

From saving to spending: Navigating the world of decumulation

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Learning objectives



Understand the forces that will increase the need for retirement advice



Assess the reasons for adopting a different approach in retirement



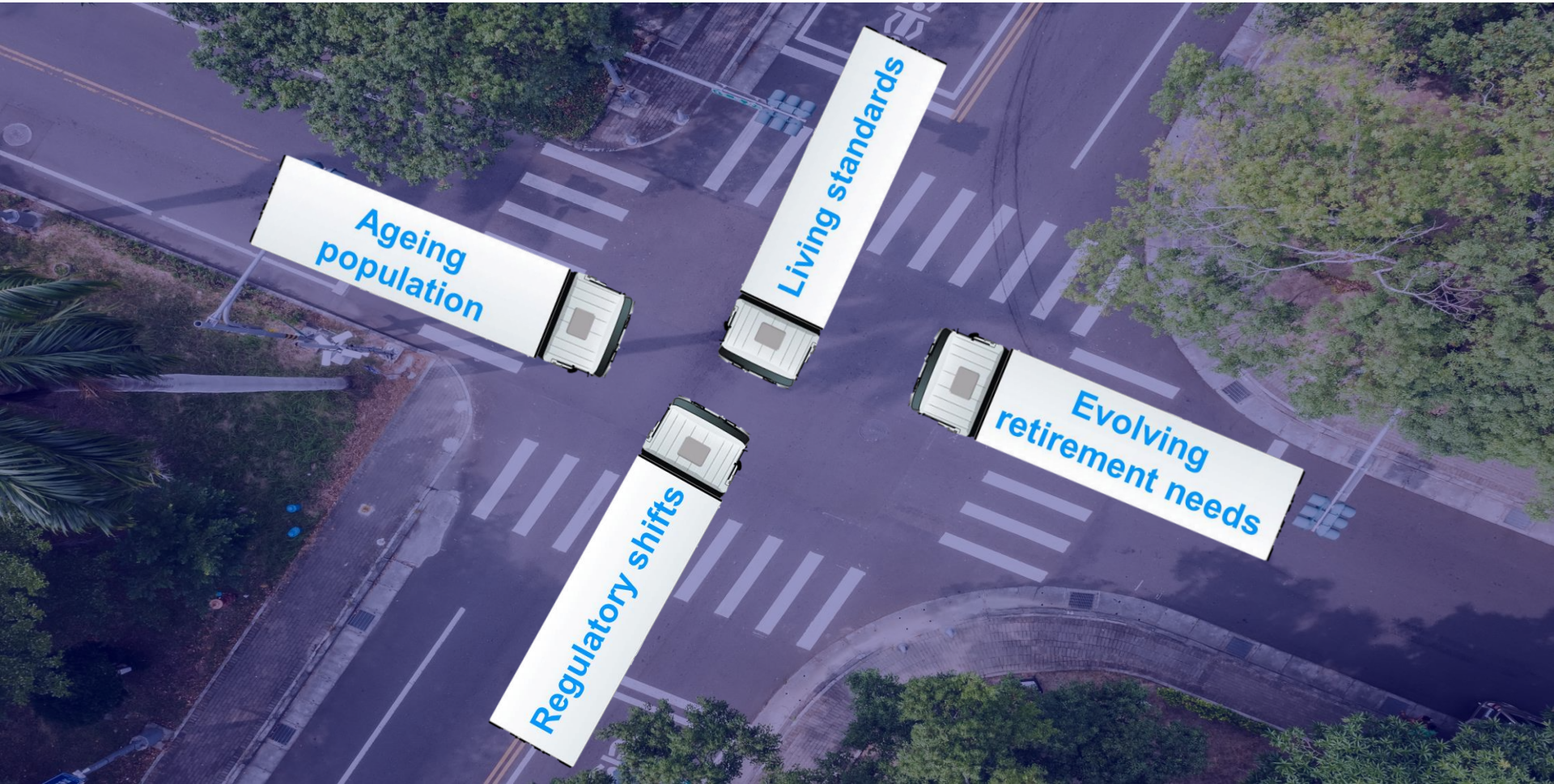
Explore key considerations for building retirement solutions

“Everyone has a plan until they get punched in the face”.

Mike Tyson



The retirement advice market is at a critical cross-road



Ageing
population

Living standards

Evolving
retirement needs

Regulatory shifts

Ageing population

The share of client assets geared towards retirement will continue to grow

By 2050, over **25%** of the UK population is expected to be over **65.**



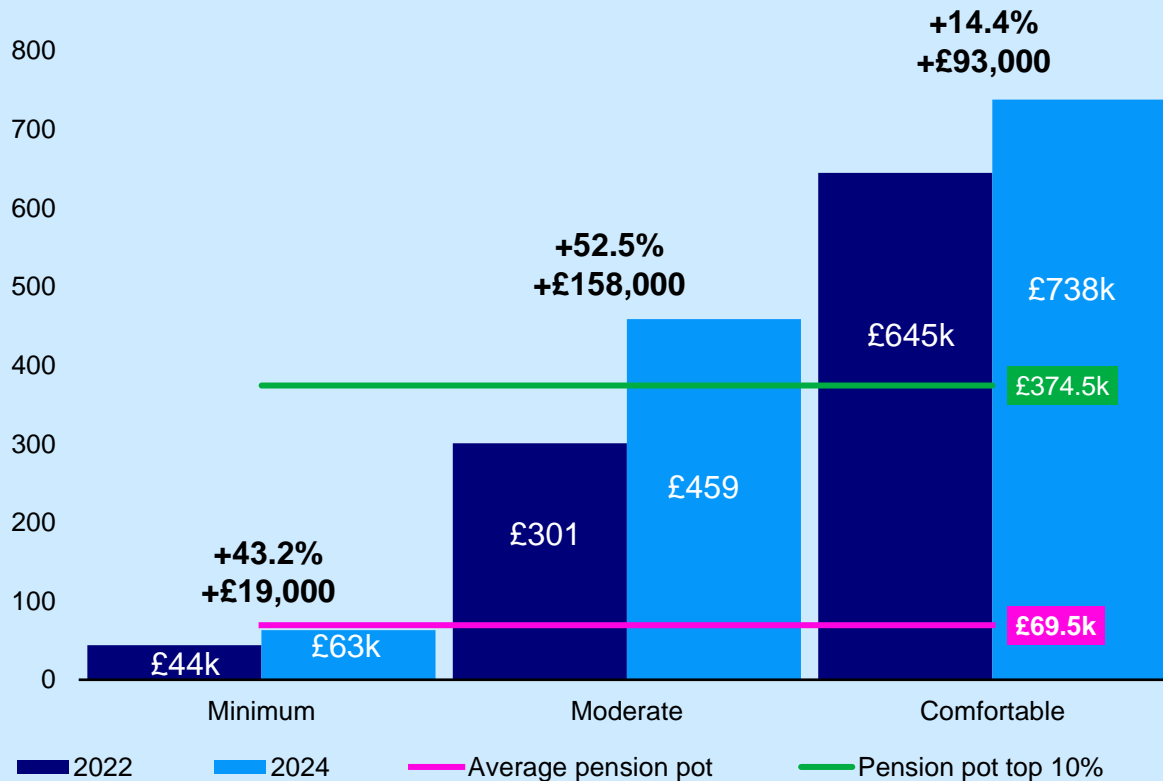
44% of UK advisers' clients are aged between **46 to 60**, while **33%** are over **60**

