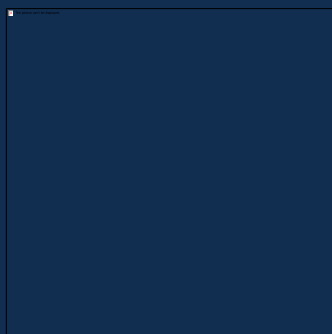




network

Wealth management as it should be

Generating long-term sustainable income for  
your retirement



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## Generating long-term sustainable income for your retirement

In this session we will cover:

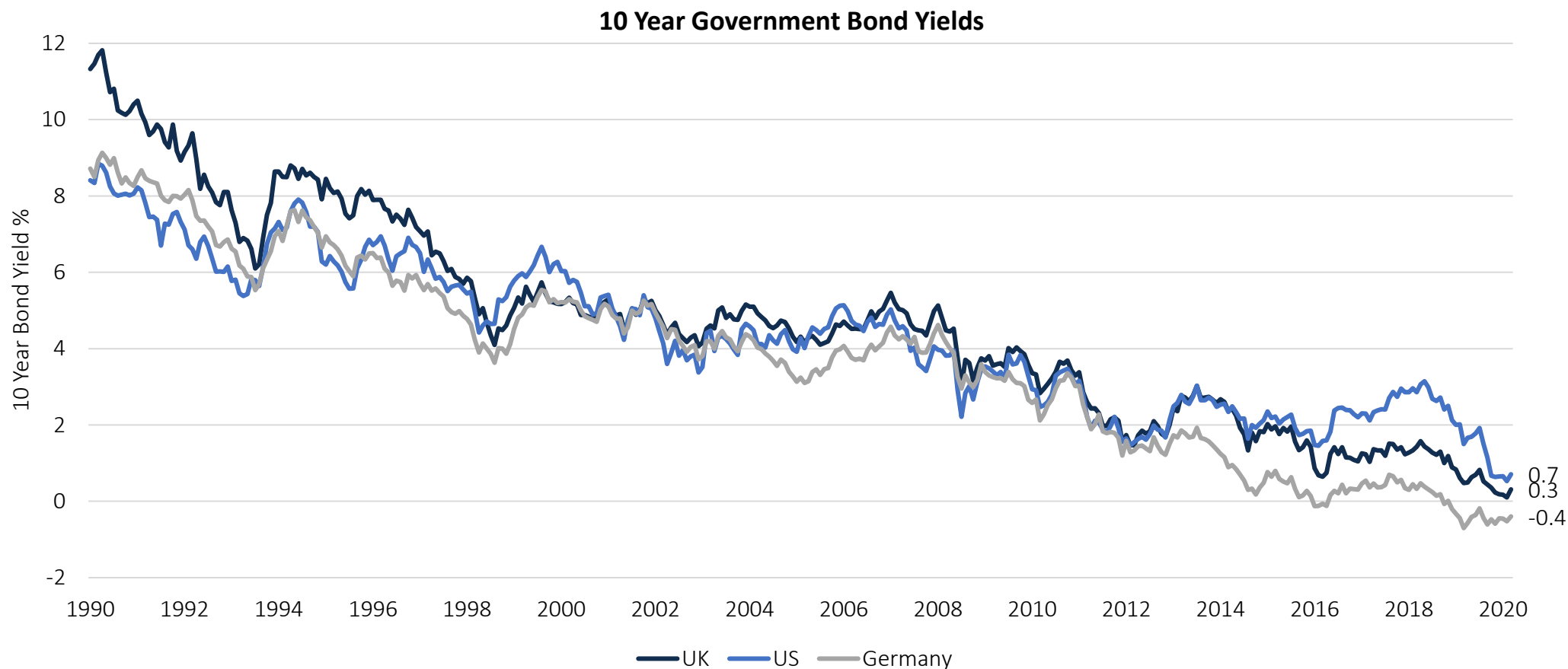
- The financial markets backdrop and its effect on investment portfolios
- How best to structure your investments to preserve your capital
- Lining up long term financial goals with a reliable investment strategy:
  - What are the controllable factors
  - What can you model for in retirement
  - How sensible financial planning can add years to your retirement



# Market backdrop and income investing



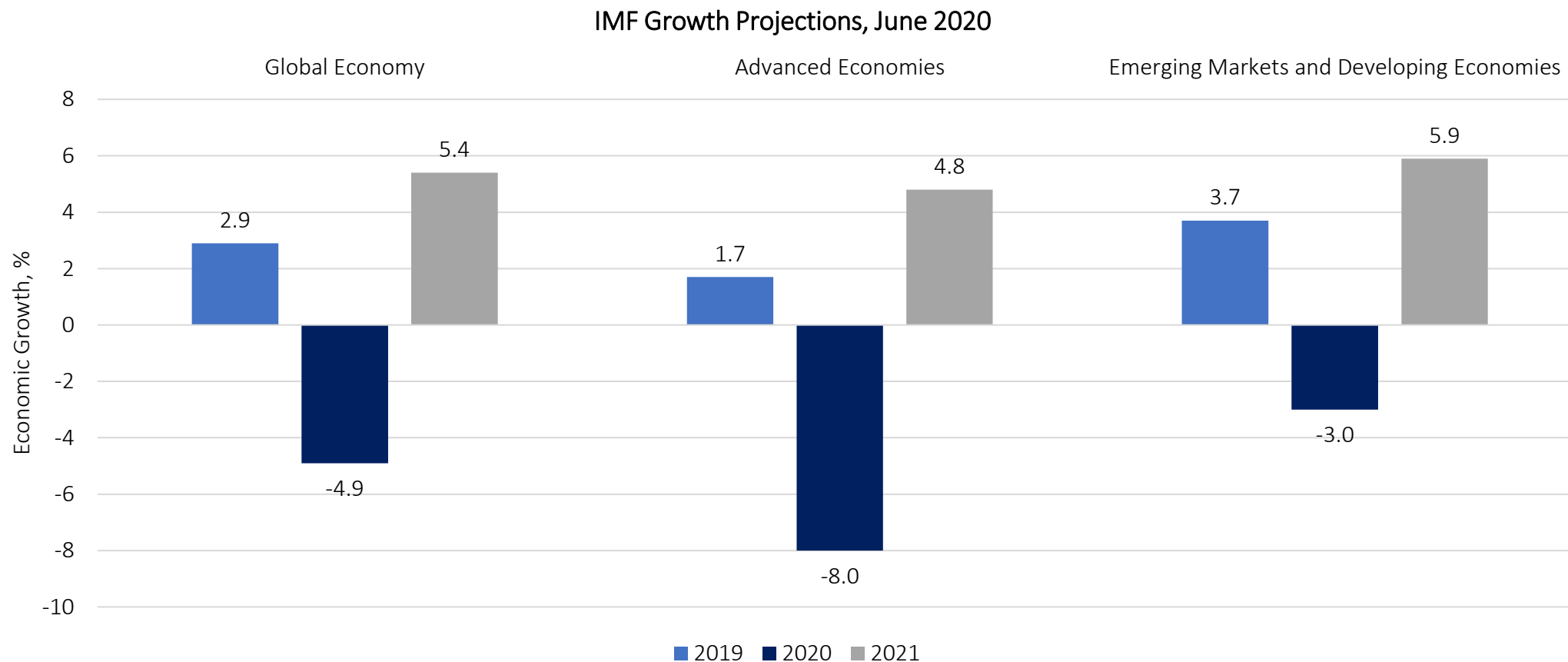
# 'Safe' income is hard to find



Source: Bloomberg. 10 Year yields for UK Gilts, US Treasuries and German Bunds as at 31<sup>st</sup> August 2020



