

# The 7IM Retirement Income Service

Your income, your way



Succeeding together

**7IM**

### Capital at risk

You should be aware that the value of investments may go up and down and you may receive back less than you invested originally.

7IM considers that the obligation to provide appropriate advice and explain the risks inherent in the portfolios falls to advisers.

### 7IM DISCRETIONARY RETIREMENT INCOME SERVICE

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# It's all about you

As the world changes, so does the way people approach retirement. People have been accumulating wealth their whole lives and they want to make sure they enjoy retirement on their terms.

But the retirement landscape has evolved significantly over the past few years, and there has been a radical change in the way individuals entering retirement generate income. While recent regulation has pushed for more freedom of choice, it has also created some pitfalls associated with drawdowns.

- Will my retirement income last the distance?
- Will spikes in inflation make my pot less valuable?
- What if my circumstances change?

We looked at these questions and created the 7IM Retirement Income Service (RIS) to provide the answer.

In a nutshell, RIS is a bespoke solution designed to support the plan you and your financial adviser have created. Using sophisticated modelling techniques to manage risk, RIS quickly adapts to changing personal needs and circumstances.

Above all, the 7IM RIS allows you and your adviser to remain in control of your capital. Your income, your way.



*Howard*

**Howard Hardy-King**

Head of Discretionary Investment Management

# About the 7IM RIS

Drawing on our investment management expertise, the 7IM RIS takes sophisticated modelling techniques and applies them to real-life scenarios to create your personalised retirement income plan.

The 7IM RIS takes into account all of the pensions and investments you select and is managed according to your objectives and timelines while always keeping you in your agreed risk profile and comfort zone. Working in partnership with your financial adviser, the 7IM RIS allows you to manage your income in retirement, providing you with the flexibility you need.

## The benefits:



### Tailored

Your portfolio will be built around your specific circumstances. Through the 7IM RIS, we can apply a strategy that aims to shield you from the negative impact of returns when you draw down money in a market downturn.



### Sustainable

The last thing you want is to run out of money in retirement. Using sophisticated modelling techniques, the 7IM RIS shows you what your future finances could look like for specific timeframes.



### Flexible

We understand how circumstances can change quickly, so we've built the 7IM RIS to allow you to set aside provisions for unscheduled withdrawals, vary your income over time, change how your investments are managed, and potentially leave a legacy for the next generation.

# Why choose the 7IM RIS?

How you fund your retirement is an important decision that is crucial to get right.

We believe we're defined by providing you with what matters most:

- Innovative products that we are constantly improving to meet your changing needs;
- Exceptional client service.

Your financial adviser has recommended the 7IM RIS as it is designed to address the complexities of managing your investments while drawing an income in retirement. The RIS provides a sophisticated approach that ensures your assets are carefully managed, helping you achieve a sustainable income while preserving your financial wellbeing.

## The 7IM RIS may be right for you if:



You're seeking a flexible income drawdown solution



You have other sources of secure income that can cover your basic retirement income needs



You're seeking income to improve your retirement lifestyle



You have investable assets of more than £200,000



You're looking to make use of capital gains tax (CGT) and ISA allowances

# How the 7IM RIS works

The 7IM RIS takes all of your selected assets and treats them as a single portfolio that is aligned with your risk profile.

Your investments are then allocated into a series of pots invested across three time horizons: short-term, medium-term and long-term. The long-term and medium-term pots aim to provide capital growth and therefore contain more higher-risk investments. The short-term pots are invested in assets which have a lower risk profile relative to the rest of the portfolio.

You also have two cash pots: the income pot and the cash buffer. The cash buffer pot is there to provide another year of income if markets are unfavourable when a top-up of the income pot is planned, meaning that we would be able to wait until market conditions change.

This structure is designed to help you meet your income objectives for today and in the future, while keeping you in line with your risk profile.

Despite holding two years of cash, the aggregate portfolio will remain in line with the selected risk budget.

The robust, science-based methodology behind the 7IM RIS ensures that the impact of having some cash in your portfolio could be offset by the amount of capital kept in the longer-term pots, which are invested with a greater bias for growth.