Source: LHS: Office for National Statistics. June 2022.

Living standards

The rising cost of living has ramped up the amount people need to fund retirement

Estimated pension pot size (one person, £000)



Source: LHS is based on [Home - PLSA - Retirement Living Standards](#) RHS is based estimates from Quilter - [Pension pot of £738,000 needed to achieve comfortable retirement | Quilter Media Centre](#) which assume an escalating income of 3% based on someone who is aged 66 (which is the current age to receive state pension). All pots rounded to the nearest thousand. For the singles an annuity rate of 5.34% was used. Average UK pension pot size is sourced from [Pension statistics: What is the average pension pot in the UK? \(finder.com\)](#)

Evolving retirement needs

Unique challenges and needs present a golden opportunity for advisers

	Baby Boomers	Gen X
Retirement Savings	<ul style="list-style-type: none">• DB plans• Annuities were the default prior to 2015	<ul style="list-style-type: none">• DC plans• More choice post 2015 Pension Freedom Act
State pension age	<ul style="list-style-type: none">• 65 years men / 60 years women	<ul style="list-style-type: none">• 66 years for men & women and expected to rise
Family Commitments	<ul style="list-style-type: none">• Less	<ul style="list-style-type: none">• More
Family Structures	<ul style="list-style-type: none">• Less fluid	<ul style="list-style-type: none">• More fluid

Regulatory shifts

Embracing change will be key

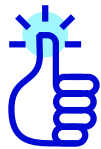
Retirement Income Advice Review



Is the retirement income market working well?



Do firms' advice models consider the specific needs of consumers in decumulation?



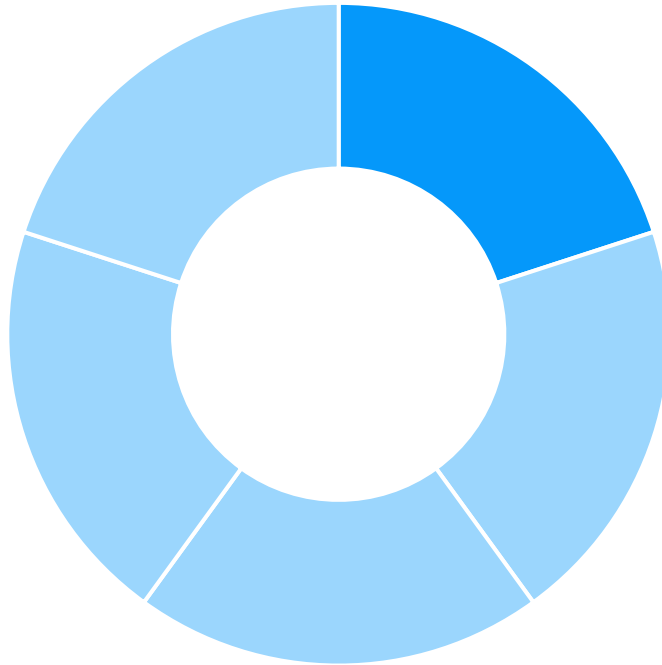
Are consumers getting suitable retirement income advice?



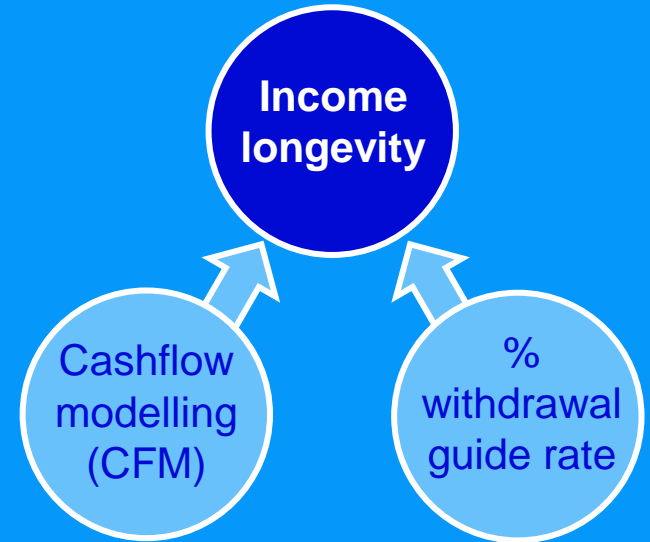
Income withdrawals

Area of concern 1

- Income withdrawals
- Risk profiling
- Advice suitability
- Periodic review of suitability
- Control frameworks



Income withdrawal strategies need to be evidenced and assessed in the context of income longevity in different scenarios

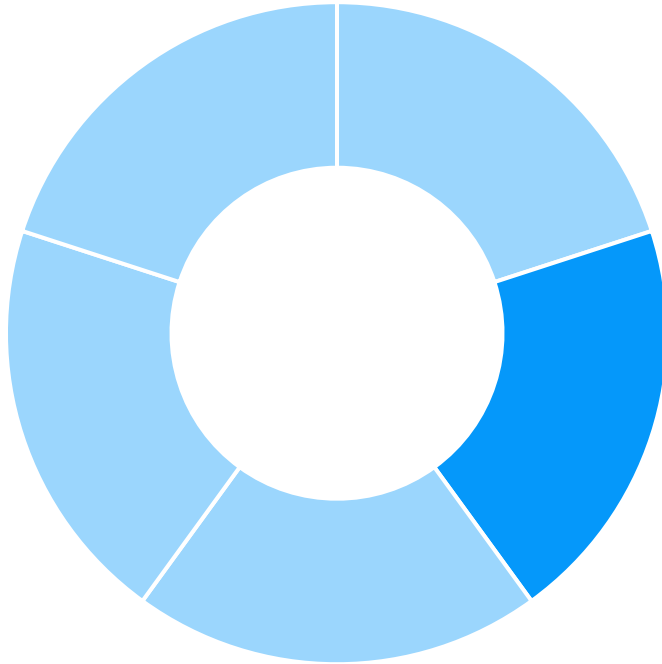


Source: Invesco Retirement Income Advice Review as at June 2024. For illustrative purposes only.