# The IMF summer projection captures the economic mood

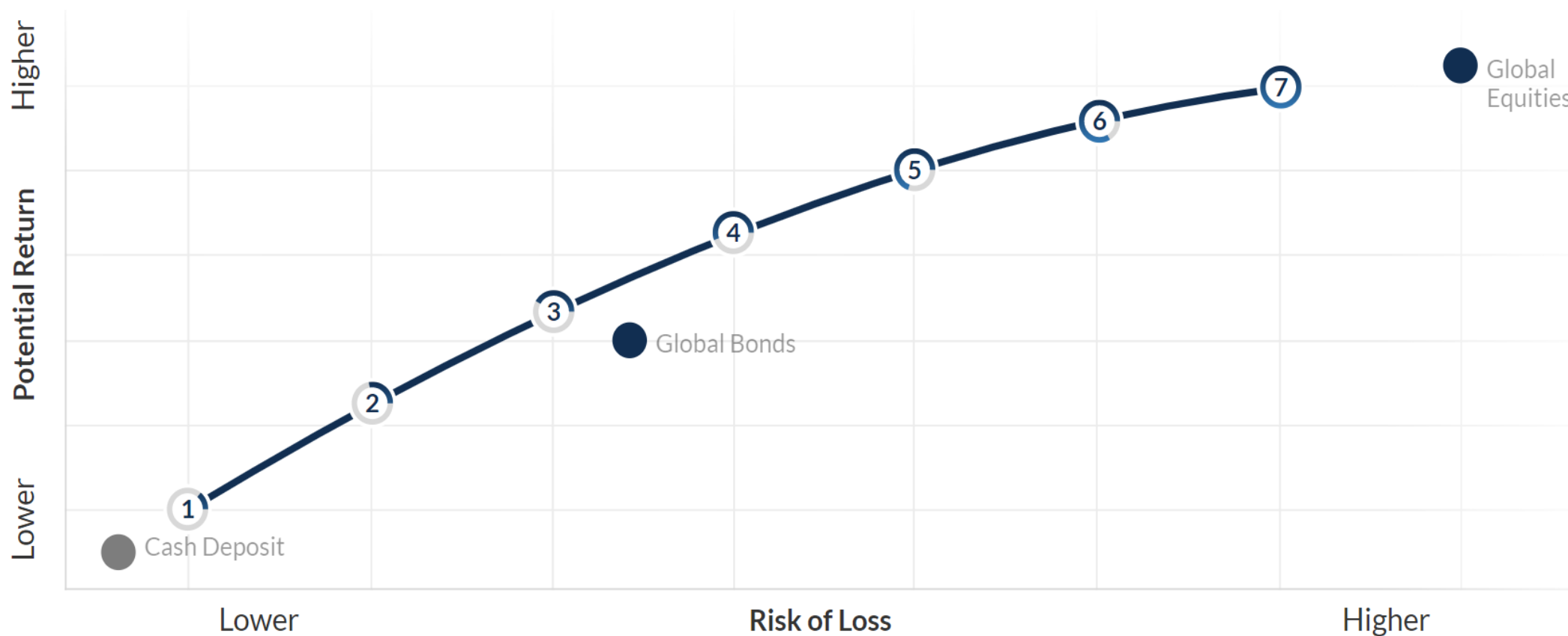


Source: IMF World Economic Outlook. Updated June 2020



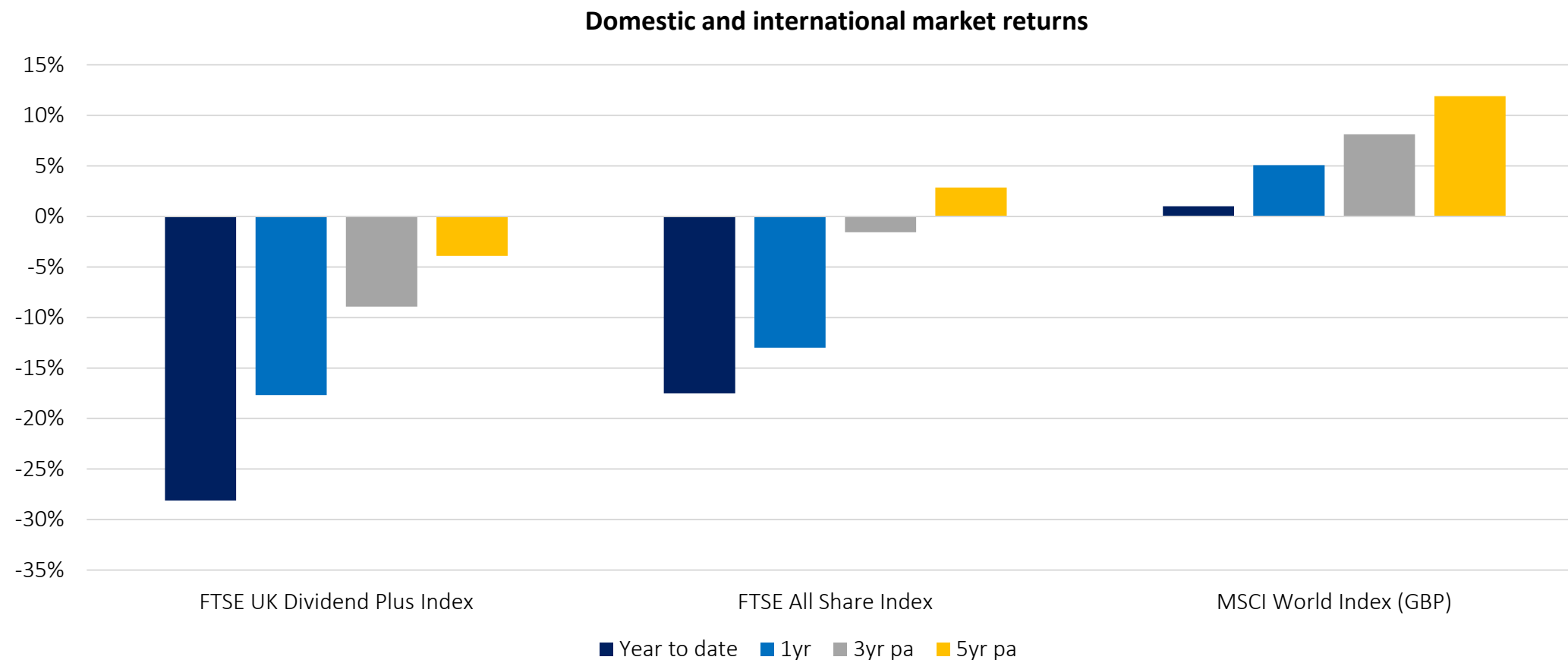
# Investment returns vs. risk: a trade-off you can influence

In general, the more risk you take the more return you expect to receive. This holds true over the long run, but is not the case in every period.





# Diversification beyond dividends is key



These figures refer to the past, and past performance is not a reliable indicator of future results.

Source: Morningstar, Bloomberg and Netwealth. Returns shown to 30<sup>th</sup> June 2020.



