



FOR PROFESSIONAL ADVISERS ONLY

Brooks Macdonald Retirement Strategies

Helping you deliver a CRP that is fit for
purpose across all client segments

*Realising Ambitions.
Securing Futures.
We are Brooks Macdonald.*



The challenge facing advisers



With fewer retirees now having defined benefit pensions, an increasing proportion rely on their savings and personal pensions to fund their retirement aspirations. Furthermore, with the onset of pension freedoms seeing a greater demand from clients for increased flexibility, as opposed to just purchasing an annuity, the need for advice has never been more important.

From a regulatory perspective, increasingly the FCA is focussing its attention on the retirement market, starting with the release of its thematic review of Retirement Income Advice in the early part of 2024. This highlighted that beyond having a robust centralised investment proposition (CIP) in place, the FCA now expects advisers to have defined their centralised retirement proposition (or CRP) for clients.

In creating a CRP, the regulator has set out its guidance as to what adviser firms need to be taking into consideration, leaving firms to interpret how to achieve this, and meet aspects like sequencing risk i.e. the risk of assets falling in value shortly after investment and at the same time starting to withdraw capital for income.

This is where Brooks Macdonald can become your consultative investment partner, combining our knowledge of the business challenges faced by adviser firms, with our investment expertise.

We offer retirement income solutions via a consultative service that keeps you and your firm on the right side of regulation. Bringing us into your client proposition, whether this be for investment more generally or to adopt a defined approach to satisfying the income requirements of your clients as they enter the later stages of life, will enable you to leverage our expertise in these areas.

In supporting advisers through this challenge, our intention is to provide the following:



Clarity in understanding our range of retirement strategies and how these work to manage the risks when taking retirement income – knowing that our underlying approach is consistent across different strategies.




Confidence in understanding the risks in retirement and reassurance with our experience of helping clients at this stage of their life.




Choice in providing three distinct retirement strategies for your clients, to cater for a broad array of client circumstances and the ability to align with your business operating model.

Risks when taking retirement income

Taking income in retirement involves several risks that you should be aware of to ensure financial stability and well-being for your clients. Three of the most important risks are as follows:



Longevity risk
The risk of outliving your savings. If retirees live longer than expected, they may exhaust their retirement funds, leading to financial hardship in later years.



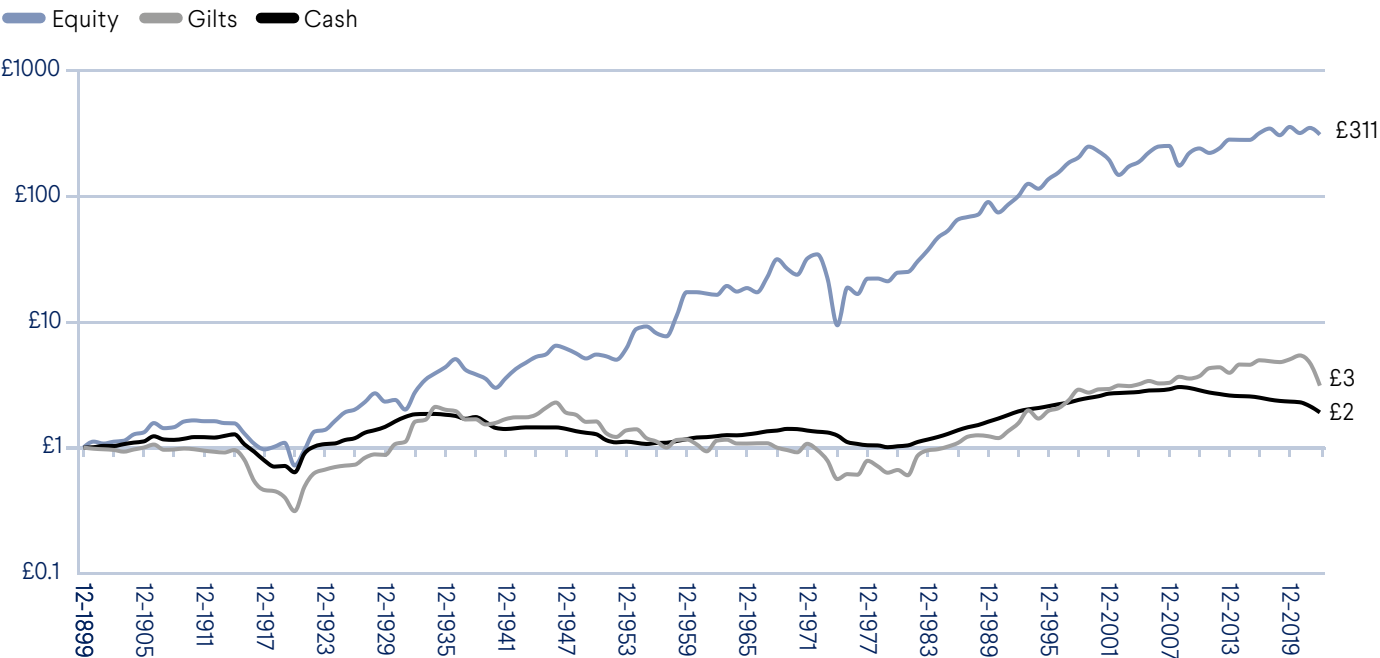
Inflation risk
The risk that the purchasing power of your money will decrease over time due to inflation. The impact of this on clients is that rising prices can erode the value of fixed income sources, making it difficult to maintain the same standard of living.