Risk profiling

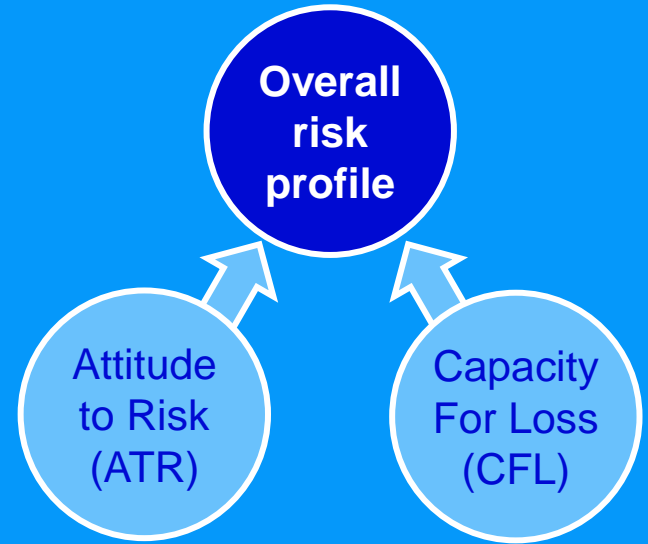
Area of concern 2

- Income withdrawals
- Risk profiling
- Advice suitability
- Periodic review of suitability
- Control frameworks



Source: Invesco Retirement Income Advice Review as at June 2024. For illustrative purposes only.

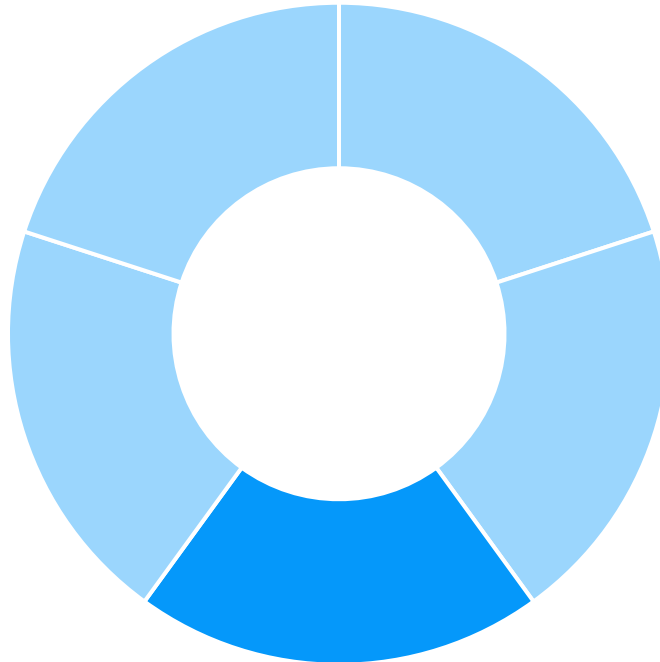
Risk profiling needs to be shown in the context of Capacity For Loss



Advice suitability

Area of concern 3

- Income withdrawals
- Risk profiling
- Advice suitability
- Periodic review of suitability
- Control frameworks



Source: Invesco Retirement Income Advice Review as at June 2024. For illustrative purposes only.

Fact finding needs to account for characteristics of vulnerability





Financial Conduct Authority
section 4.28
Retirement Income Advice Review

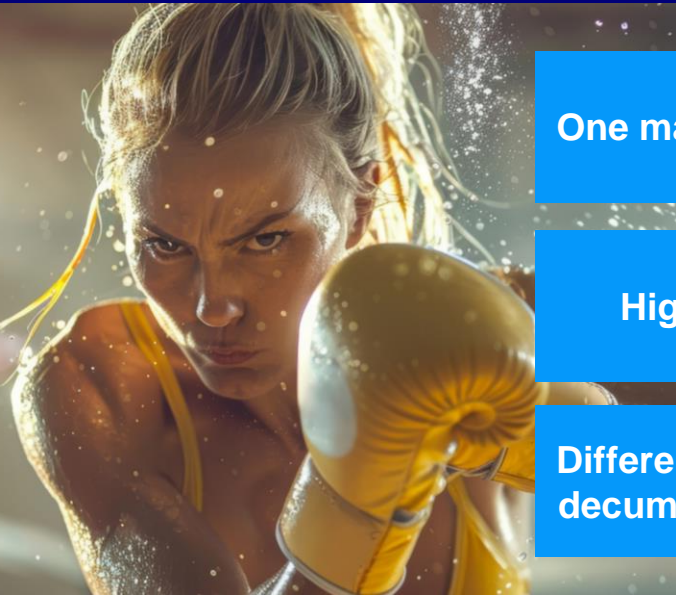
The needs and objectives of customers in decumulation are likely to vary, depending on the level and frequency of income to be drawn. Products underlying investments firms use to deliver retirement income, including model portfolios, should meet the different needs of their customers.

Assess the reasons for adopting a different approach in retirement

Accumulation



Decumulation



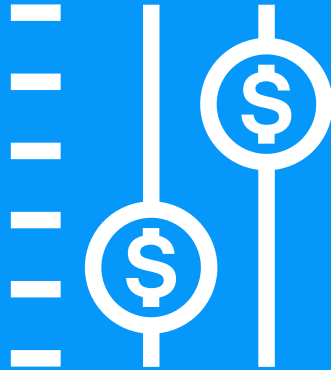
One main one	Investment outcomes	Multiple
Higher	Risk profile	Lower
Different from decumulation	Investment Risks	Different from accumulation



Investment outcomes

Accumulation

Save as much as possible to maximise returns within acceptable risk parameters



Source: Invesco. For illustrative purposes only.