# Income vs. total return

- Intuitive
- Theoretically low risk



- Flexibility
- Better diversification

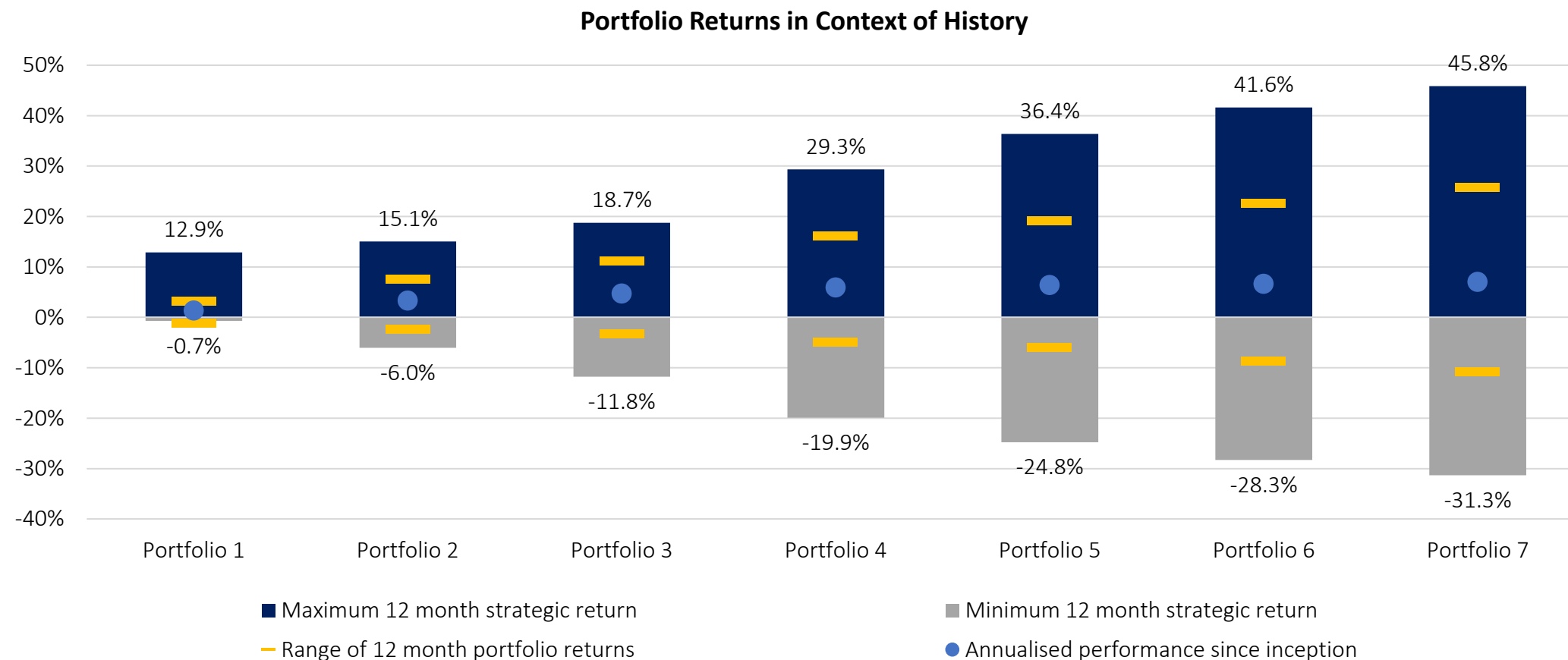
- Overcrowded trade
- Correlations
- Sustainability

- More periods of volatility
- Higher risk tolerance required?
- Needs a withdrawal strategy





# Select a level of risk you are comfortable with

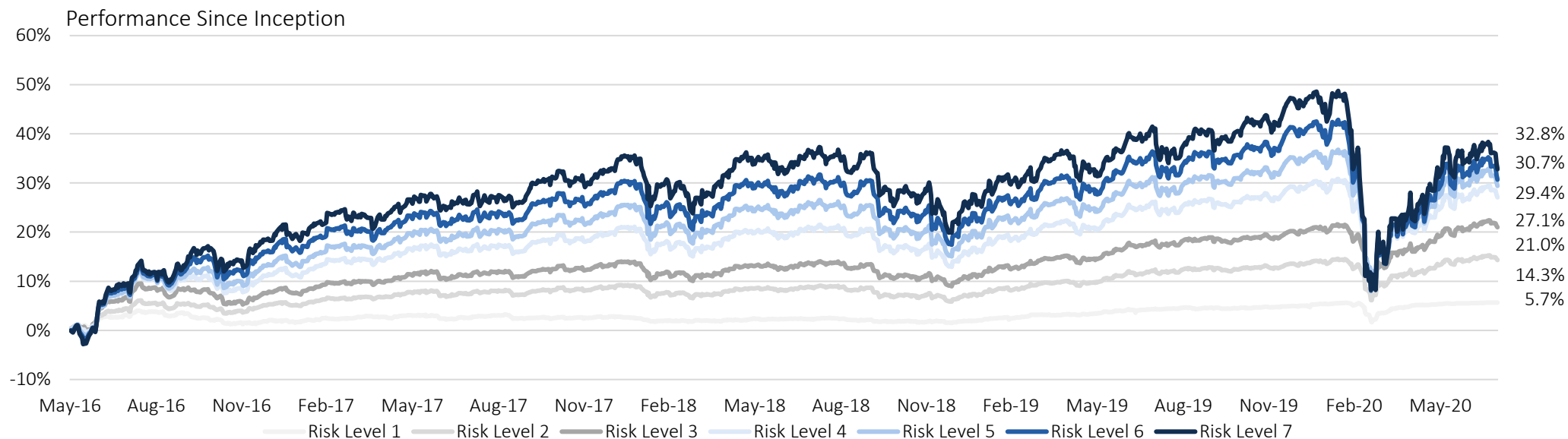


These figures refer to the past, and past performance is not a reliable indicator of future results.

Source: Bloomberg and Netwealth Investments. Returns shown net of all fees to 31<sup>st</sup> July 2020.



# GBP Performance: overview as at 31<sup>st</sup> July 2020



GBP Risk Level	Year to Date	Last 3 Months	Last 12 Months
1	0.7%	0.7%	1.3%
2	1.0%	2.2%	2.0%
3	1.2%	3.4%	2.6%
4	-0.9%	4.7%	1.1%
5	-3.3%	5.3%	-0.9%
6	-6.4%	5.9%	-3.6%
7	-8.5%	6.2%	-5.4%

31/07/2016 to 31/07/2017	31/07/2017 to 31/07/2018	31/07/2018 to 31/07/2019	31/07/2019 to 31/07/2020
-0.6%	-0.2%	1.9%	1.3%
2.8%	1.3%	3.0%	2.0%
4.0%	2.3%	3.7%	2.6%
7.5%	4.1%	4.0%	1.1%
10.2%	5.6%	3.8%	-0.9%
12.6%	7.1%	3.5%	-3.6%
14.9%	8.6%	2.9%	-5.4%

Source: Bloomberg & Netwealth Investments

Returns shown net of all fees to 31<sup>st</sup> July 2020. These figures refer to the past, and past performance is not a reliable indicator of future results.

