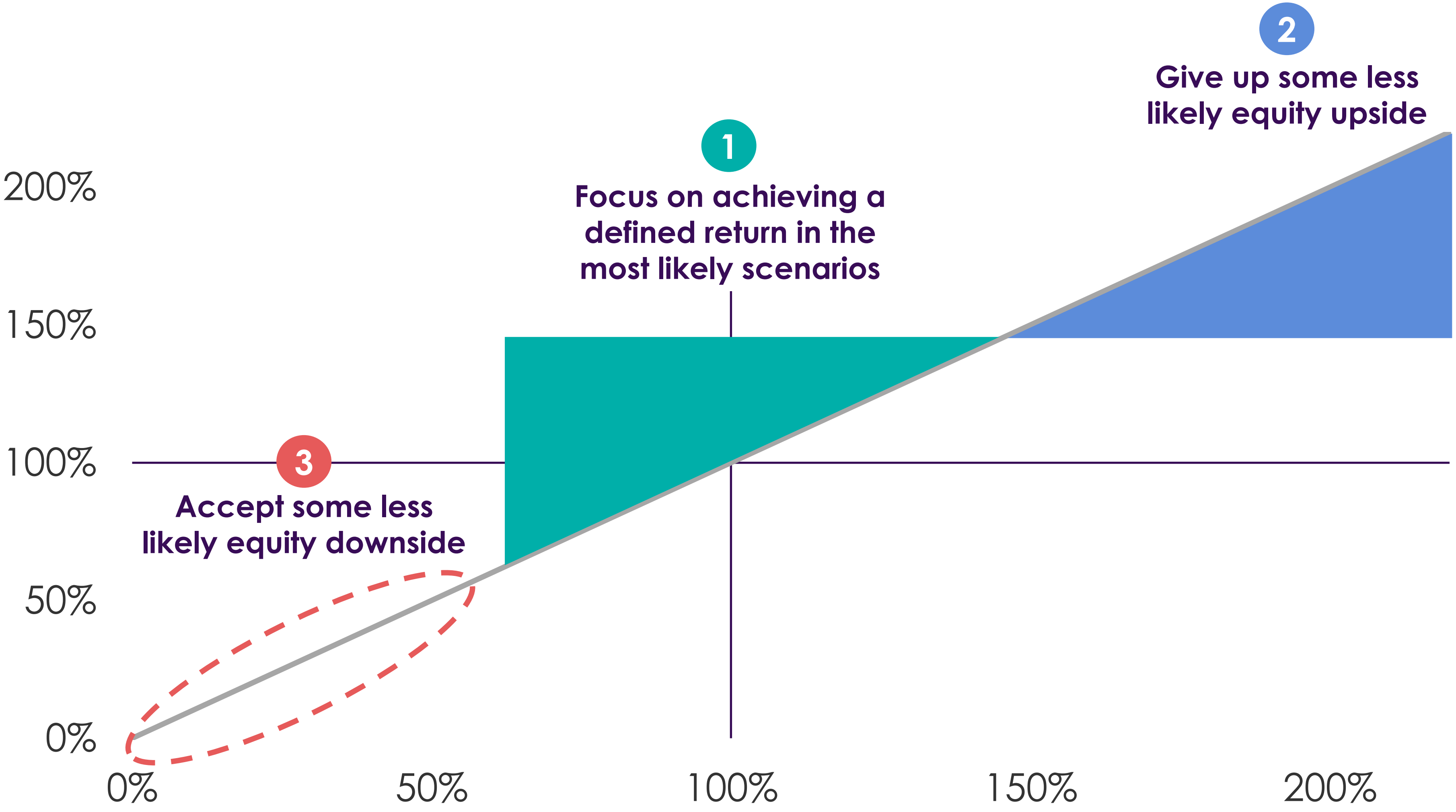
How structured products work

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

22p

78p
BUY 6 year zero coupon bond
78p

STEP 2
Sell Equity Downside

22p

78p
BUY 6 year zero coupon bond
78p

8p
SELL equity downside
8p

STEP 3
Buy Equity Upside

30p
BUY equity upside, after 1% fees
29p

78p
BUY 6 year zero coupon bond (assuming A- Issuer)
78p

8p
SELL equity downside
8p

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

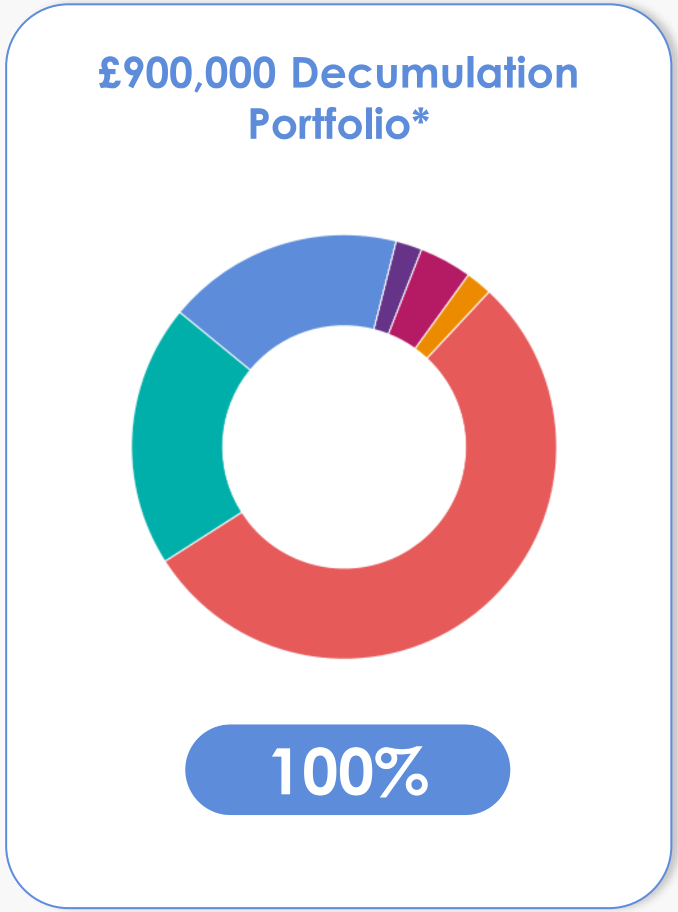