Decumulation

No retirement vision is the same, meaning that there is no one size fit all solution



Passing savings to loved ones



Travel or retire overseas



Break free from debt



Maintain the same living standards



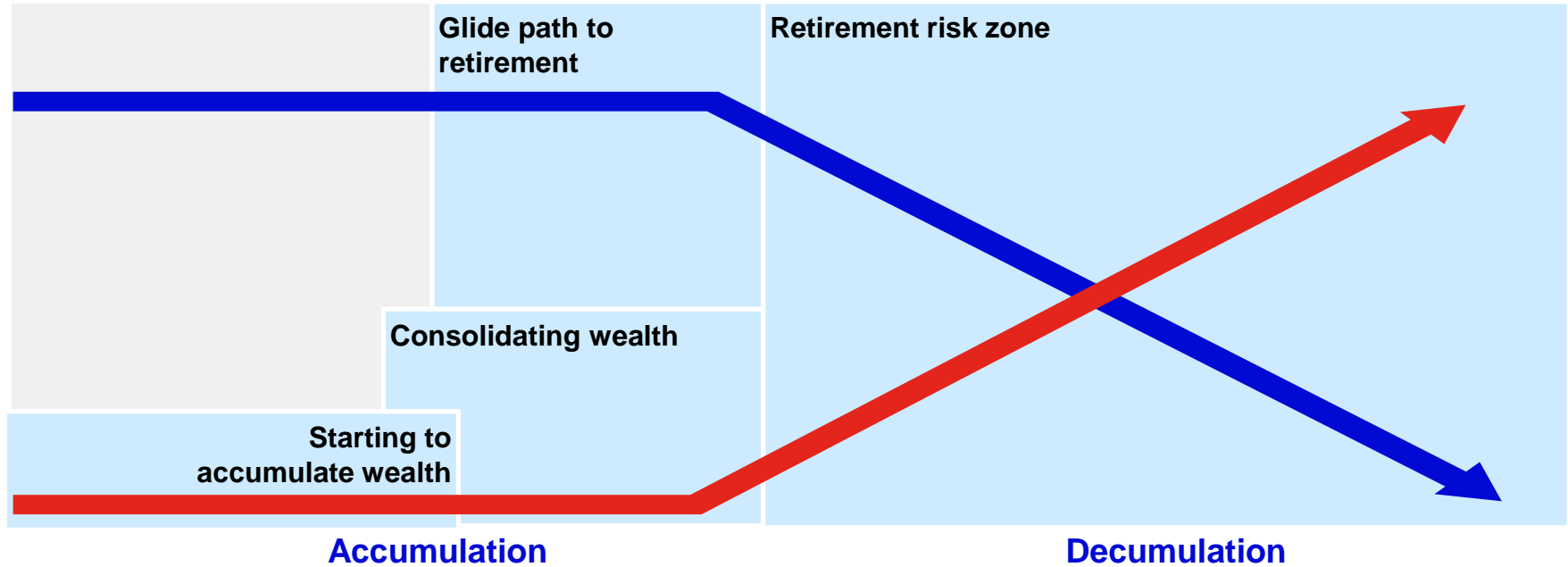
Risk profile

 Need for predictability  Risk tolerance

Growth seekers

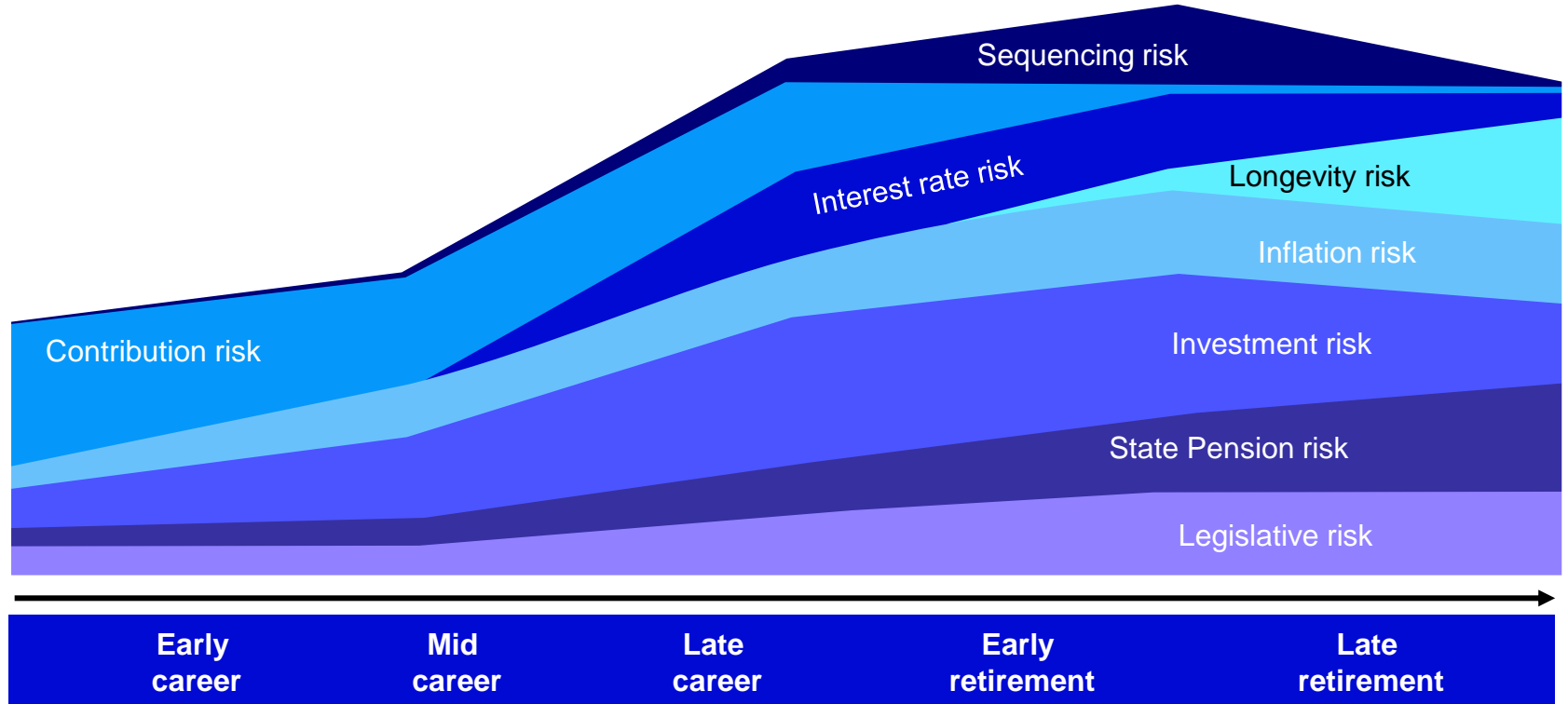


Income seekers



Source: Invesco macro research findings. For illustrative purposes only.