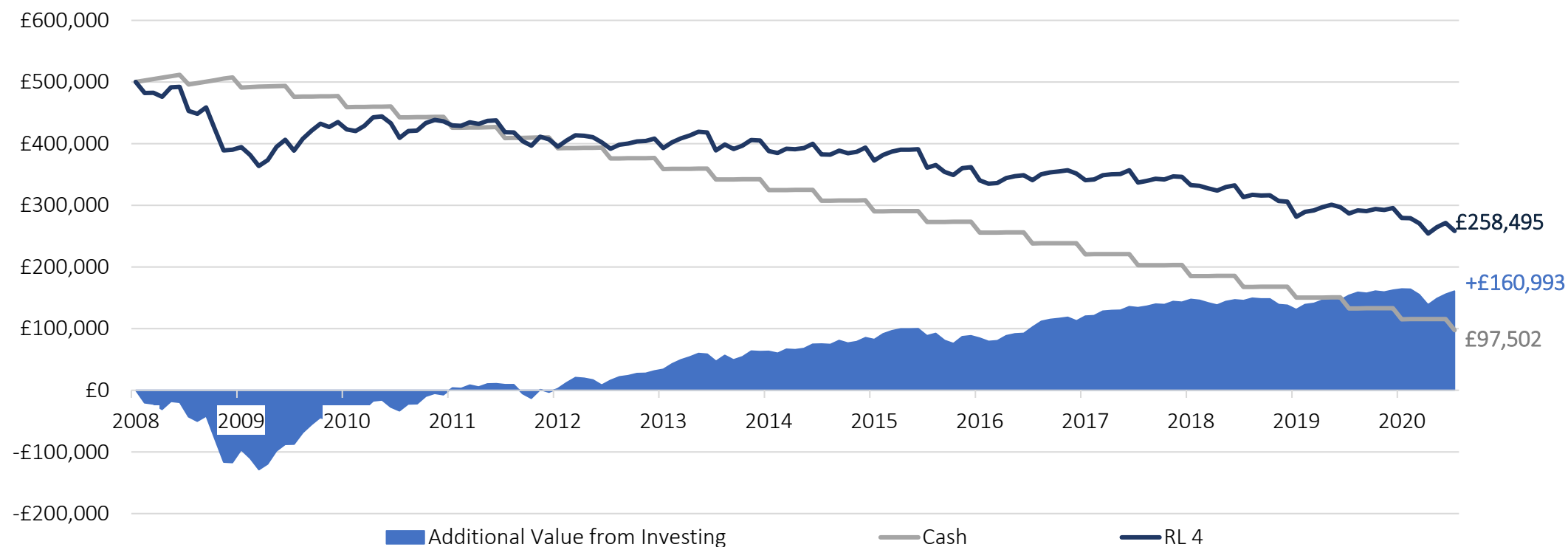
Returns shown are of indicative live portfolios in each Risk Level, using the market prices at which purchases and sales took place. Returns are shown net of (i) all charges associated with the underlying fund investments and (ii) a Netwealth fee of 0.35% per annum covering management, trading, custody and administration charges. Netwealth's fees range from 0.65% – 0.35% pa depending on account size. The data shown is from inception in May 2016 and as such there is no data available for prior periods.



# Even through a bear market, it can make sense to invest

£500,000 invested in a balanced portfolio or held as cash

Withdrawals: £36,000 every year



These figures refer to the past, and past performance is not a reliable indicator of future results.

Source: Bloomberg and Netwealth. 31<sup>st</sup> December 2007 to 30<sup>th</sup> June 2020. The values represent £500,000 invested in 1 month Libor and an example Netwealth Risk Level 4 portfolio, based on strategic asset allocation. Performance is indicated net of 0.6%, representing Netwealth costs of investing.



# Investment approach: a combination of both active and passive

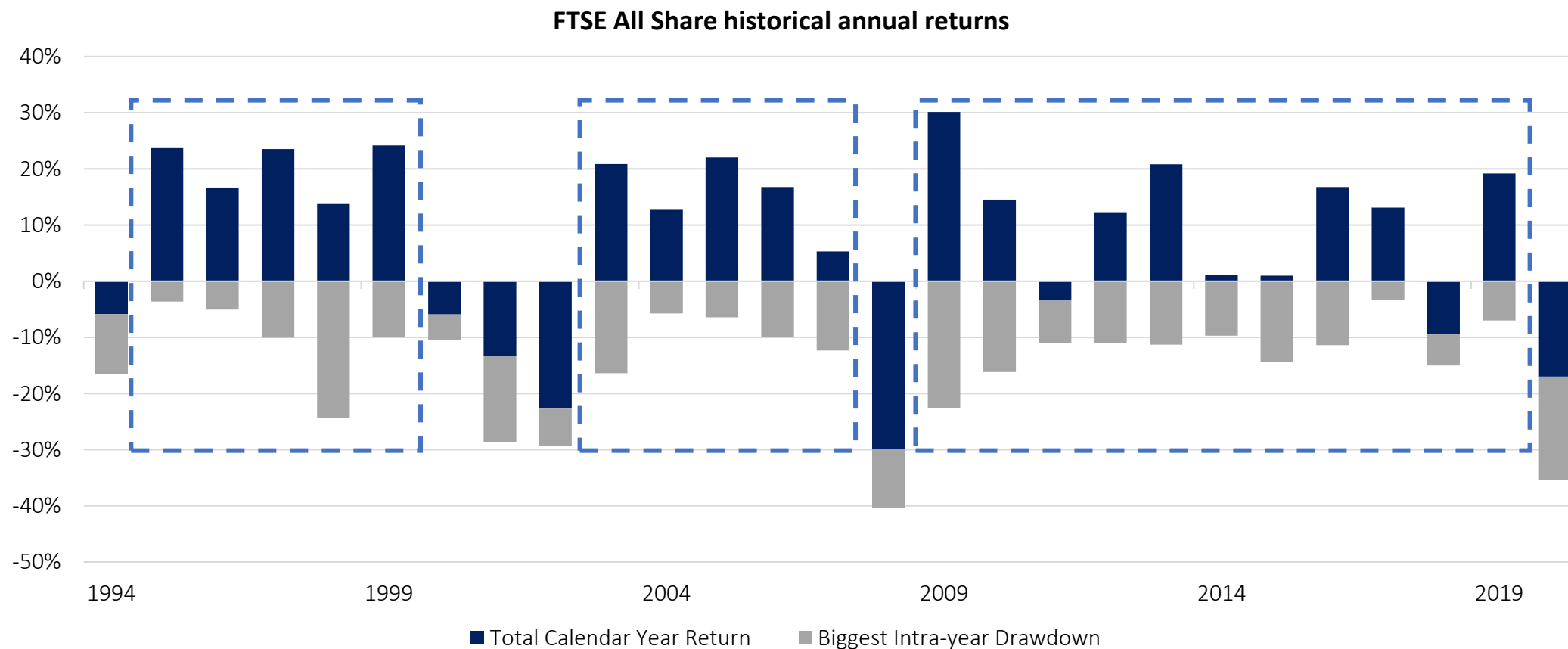
## Active asset allocation and passive implementation





# Markets can be volatile

Even in positive years for equity markets there may be intra year losses of over 10%