From an investment perspective, equity assets have historically proven to be the best way to combat both longevity and inflation risks. As you can see from the chart adjacent, equities have in real terms outperformed both cash and bonds by a considerable margin over the longer term.



Combating longevity and inflation

The need for risk




Past performance is not a reliable indicator of current and future results. Data to December 2022.

Source: Barclays Equity Gilt Study. £ figure is total return of £1 in real terms. Data based on real return data for UK equities, gilts and cash between 1900 and 2022.

The chart has a logarithmic scale which represents data by showing proportional changes rather than equal increments. It progresses in multiples of 10 instead of linear steps. This approach is used here to effectively display both small initial returns and larger long-term growth within a single chart.

However, the benefit of equities producing inflation-beating returns over the longer term is coupled with the characteristic of having higher levels of shorter-term volatility and this increases a portfolio's susceptibility to sequencing risk.

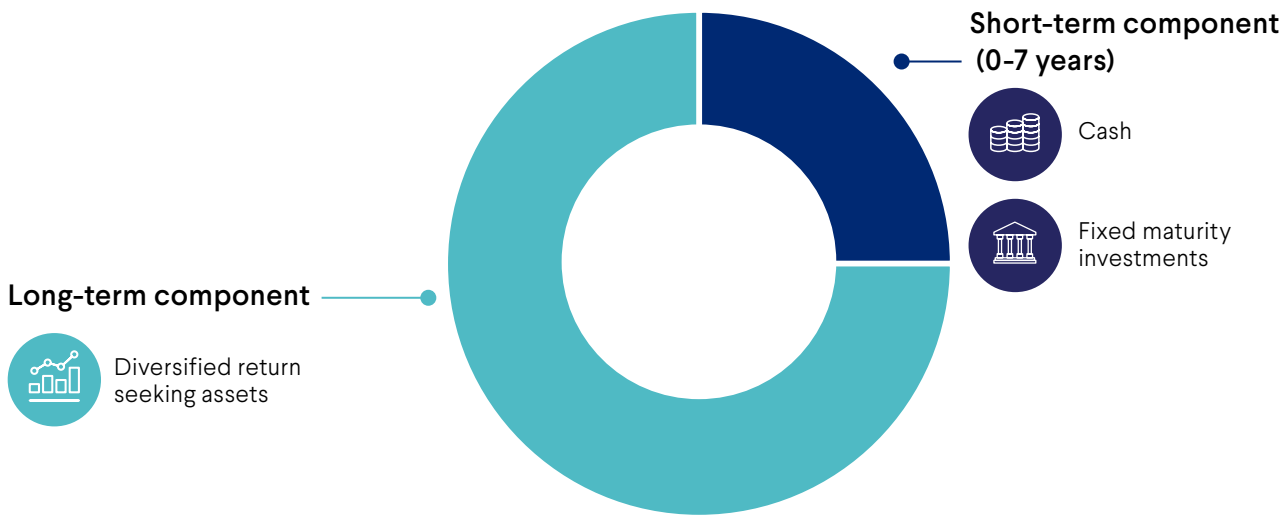


Sequencing risk
Described by Nobel prize winning economist William Sharpe as “the nastiest, hardest problem in all of finance”, sequencing risk is the impact of taking withdrawals during market downturns, which can negatively impact the value of retirement savings. Poor returns early in retirement can significantly reduce the portfolio's value, making it harder to recover and sustain income.