Investment risks



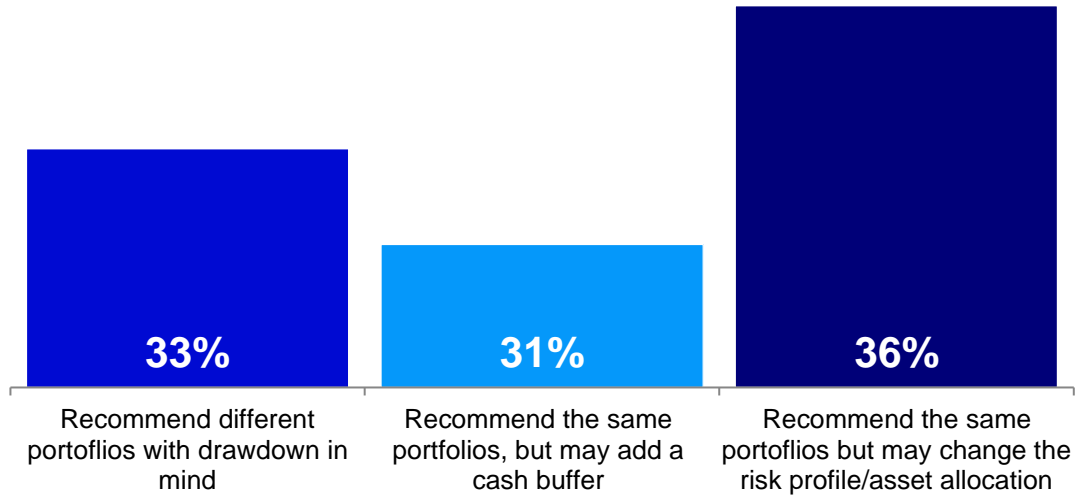
Source: Invesco macro research findings. For illustrative purposes only.



“Different strokes for
different folks”.

Muhammad Ali

Do advisers follow Ali's approach?



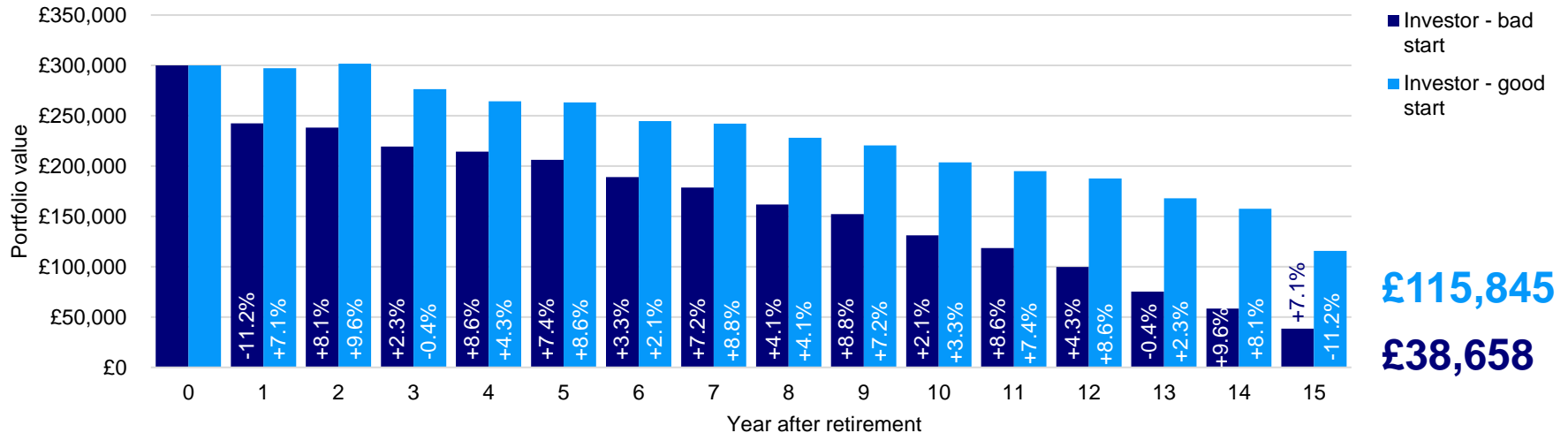
Adviser recommendations for client in decumulation vs accumulation

Chart source: BNY Mellon - Life Beyond Work, April 2024. [Deed - Attribution-NonCommercial 2.0 Generic - Creative Commons](#). [Manny Pacquiao vs Muhammad Ali | mario | Flickr](#), Modified.