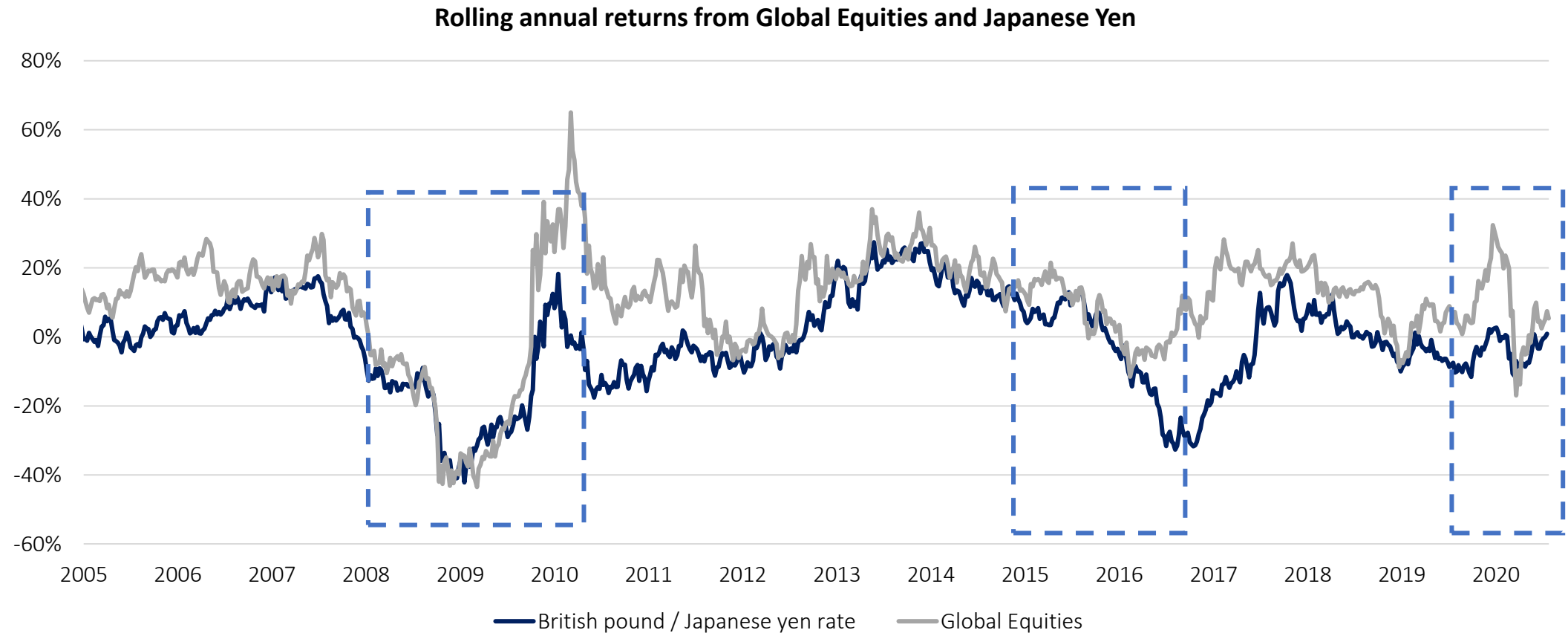


Past performance should not be relied upon as an indicator of future performance.

Source: Netwealth and Bloomberg. FTSE All-Share historic annual returns and intra year largest drawdown. Data to 31<sup>st</sup> July 2020.



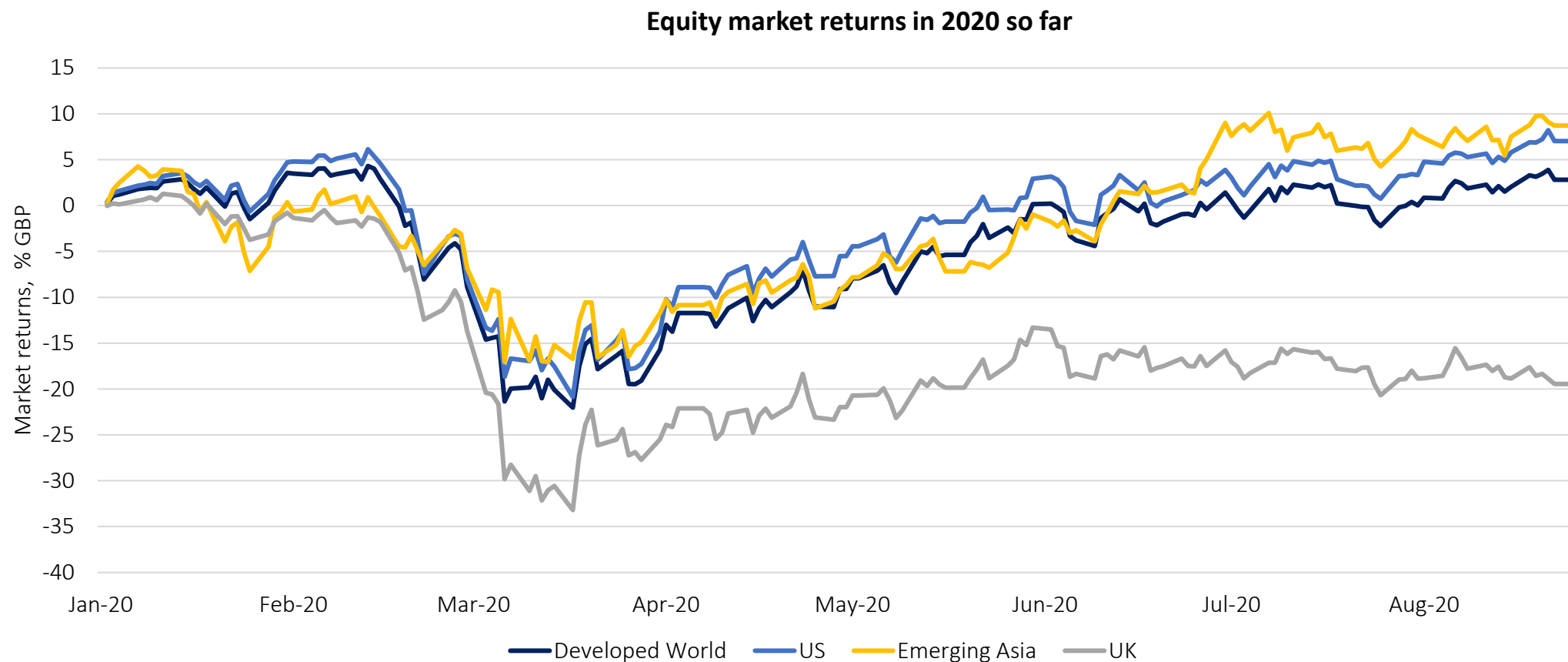
# Diversifying assets are key



Source: Bloomberg, with Netwealth calculations. Currency returns show change in spot rate. Global equities are shown in local currency terms



# Emerging Asia continues to perform



Source: Bloomberg, returns shown in GBP



# Controllables, planning steps and modelling





# Setting your financial goals

What are you investing for and when will you need to access your cash and investments?

## Is it for a specific need?

- Regular withdrawals e.g. retirement or school fees
- One off e.g. repaying a mortgage.