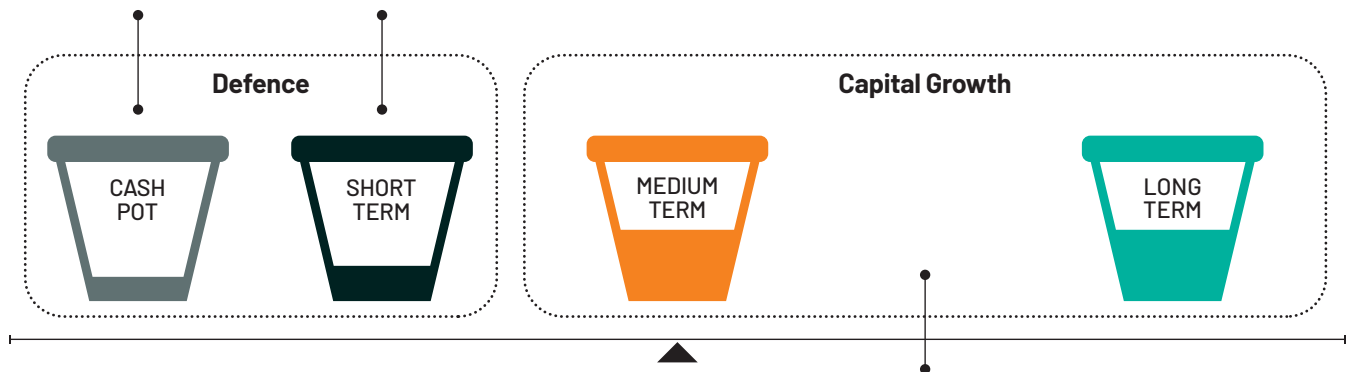
The long-term pot acts therefore as a balancing pot in the see-saw style portfolio, with cash and short-term pots weighing on the left, and long term balancing on the right.

We believe it is important to hold a portion of the portfolio in cash rather than investing it in the market, and we explain why in more detail below.

**FIGURE 01**  
The Time Horizon Balancing Act

Two years' income held in cash aiming to protect it from market movements and avoiding your investments being sold in falling markets.

The short-term bucket provides the equivalent of 3 years' further income in lower risk investments, allowing for a further defence against prolonged portfolio drawdowns.



The capital growth buckets are calculated to offset the 'cash drag' from the defensive buckets, ensuring the whole portfolio is working hard and generating the same risk and return profile as if it was all fully invested. This allows you to balance your short-term cash flow requirements without compromising your longer-term aspirations.

## The cash pot

Having too much cash can cause a drag on long-term portfolio performance, but too little may be insufficient to help manage sequence risk. Getting this balance right is crucial.

### The purpose of cash pot is threefold:

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**To cover 12 months of planned income between reviews.**

**To help reduce the impact of losses in market downturns.**

Drawing down income from a portfolio in a market sell-off could significantly deplete the value of their account. For the same level of income, low unit prices require higher purchases compared with a buoyant market and therefore less money would remain to grow.

**To help counter the mental accounting bias that many clients exhibit.**

Allowing for this behaviour can help investors feel more comfortable with their investment strategy.

The 7IM RIS maintains a cash buffer - typically worth two years of cash - which can be used to provide the income during these periods of market downturn, therefore delaying the need to sell down.



# Where to start?

## Building and managing your 7IM RIS

### STEP 01

#### **Review your entire investable portfolio**

The starting point is for your adviser to understand your entire wealth position including pension savings, ISAs and other investments, to determine which of these should sit inside the 7IM RIS.

### STEP 02

#### **Understand your income requirements**

You and your financial adviser will determine your objectives and your attitude to risk, plus establish your income requirements. This information will help us determine how to build your bespoke portfolio.

### STEP 03

#### **Build your portfolio**

We take the information you and your adviser provide and create your personalised portfolio based on our bespoke modelling and testing. We then provide a detailed Investment Proposal report for your adviser to review and discuss with you.