Key considerations for building retirement solutions

Selling units from traditional multi-asset portfolios

Sequencing risk – hypothetical portfolio value under reverse return streams

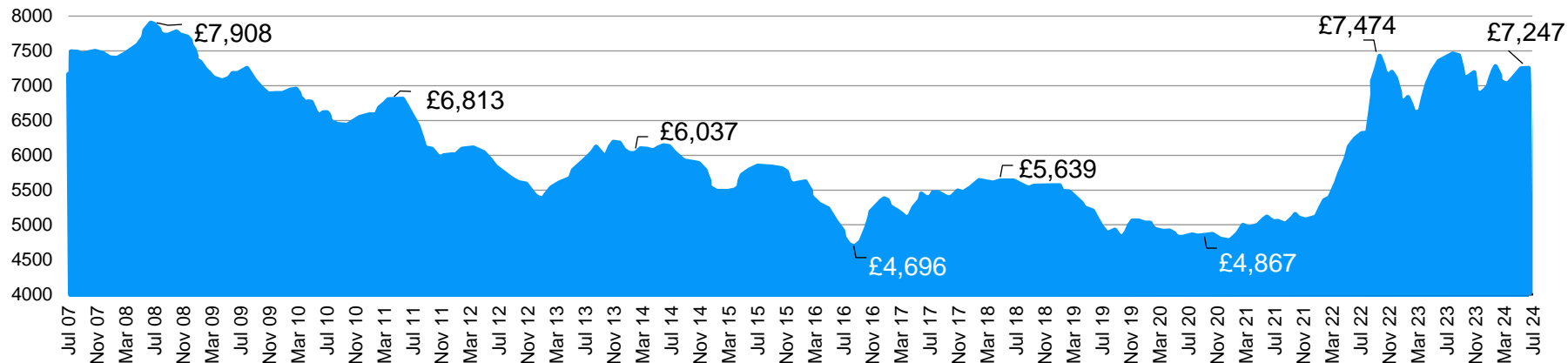


Primary benefit	Sequencing/market risk	Longevity risk	Capital growth potential	Flexibility
Asset allocation & income flexibility	●	●	●	●

Source: Invesco assuming £24,000 yearly drawdown and a starting pension pot of £300,000.

Annuities

Annuity income – last 17 years

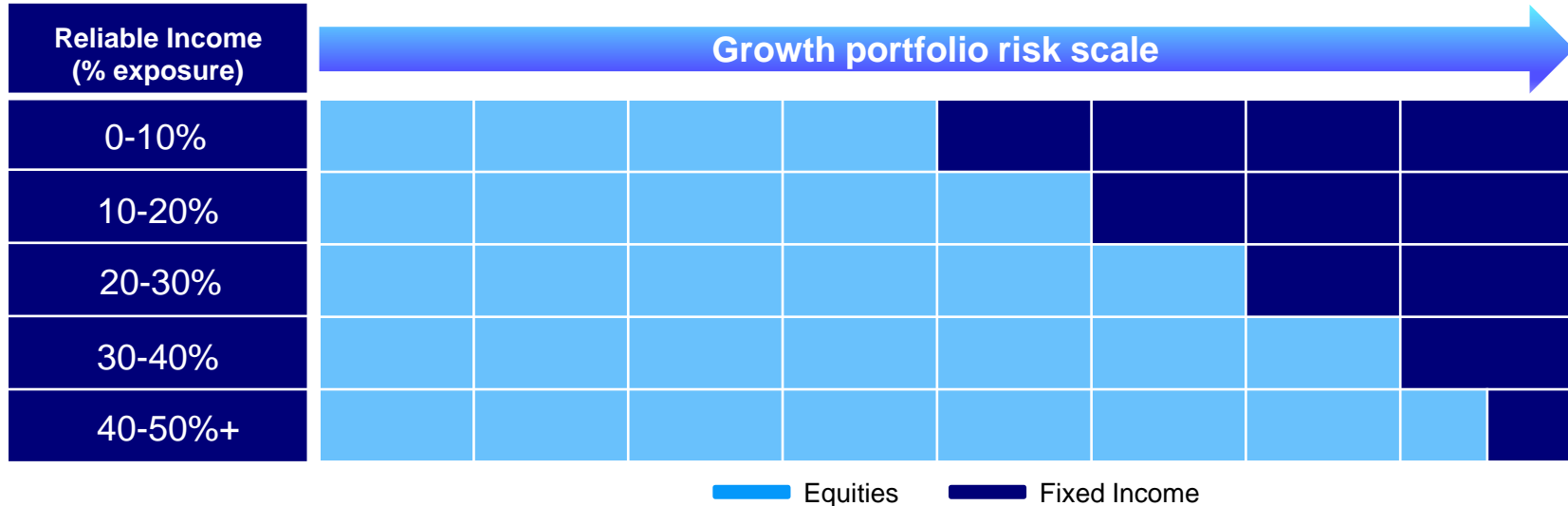


Primary benefit	Sequencing/market risk	Longevity risk	Capital growth potential	Flexibility
Guaranteed life-time pay-check	●	●	●	●

Source: Annuity Rates Chart | latest changes to pension income (sharingpensions.co.uk) Results are based on 65-year-old males buying level, single life, lifetime annuities with an average pension fund of £100,000.

Bucketing approach for a more holistic assessment of retirement planning

Investments for growth should be separated from investments for income



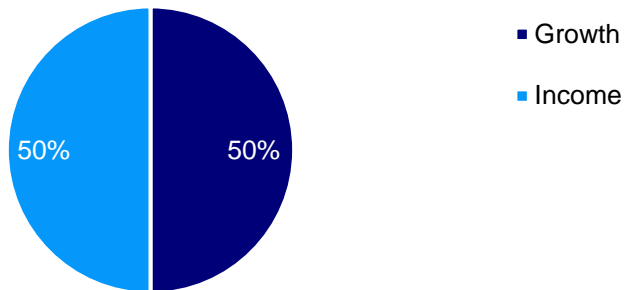
Primary benefit	Sequencing/market risk	Longevity risk	Capital growth potential	Flexibility
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Source: Invesco. For illustrative purposes only.

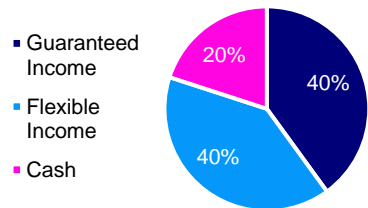
Building individuality into a retirement plan