Our approach to managing sequencing risk

Brooks Macdonald was one of the first discretionary investment managers to launch a dedicated and defined approach to managing client assets in the decumulation stage of their life. This approach was built on the principle that a drawdown early in the client's retirement journey can have a significant impact on the destination – our approach focuses on managing sequencing risk.

A different approach to mitigating the risks and managing your client's portfolio

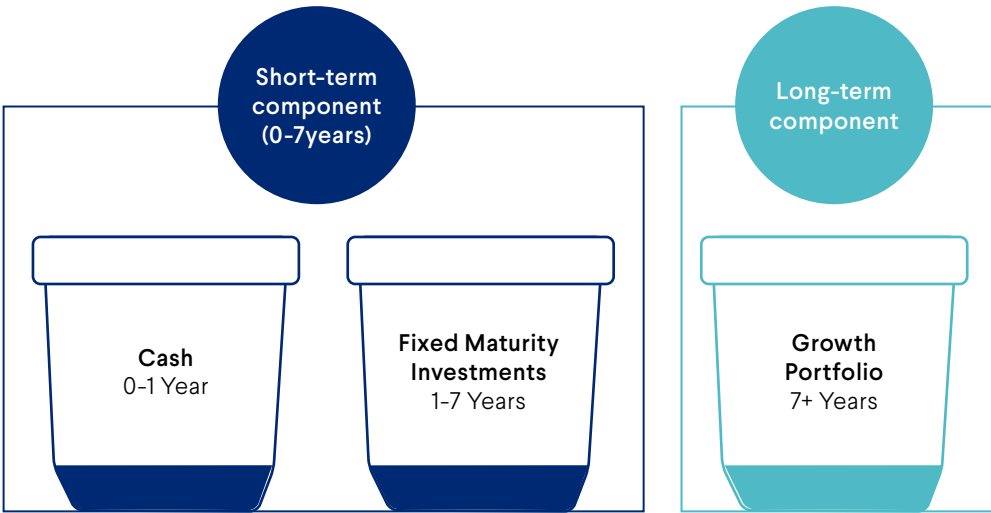


Our approach is built on two distinct components that recognise the need to manage sequencing risk. The first is a short-term component with duration-matched risk assets to satisfy income needs in the early years, while the second is a long-term component designed to generate capital growth, which can be used for income in later years.

Disclaimer: Breakdown is for illustrative purposes only.

The Brooks Macdonald approach to retirement income

Confidence, clarity and choice across all strategies



We have been implementing this strategy within our Bespoke Portfolio Service since
2018

We have offered this approach for several years now within a Bespoke Portfolio Service for clients with retirement funds greater than £500,000. However, acknowledging that many advice firms have clients facing the need for income with retirement funds less than this, we can now offer this two-segment approach via our Tailored solution for clients with relatively straightforward affairs and sums from £250,000 available to them, or a fully fund-based solution called Modelled for client portfolios operating on platforms.



Three flavours of providing income

By appointing Brooks Macdonald as your investment partner, you will benefit from access to our range of solutions which offer retirement income for different segments of your client base.

Where your CRP includes the decision for clients to remain invested, our consultative approach can help you decide which solution is right for which segment of your client book based on the degree of personalisation required by the client. Remember, we are solution agnostic. What we offer is a means of working alongside your planning advice and cash-flow modelling for a client and

delivering an investment-based retirement income solution to suit the specific requirements of the client or your business.

The following table sets out the key differences across our three retirement strategies. More detailed information on each strategy and how each strategy manages both the short-term and long-term components can be found within our comprehensive range of products and solutions literature available on our website.