## Or something as yet unknown?

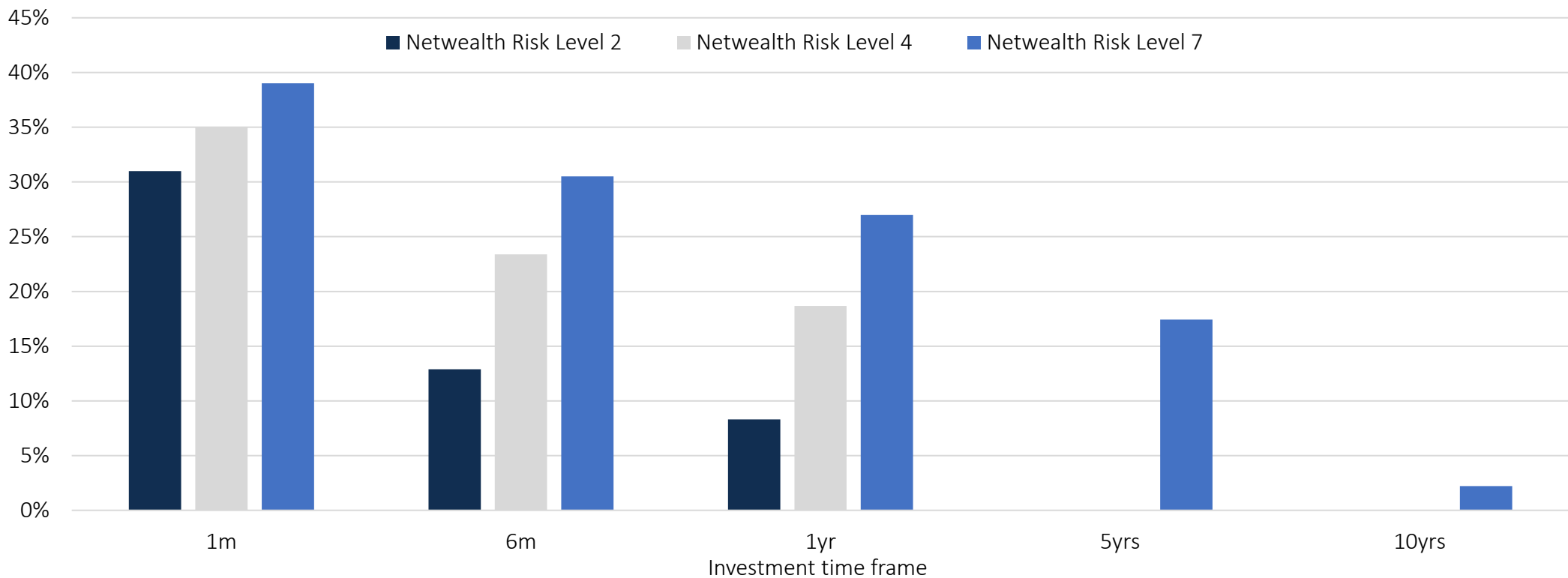
- Setting aside investments for the next generation
- Just for a rainy day





# Consider your time horizon and goal to select an appropriate risk level

Proportion of negative return scenarios for different investment horizons



Simulated historic performance should not be relied upon as an indicator of future performance.

Source: Bloomberg and Netwealth. Percentage number of total periods a negative return would have occurred for an investment over the relevant time period. Monthly data from the beginning of 1994.



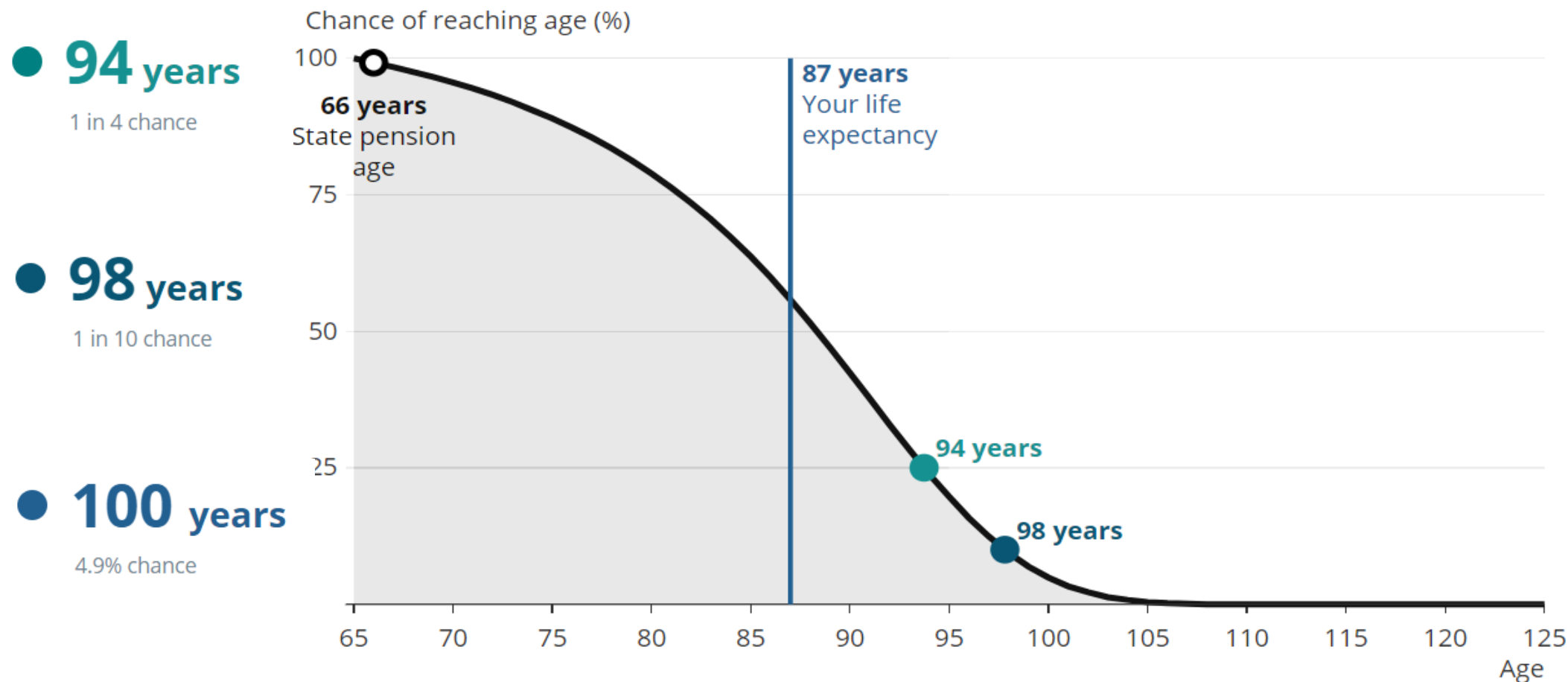
***Some you can't control***



### ***Some you can influence***



# Longevity: the risk is you live longer than the average



Life expectancy source data ONS: <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/articles/lifeexpectancycalculator/2019-06-07>



# Pension drawing options



# Pension drawing options

## Benefits

- Guaranteed income for life
- No ongoing management
- Removes Market, Inflation and Longevity Risk



Annuity  
Purchase

Flexi-Access  
Drawdown

## Benefits

- Higher initial income possible
- Improved estate planning possibilities
- Very flexible