Case study: Alisha

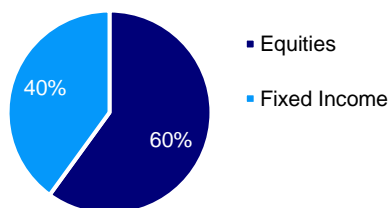
Overall asset allocation



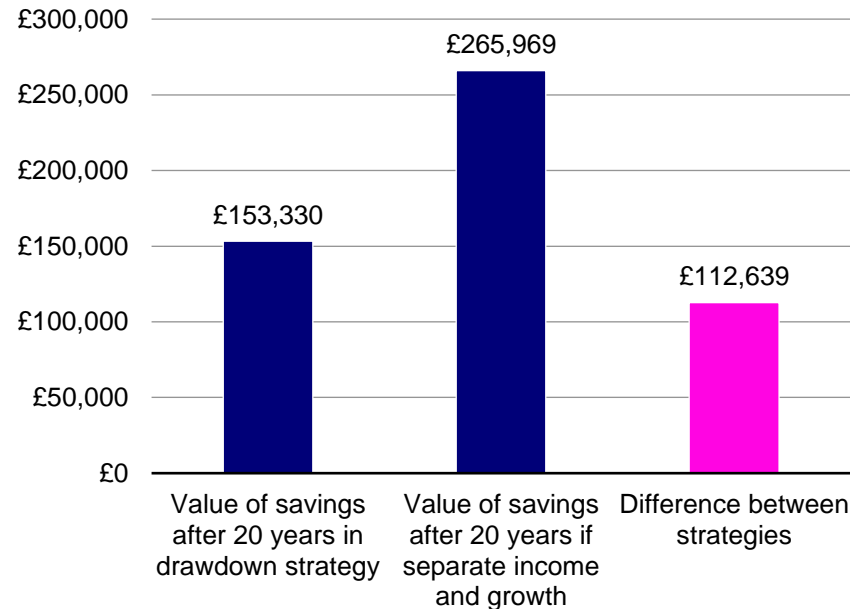
Income portfolio



Growth portfolio



Overall asset allocation



Source: Invesco. Value of savings after 20 years in drawdown strategy assumes annual market returns from 2003 to 2023 for a balanced multi asset portfolio invested 50% in equities and 50% in fixed income, a starting pot of £250k and annual income withdrawals of £14.4k. Value of saving after 20 years if separate income and growth is based on the same assumptions but for the portfolio represented by the overall asset allocation section. Further details can be found here; [OMG993173_Invesco_Retirement_Series_Part_1_UK_EN_adviser](#)

Learning outcomes



Understand the forces that will increase the need for retirement advice



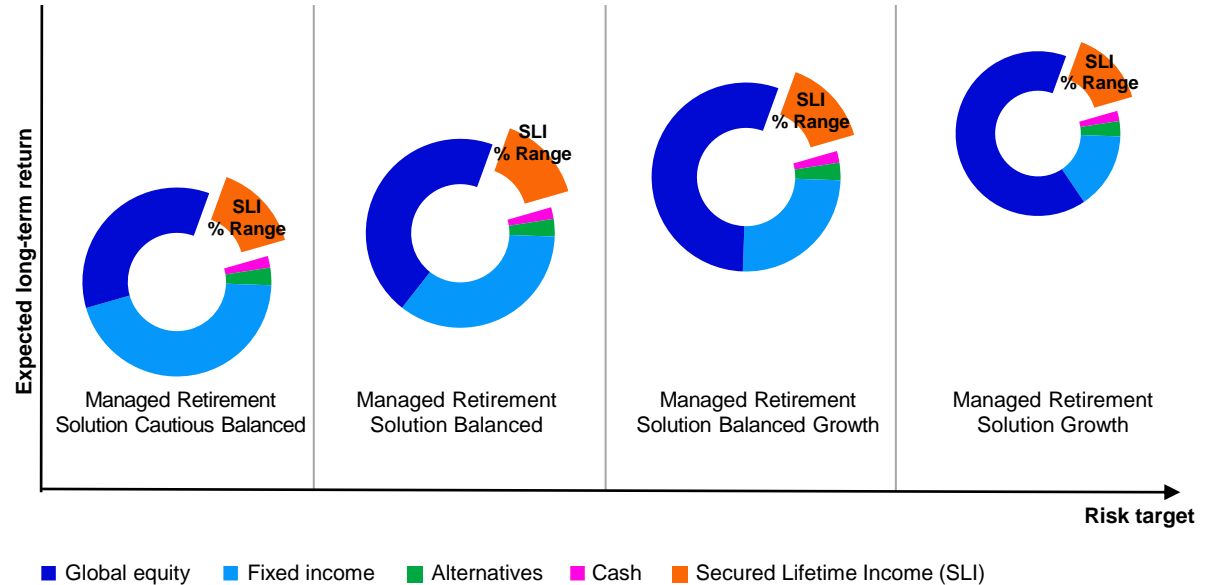
Assess the reasons for adopting a different approach in retirement



Explore key considerations for building retirement solutions

Proposed Invesco Managed Retirement Solution

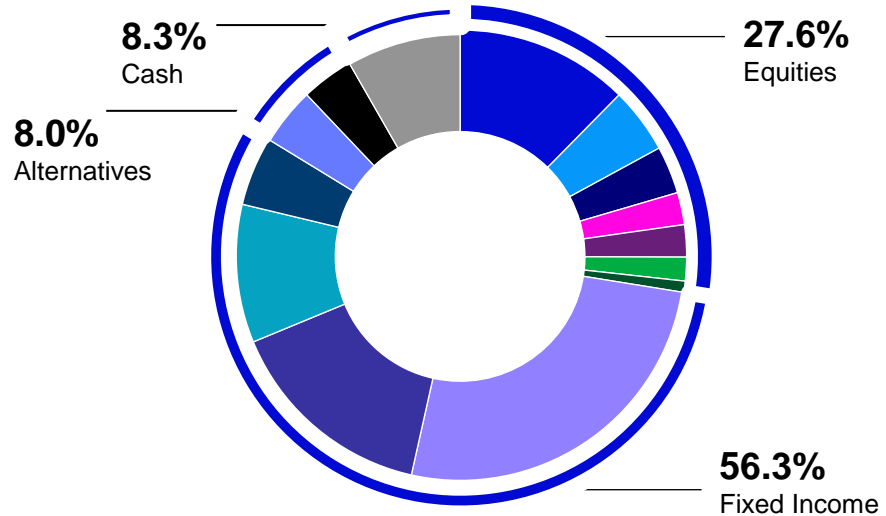
- Blended solution of Invesco MPS modelled around Just Group's SLI product
- Offering a holistic Guaranteed Income + Growth solution which is personalised to the individual
- An open architecture range of 15-25 individual funds



Source: Invesco. For illustrative purposes only, the proposed portfolios are subject to change.