Feature	Bespoke Strategy	Tailored Strategy	Modelled Strategy
Custody	With Brooks Macdonald	With Brooks Macdonald	Via external platforms
Minumum investment	£500,000	£250,000	£50,000*
Account types available	GIAs, SIPPs, ISAs, and ² offshore bonds	GIAs, SIPPs, ISAs, and ² offshore bonds	Subject to platform
Annual withdrawal capacity options	Bespoke to client	Bespoke to client	Three options
Risk levels	BM Low to Medium BM Medium BM Medium High BM High	BM Low to Medium BM Medium BM Medium High	BM Low to Medium BM Medium
Management fee	As per normal Bespoke Portfolio Service terms	First £500k - 0.40%p.a. + VAT Thereafter - 0.20% p.a. + VAT	0.35% p.a. (no VAT)

*The minimum initial investment is platform-dependent, however we recommend that the initial investment be no less than £50,000.

²Can only be used in offshore bonds which are able to hold structured products. BM denotes Brooks Macdonald.

Modelled

The Modelled Strategy is the solution we are able to offer via a third-party platform, which allows advisers to maintain the operational efficiency and consistency of reporting across their client bank by using their platform of choice. It can be used for clients with singular accounts who have income needs and a risk profile that is covered by one of our withdrawal capacities and risk levels.

Generate illustrative examples

Our Retirement Strategies Illustrator helps financial advisers by providing illustrations of projected portfolio values over time. For given withdrawal rate, risk level and investment time horizons, the tool generates scenarios to help advisers assess long-term financial outcomes and make more informed recommendations.

To generate, visit proposalgenerator.brooksmacdonald.com

Monthly Factsheets

Additionally, we provide monthly factsheets for the model portfolios forming our Modelled solution, which include information such as the number of years of sequencing remaining in each model, the level of equity content in each model, and the maximum withdrawal capacity that the model supports.

Tailored

The Tailored Strategy is similarly only available at a single account level and would be used for clients who wish to set an income level more specifically aligned to their set individual requirements but do not require a more complex portfolio construction.

Bespoke

Our Bespoke Strategy is designed to assist clients who have a need for a more complex portfolio construction. This may involve the need for varying income levels over different years, managing a portfolio across several different account types, the need to actively manage the tax efficiency of the portfolio or for those who desire specific changes to the composition of the longer-term component.

Why partner with Brooks Macdonald?

At Brooks Macdonald, we're more than an investment partner – we're part of your community. We know the challenges you face because we live and work alongside you. Like you, we're in the business of people, building trusted relationships that stand the test of time. That's why, for over 30 years, we've been helping advisers grow their businesses and deliver the best outcomes for their clients. And we'll be with you every step of the way.

1 Trusted

- Independent, financially strong, and a leading provider of wealth management services since 1991, demonstrating long-term stability.
- Over 30 years of experience helping advisers build their businesses and navigate market and regulatory changes.

2 Partners

- We listen, collaborate, and tailor solutions to help you and your clients succeed.
- Our diverse range of solutions means we can offer solutions that align with your business model and client needs.
- We remove burdens, support your growth, and aim to help you deliver the best outcomes for your clients.

3 Investment expertise

- Our proposition is backed by a rigorous Centralised Investment Proposition and robust frameworks to support due diligence.
- Access to the expertise of 60+ investment professionals in a way that suits your firm.
- Our commitment to helping your clients achieve their goals is backed by our focus on outperformance, delivered through a range of investment solutions.



Let's realise ambitions and secure futures together.



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Important information

This document is intended for investment professionals only and should not be relied upon by any persons who do not have professional experience in matters relating to investments. The information in this document does not constitute advice or a recommendation and investment decisions should not be made on the basis of it. The value of investments, and the income from them, may go down as well as up and neither is guaranteed. Investors could get back less than they invested.

The value of your investment may be impacted if the issuers of underlying fixed income holdings default, or market perceptions of their credit risk change. Investors should be aware of the additional risk associated with investing in smaller companies/emerging or developing markets.

Changes in exchange rates may have an adverse effect on the value of an investment. Changes in interest rates may also impact the value of fixed income investments.

Please be aware that the Bespoke Strategy and Tailored Strategy utilises structured products as part of the portfolio construction/strategy which comes with specific risks. Should the counterparty fail, investors may not have access to the Financial Services Compensation Scheme (FSCS).

Investors should speak to their advisers for further information to ensure they understand the risk and return factors applicable in their case.

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Brooks Macdonald is a trading name of Brooks Macdonald Asset Management Limited used by various other companies in the Brooks Macdonald group of companies.

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More information about the Brooks Macdonald Group can be found at brooksmacdonald.com