## Bear In Mind

- Annuity rates close to all time lows
- No value upon death

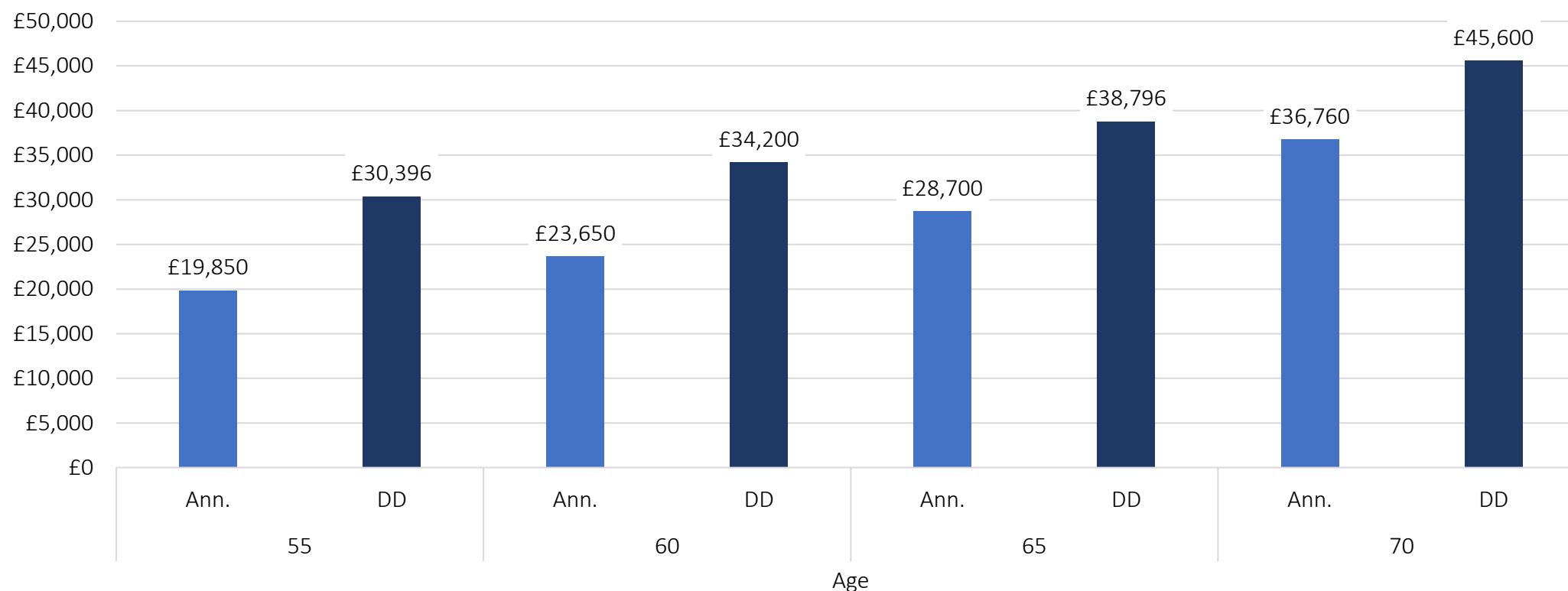
## Bear In Mind

- Lifetime Allowance needs to be considered
- Usually entails taking investment risk
- You take on the risk of Inflation and your Longevity



# How much income could a retirement pot provide?

## Annuity purchase or drawdown potential outcomes for £1m pension pot



Drawdown assumes invested in 60% Eq 40% FI. PCLS taken and invested in a GIA/ISA. Income inflated by 3% pa to age 95

Annuity assumes Joint Life with 50% income upon first death 3% Escalation

Source: Netwealth and HL Annuity Best Buys Dec 31st 2019



# Strategies for drawing down





## How you draw down your funds is important: case study

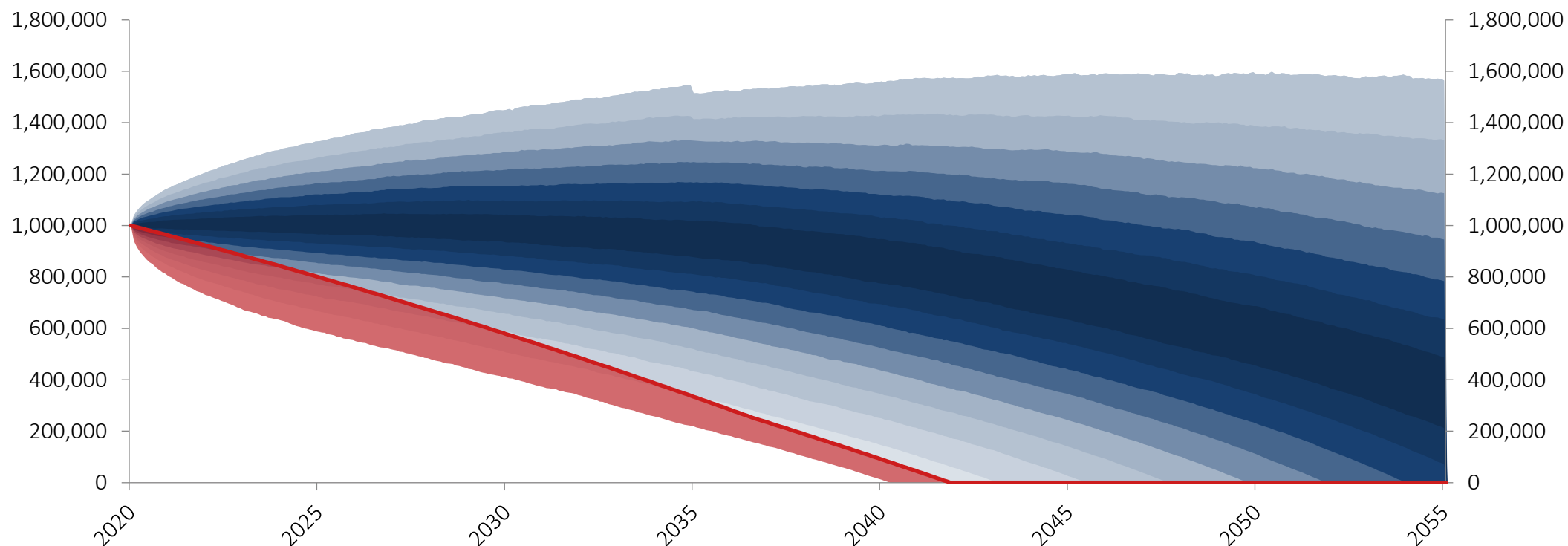
- Annabel is 60 and has just retired
- Pension valued at £1,000,000 and has crystallised the full amount into drawdown
- Targeting a net income of £2,750 a month
- The 25% tax-free cash has been invested in a GIA to help support her income target
- Each year she will make use of her available ISA allowance from the GIA
- Annabel plans to invest into a globally diversified portfolio with 60% allocated to equities and 40% to bonds and cash
- Annabel's primary objective is to provide income for her retirement and then she would like to pass any remaining funds on to her three children



# Drawing from the pension first

## Assumptions

£2,750 a month drawn net of tax from the pension until exhausted then from the GIA/ISA



Simulated future performance numbers should not be relied upon as an indicator of future performance.

**£350,000 remaining in Jan 2055 in the ISA, assuming the average scenario**

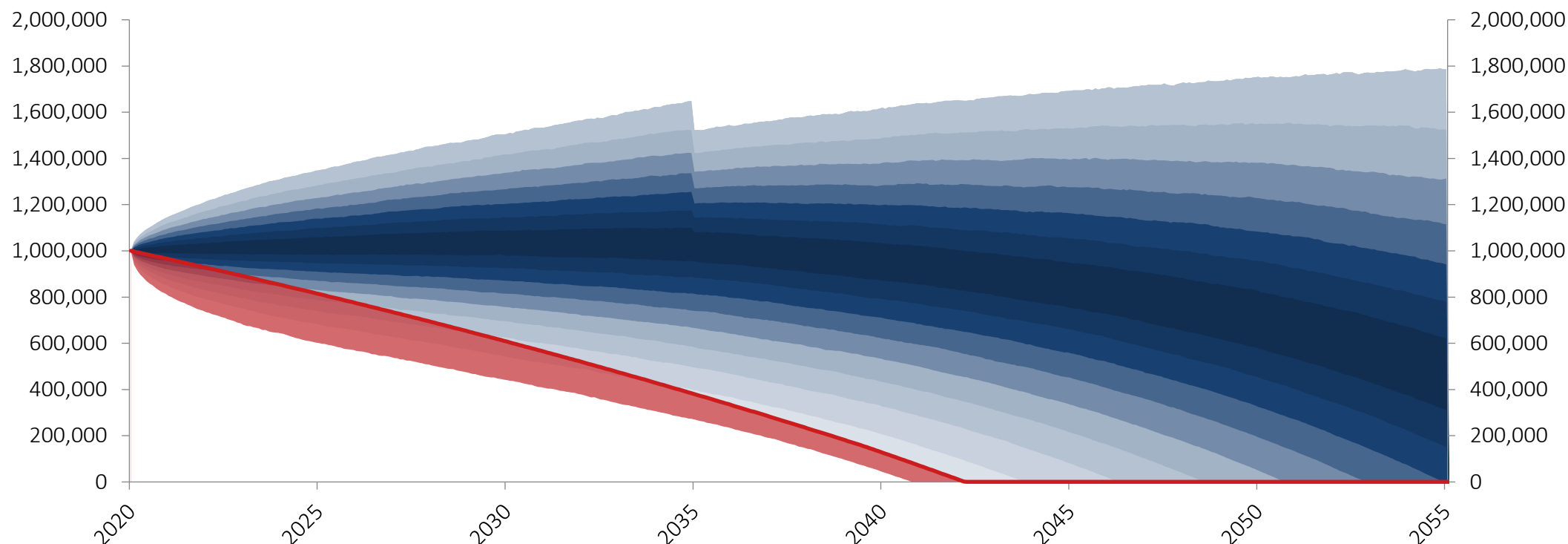
Source: Netwealth



# Drawing from a combination of pension and GIA/ISA

## Assumptions

£2,083 a month (£25,000 a year) gross drawn from the pension with the remainder for net target drawn from the GIA until exhausted then from ISA.