"Still able to enjoy retirement but my pension will need to deliver a sustainable return of between 3% and 5% per annum if I am to maintain my lifestyle"

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.

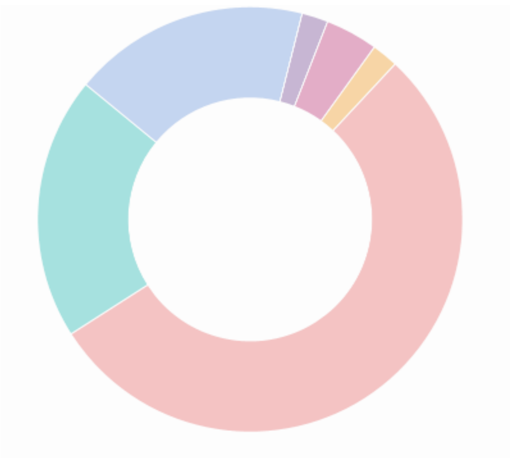


*For illustration purposes only. Source Evelyn Partners

Scenario B: Example Portfolio

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

£900,000 Decumulation Portfolio*



100%

=

£156,401 in Structured Products / Gilt Ladder

18%

*For illustration purposes only. Source Evelyn Partners

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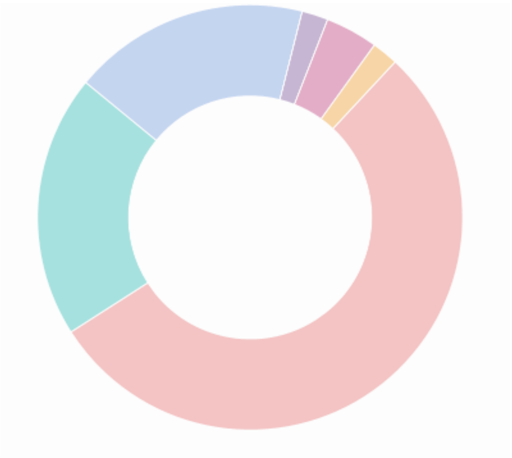