### STEP 04

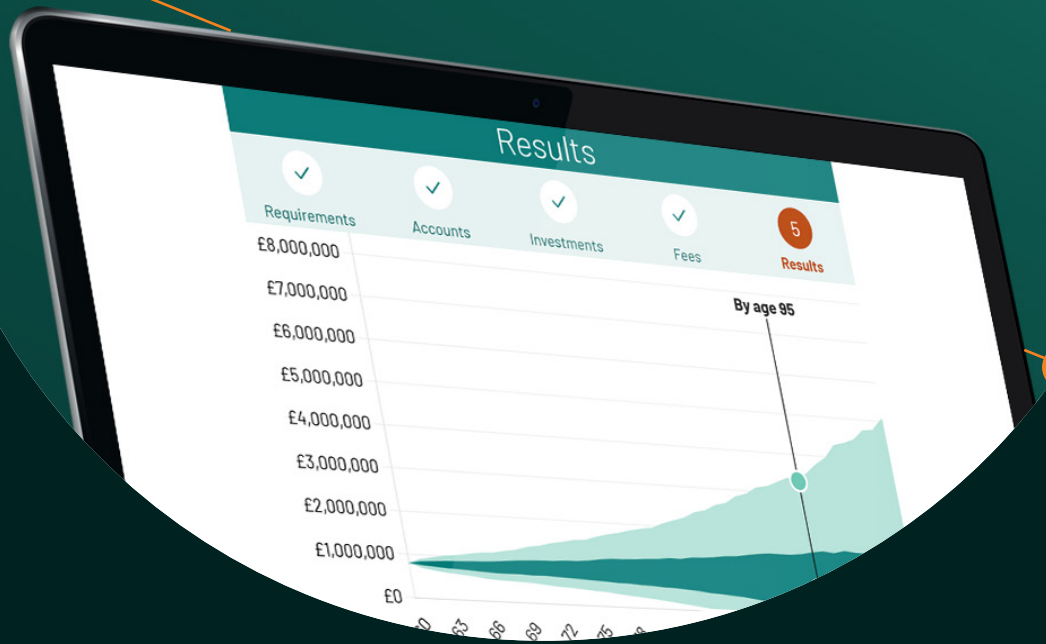
#### **Assessing suitability**

Your adviser will review the Investment Proposal and ensure that it is suitable for your needs and attitude to risk.

The delivery of retirement income is naturally associated with pensions. However, the RIS offers the functionality to consider multiple tax wrappers and indeed the savings and investment of more than one family member. We will work collaboratively with your financial adviser to optimise the structure of your portfolio and the order in which income is cascaded across the tax wrappers under consideration.

This process harmonises income generation and offers significant opportunities for tax efficiency and the use of one's various tax allowances.





## STEP 05

### **Manage your portfolio**

We manage your portfolio according to your objectives to provide your required income throughout changing market conditions. This includes frequently topping up cash balances in the most tax-efficient manner to minimise the risks of liquidating investments when markets fall.

## STEP 06

### **Regular review**

Your financial adviser will regularly review your 7IM RIS plan. We provide updates on how your portfolio is performing, including an annual review and ad hoc reviews on request, and make adjustments as necessary to ensure it remains in line with your objectives.

## STEP 07

### **Realign with your risk profile**

Your investments will be matched to your risk profile at the beginning as determined by you and your financial adviser. Our Risk Management Team continues to monitor and assess the portfolios used within the 7IM RIS to ensure they are in line with your chosen risk profile.

# How we review your portfolio

**Each year, we review your plan with your financial adviser. As part of this review:**

- 01 We provide your adviser with an updated report – your Annual Review.
- 02 We check to see if your needs or circumstances have changed.
- 03 We compare investment performance against market conditions.
- 04 If necessary, we may change the make-up of your investments so that they are optimised for your current needs.
- 05 If the market conditions are favourable, we will sell down investments, replenishing your income pot. If they are unfavourable, i.e., the market is experiencing a downturn, we will wait in order to reduce potential losses, and instead use the cash buffer.

If you have further questions, please contact your financial adviser in the first instance or your 7IM Investment Director.

# What to expect from us

At 7IM, we keep you informed about your portfolio every step of the way through personalised reporting.

When you are considering using the 7IM RIS, we provide your financial adviser with an Investment Proposal Report that illustrates how your money will be invested and the likelihood of your income requirement being achieved. Your adviser will discuss this document with you to

ensure that you understand the process, risks and costs associated with using the 7IM RIS.

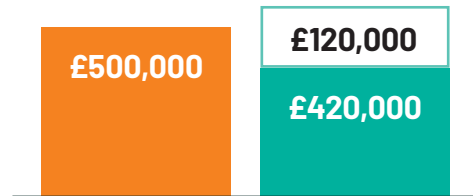
We believe that a key part of successfully managing your income in retirement is regularly reviewing your plan with your financial adviser.

We provide clear and concise information about your portfolio so that you are up to date with how your investments have performed and can make informed decisions about whether any changes need to be made.

**Each year, we will provide you with an Annual Review which explains the following:**

01

How your current portfolio value compares with your initial investment value on opening your 7IM RIS, including detail on how much income has been taken.



● Total Amount Invested ● Current Value ○ Income Withdrawn

02

An updated likelihood of your income requirement being achieved.



03

How your investments will be split across the different time horizons for the coming year.



Updates can also be provided on request.

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