Simulated future performance numbers should not be relied upon as an indicator of future performance.

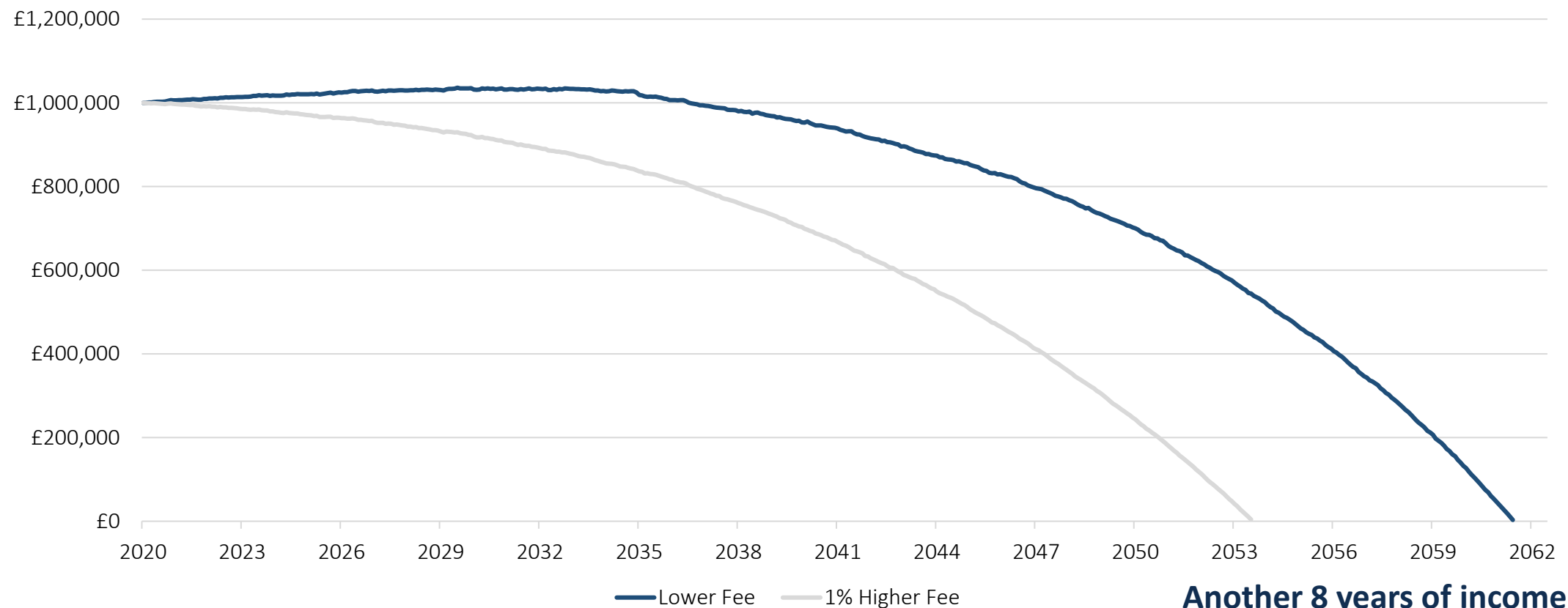
**£461,000 remaining in pension in Jan 2055, in the average scenario**

Source: Netwealth



# Fees can have a significant impact on your retirement

Looking at a client drawing down in retirement we consider the impact of paying 1% more in fees whilst holding all return and drawdown assumptions constant.



Simulated future performance numbers should not be relied upon as an indicator of future performance.

Source: Netwealth



# Case study demonstration

## Using Netwealth's online planning tools



# Retirement planning with Netwealth



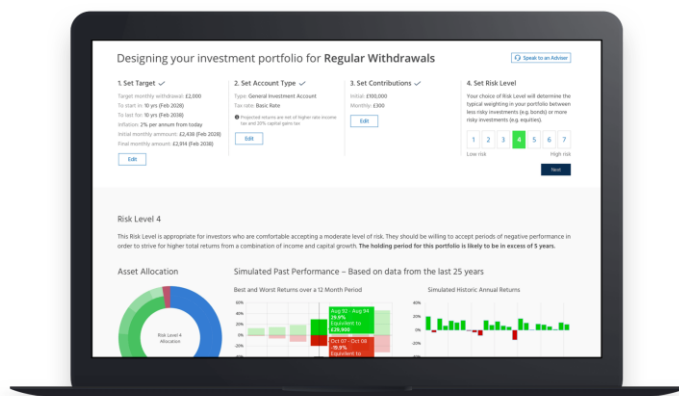
# Retirement planning with Netwealth

Our online tools and resources can provide you with the information you need, or you can work with our team of advisers to get started and build a comprehensive plan.

Build your plan online

Get guidance

Financial advice





# Netwealth fees

We believe in providing full transparency and charge a true all-in fee which includes:

- Investment management
- Transaction fees and 3<sup>rd</sup> party execution charges
- Custody and admin
- VAT
- Tax reporting

Total invested amount	£50,000 - £249,999	£250,000 - £499,999	£500,000+
Netwealth management fee	0.65%	0.50%	0.35%
Estimated underlying fund costs	0.20%	0.20%	0.20%
Estimated annual costs of trading	0.10%	0.10%	0.10%
<b>Total annual costs of investing</b>	<b>0.95%</b>	<b>0.80%</b>	<b>0.65%</b>

Fees for managing your money are unavoidable but importantly they are controllable. Keeping them as low as possible can have a big impact.





# Summary

- Consider a total return approach for maximising retirement income
- Assess the variables – investment returns, inflation, target income, retirement age and longevity
- Model for the outcomes so you can make informed decisions
- Sensible planning can add years to retirement income provision
- Whatever your goals, control the controllables

Any questions please get in touch via [advice@netwealth.com](mailto:advice@netwealth.com)



Q&A



# Important Information

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When investing your capital is at risk. The value of investments may go down as well as up, so you could get back less than you invested.

Our advisers offer restricted advice that relates to Netwealth's products and services and does not consider the whole market. Netwealth does not provide tax or legal advice and does not advise on transfers of pensions with safeguarded benefits.

Netwealth is covered by the Financial Services Compensation scheme (FSCS). In the event that we have stopped trading or are declared to be in default and cannot meet our obligations, a client may be able to claim compensation. This depends upon the type of business and the circumstances of the claim. The FSCS offers different levels of cover for different types of business. Most types of investment business are currently covered for 100% of the first £85,000. Further information is available from the FSCS website ([www.fscs.org.uk](http://www.fscs.org.uk)).