100%

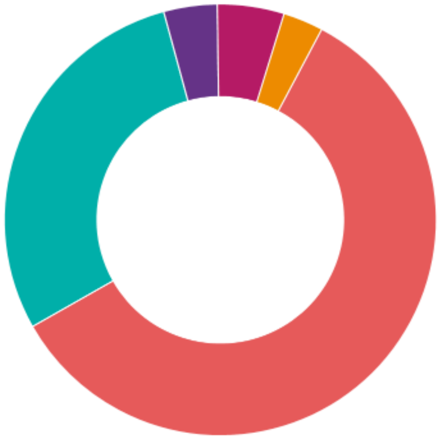
=

£156,401 in Structured Products / Gilt Ladder

18%

+

£743,599 in Evelyn Partners Portfolio



82%

*For illustration purposes only. Source Evelyn Partners

Scenario B: Income requirement

Setting annual income liability

Age 60	Age 61	Age 62	Age 63	Age 64	Age 65	Age 66	Age 67	Age 68	Age 69
£50,000	£50,000	£45,000	£45,000	£40,000	£40,000	£40,000	£28,000	£28,000	£28,000

First two years are from cash

*Assuming strategy 4

Scenario B: Income requirement

Setting annual income liability

Age 60	Age 61	Age 62	Age 63	Age 64	Age 65	Age 66	Age 67	Age 68	Age 69
£50,000	£50,000	£45,000	£45,000	£40,000	£40,000	£40,000	£28,000	£28,000	£28,000

Age 60: First two years are from cash

Age 62: Mr Roberts needs £5k less as he only plans to have 1 holiday

*Assuming strategy 4

Scenario B: Income requirement

Setting annual income liability

Age 60	Age 61	Age 62	Age 63	Age 64	Age 65	Age 66	Age 67	Age 68	Age 69
£50,000	£50,000	£45,000	£45,000	£40,000	£40,000	£40,000	£28,000	£28,000	£28,000
First two years are from cash		Mr Roberts needs £5k less as he only plans to have 1 holiday		Mr Roberts' private pension of £5k kicks in					