Invesco Summit Income Fund (UK)

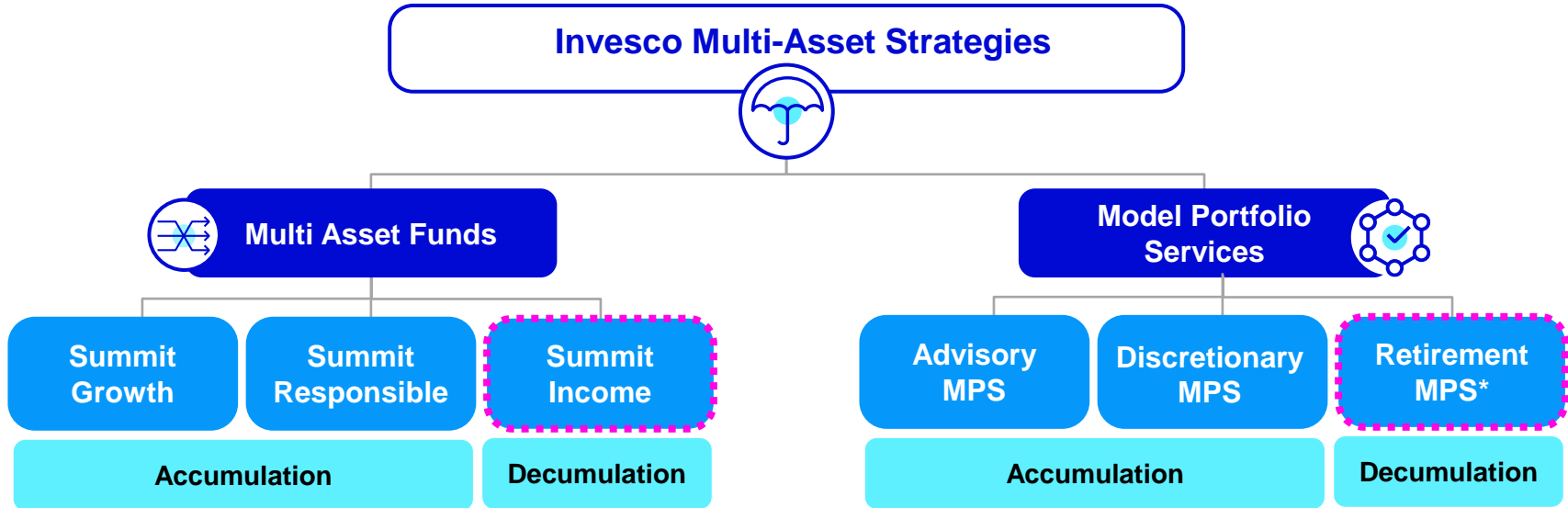
- Target an income of 2-3% above the Bank of England Base Rate over a 12-month rolling period paid monthly
- Seeks to preserve capital over a rolling 3-year period
- Aim for 15% - 45% of global equity risk over the same rolling 3-year period
- OCF from 45bps



Source: Invesco as at 30 June 2024. The strategy risk profiles are relative to the MSCI AC World Index and may fall outside the range stated from time to time, especially during periods of unusually high or low market volatility. There is no guarantee that the Fund will achieve these aims and an investor may not get back the amount invested. OCF refers to the Z Acc share class.

Multi-asset toolkit for UK Advisers

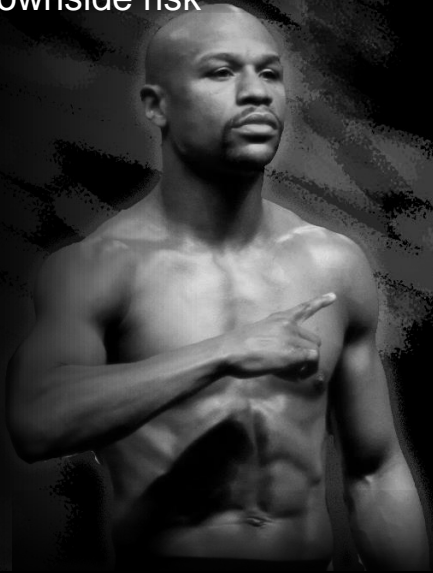
A suite of solutions to help meet the needs of your clients



Source: Invesco. For illustrative purposes only. *Expected launch date to be confirmed.

Key attributes for a winning Multi-Asset retirement solution

Defensiveness: mitigate downside risk



Endurance: income sustainability



Versatility: diversify across asset classes




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Dedicated retirement content for advisers

INVESTCO RETIREMENT SERIES - PART 1

4-Life framework for navigating retirement

Georgina Taylor
Head of Multi-Asset Strategies, UK Kate Dwyer
Head of UK Distribution



1

INVESTCO RETIREMENT SERIES - PART 2

Guaranteed income and growth in retirement... are both within reach?



2

INVESTCO RETIREMENT SERIES - PART 3

Spotlight on the Retirement Income Advice Review



3

INVESTCO RETIREMENT SERIES - PART 4

Spotlight on Labour's Pension Schemes Bill

Will it pave the way towards better retirement outcomes?



4

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange-rate fluctuations) and investors may not get back the full amount invested.

Invesco Summit Responsible Fund (UK)

The use of ESG criteria may affect the Fund's investment performance and therefore may perform differently compared to similar products that do not screen investment opportunities against ESG criteria.

Invesco Summit Income Fund (UK)

As one of the key objectives of the Fund is to provide income, the ongoing charge is taken from capital rather than income. This can erode capital and reduce the potential for capital growth.

Invesco Summit Growth Fund (UK), Invesco Summit Responsible Fund (UK) and Invesco Summit Income Fund (UK)

The issuers of the debt securities to which the product is exposed may not always make interest and other payments due to financial difficulties or insolvency. The value of the debt securities may fall due to poor market conditions, such as a decrease in market liquidity, and/or variations in interest rates. These risks increase where the product invests in high yield, or lower credit quality, bonds.

The product may be exposed to securities of emerging and developing markets, where difficulties in relation to market liquidity, dealing, settlement and custody problems could arise which could result in losses.

The product's use of financial derivatives may result in the product being leveraged, that is, the economic exposure created by using a derivative may be greater than the amount invested. The product, therefore, has the potential to lose more than it paid. If a counterparty becomes insolvent this will also result in a loss. The use of certain derivatives may also impair the product's liquidity which may mean the product has to close positions at an unfavourable price.

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