*Assuming strategy 4

Scenario B: Income requirement

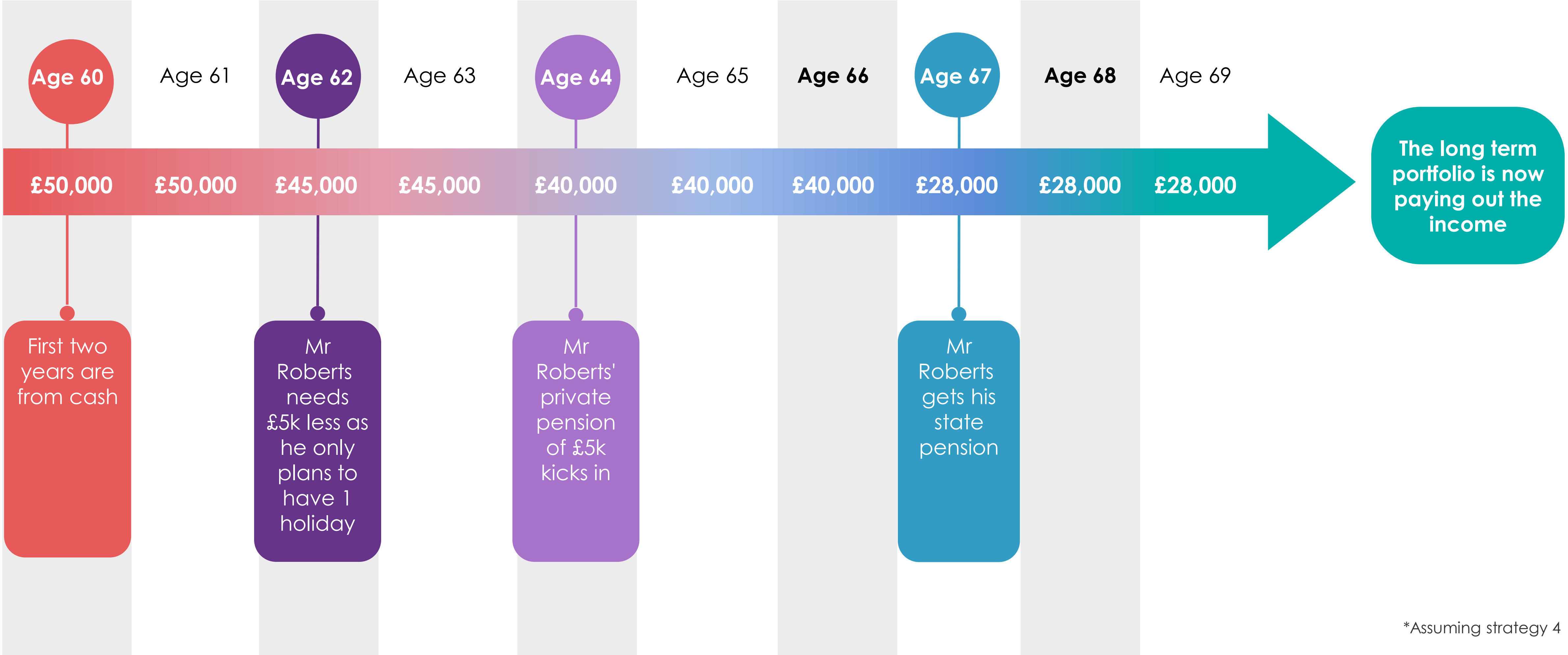
Setting annual income liability

Age	Income	Note
Age 60	£50,000	First two years are from cash
Age 61	£50,000	
Age 62	£45,000	Mr Roberts needs £5k less as he only plans to have 1 holiday
Age 63	£45,000	
Age 64	£40,000	Mr Roberts' private pension of £5k kicks in
Age 65	£40,000	
Age 66	£40,000	
Age 67	£28,000	Mr Roberts gets his state pension
Age 68	£28,000	
Age 69	£28,000	

*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

CASH 2%

EQUITIES 58%

Direct Equities 39%

These logos belong to the relevant companies

North America
Eagle Capital US Equity R GBP Dist
Federated Hermes US SMID

Japan
JPM Japan Fund

Asia Pacific ex-Japan
Stewart Investors Asia Pacific Leaders Sustainability Fund

Europe ex-UK
Vanguard FTSE Developed Europe ex UK ETF

Global
Fiera Atlas Global Companies B
Guardcap Global Equity

ALTERNATIVES 18%

Absolute Return & Hedge
Lazard Rathmore Alternative Fund
SEI Liquid Alternative Fund Hedged Sterling

Real Assets
HICL Infrastructure PLC Ord

Gold
Invesco Physical Gold ETC

Structured Products
Atlantic House Defined Returns

FIXED INCOME 23%

UK Gilts

Coupon	Maturity
0.125%	31/01/2026
0.125%	31/01/2028
0.875%	22/10/2029
0.25%	31/07/2031
1.0%	31/12/2032

Investment Grade
Aegon Global Short Dated Climate Transition
Invesco Corporate Bond Fund (UK) D (Inc)
M&G UK Inflation Linked Corporate Bond Fund
TwentyFour Absolute Return Credit Fund AQG GBP

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.

Learning outcomes

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Our Services

Our Services

Discretionary Portfolio Service (DPS)

Individual portfolios tailored to your client's personal needs with their own Investment Manager

Managed Portfolio Service (MPS)

5 MPS services : Sustainable, Core (low cost), Active managed, Index and MPS Pro (our white labelled service)

AIM Portfolio Service

For clients looking to mitigate IHT over a shorter time frame and who are willing to accept a higher level of risk

Cash & Cautious Bond Portfolio

For investors looking for an alternative to cash. A Low-cost service with no commission or transaction charges

Why choose us

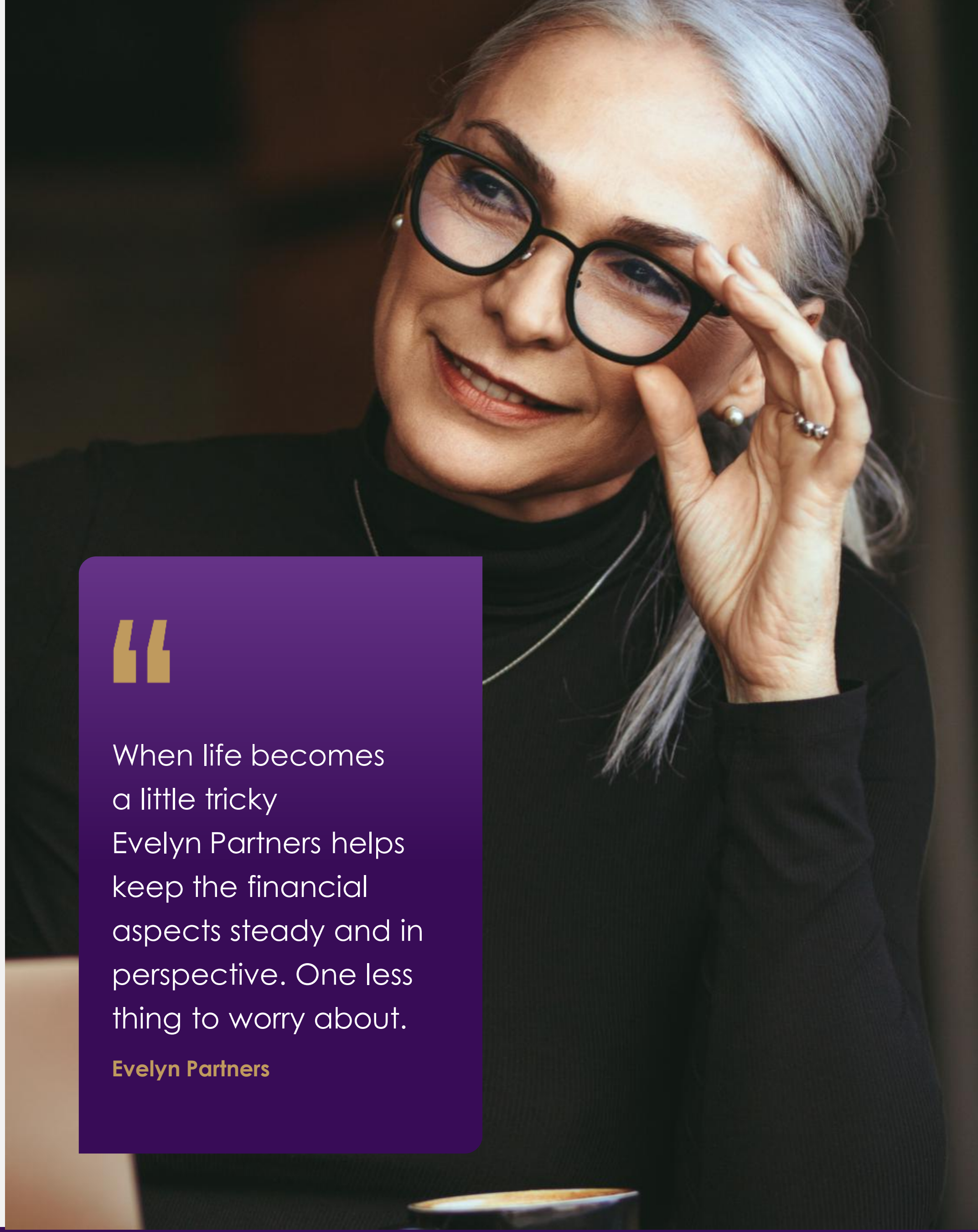
Long track record of working for financial advisers
Peace of mind that we understand what is important to you and your business

A wide range of solutions to suit all client types and values
Allowing you to have the same investment approach for all clients regardless of value

Flexibility in the approach to working with clients
Peace of mind that we understand what is important to you and your business

Proprietary fund selection and optimisation techniques
Demonstrable track record of adding value and protecting on the downside

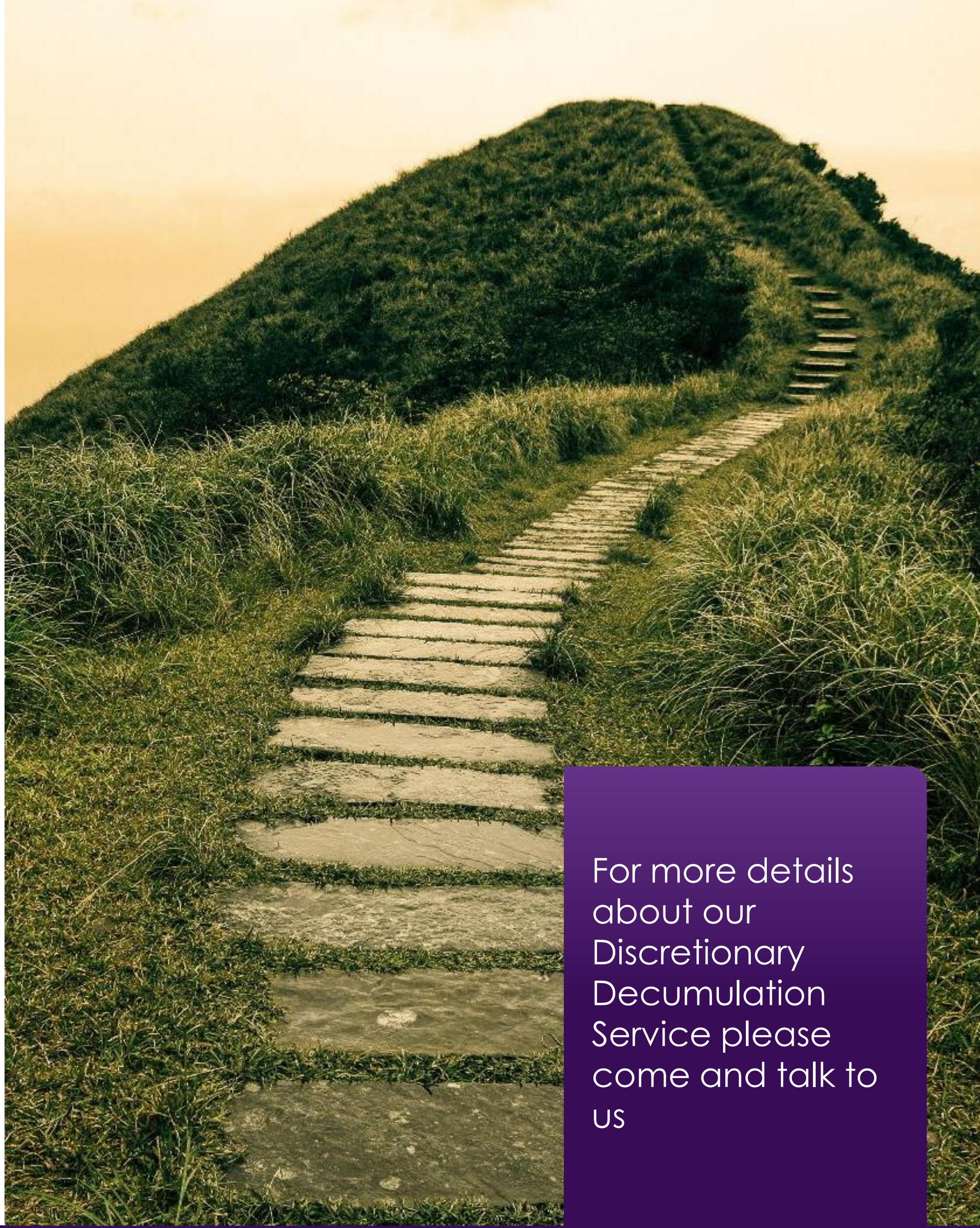
Risk mapping solutions and due diligence support
Combining our approach with your back office for ease of management and compliance



> When life becomes a little tricky Evelyn Partners helps keep the financial aspects steady and in perspective. One less thing to worry about.
>
> **Evelyn Partners**

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 evelyn PARTNERS

Always remind your clients…

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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.

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Past performance is not a guide to future performance.

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