IN PARTNERSHIP
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In Partnership
Centralised Retirement Proposition
[Simply Retirement]

Our Proposition

At, Simply Retirement, we adopt a culture of transparency and best practice by using a series of processes and procedures detailed within a framework of documents that ensure that we consider and provide the most suitable advice to meet client objectives throughout their retirement. Our Centralised Retirement Proposition (CRP) is designed by our Principal, In Partnership, and ensures that we have a formal process for delivering robust, repeatable, and consistent advice for those clients at, and in retirement, which considers their financial objectives and provides solutions to meet these (where possible), in the best way.

Our CRP is aligned to our Centralised Investment Proposition (CIP) but can also be used as a 'stand-alone' document.

Client Tangible Benefits

Our CRP is intended to contain clear and tangible benefits for the client. These are as follows:

- Effective client segmentation so that clients are provided with solutions appropriate to their needs.
- A transparent plan for the provision of essential and discretionary income in retirement that directly matches essential and discretionary expenditure in a sustainable way.
- Regular monitoring of investments in the decumulation phase to ensure the client's income goals are met.
- The flexibility to incorporate different attitudes to risk (ATR) for a single client, reflecting client views on essential and discretionary income.
- Professional oversight of the components of the client's investment portfolio.
- A cashflow assessment conducted at least annually to allow the client to understand if their retirement assets may be depleted in the future and where any discretionary income expenditure is unsustainable.
- Robust and repeatable processes to ensure that all clients are treated fairly.
- Vulnerable clients (as defined by the FCA (Financial Conduct Authority)) are identified and treated with the utmost care, and advice is communicated to them in the most suitable way to ensure they understand the products and services recommended to them.

- An open, honest, and transparent recommendation process that will only recommend products/services that avoid foreseeable harm to all clients.
- Secure annuity income where funds are reduced to less than £200,000.

Business Tangible Benefits

As per the Client Service Proposition (CSP), it is important to the Business and its clients, that the CRP ensures that advice and services offered by all advisers meet the expectations of the FCA. The FCA expects us to have a sustainable business model for the long term and one that will achieve good consumer outcomes, avoid any conflicts of interest that might arise and have a client centric culture that allows for the management of clients' best interests and protect them from foreseeable harm. This means that the CRP incorporates the following:

- A defined target market.
- A simple, repeatable process for the provision of consistent advice at and in retirement.
- A client segmentation process that is clear and concise and complies with the Product Intervention and Product Governance Sourcebook (PROD).
- An advice process that recommends only the most suitable products to meet the clients' objectives at a fair value.
- A standardised process that considers the Investment Pathway regulations detailed in PS19/21.

Our Target Market

The target market for our income decumulation services are those consumers who are at, or in, retirement.

They are aged 55 plus who have no intention of retiring in terms of paid work until forced to do so (perhaps due to ill health or lack of opportunity) or are transitioning into retirement or semi-retirement (from aged 55 onwards) or are in active retirement (for example aged 55-75) including those in a more passive retirement (aged 75+).

They may have any of the following assets that can be used to fund their retirement income and meet current and future essential and non-essential income; company or personal pension(s), investments, deposited assets, and/or equity in real property.

Client Segmentation

Clients in decumulation, are segmented based on the value of their retirement assets and their financial knowledge and understanding of retirement products and services. We consider any vulnerabilities that a client may have and only recommend products which they understand and deliver a good outcome for the client at a fair value.

- Basic – Clients who will accept no risk whatsoever. This is irrespective of the amount of retirement assets that they have or their level of product understanding.

- Core – Clients who have only a limited understanding of financial products designed for those clients in retirement, and/or have retirement assets in value of less than £200,000, and/or have a recognised vulnerability that impacts on their mental capacity to make rationale financial decisions with due regard to their own personal circumstances.

- Enhanced – Clients who have a good understanding of financial products designed for those clients in retirement, and/or have retirement assets of more than £200,000 and less than £500,000. They may have a vulnerability, but this does not impact their financial decisions or their ability to understand the products/services they are recommended.

- Bespoke – Clients who have a good understanding of financial products designed for those clients in retirement, and/or have retirement assets of more than £500,000. They may have a vulnerability, but this does not impact their financial decisions or their ability to understand the products/services they are recommended.

Investment Pathways

The FCA introduced PS19/21 in July 2019 which is a policy statement regarding client retirement outcomes and led to the introduction of Investment Pathways. This guidance is primarily aimed at unadvised clients; however, it has factors that must be considered by us and our clients.

The FCA has stated that there are four Investment Pathways and clients must be placed into an appropriate fund or investment strategy that best suits their objective. Our advisers actively consider the Pathways below when a client is considering entering drawdown.

- Option One: I have no plans to touch my money in the next five years.
- Option Two: I plan to set up a guaranteed income (annuity) within the next five years.
- Option Three: I plan to start taking a long-term income within the next five years.
- Option Four: I plan to take my money within the next five years.

For those clients that have no plans to access their money in the next five years we would expect the client to remain in the CIP until their plans change.

For all other scenarios, our CRP deals with these as well as for those clients that need immediate and short-term access to a proportion of their retirement assets.

The Retirement Process

All clients go through the same process at retirement to ensure that our advisers comprehensively record the most up to date information and so that they can provide the best possible advice. They will obtain the same details from every client and specifically record client income, expenditure, attitude to risk (ATR), retirement pot longevity, capacity for loss (CFL), and post-retirement financial goals. Information is collected at the household level so that the adviser understands the clients' holistic financial position and can accurately assess and recommend the most appropriate solutions.

The client will complete an ATRQ (attitude to risk questionnaire) which asks questions specifically focused upon clients immediately approaching retirement or in retirement. These questions must be answered along with CFL questions that are once again specific to clients at, or in retirement. All results must be recorded in the clients' file.

Recording these details are important so that our adviser(s) can assess Guaranteed and Non-Guaranteed income and align these directly with Essential and Discretionary Expenditure. They must complete a Budget Planner (see Appendix A) and are mandated to carry out a cashflow modelling exercise at least annually with the intention of ensuring that the client's financial goals can be assessed and met throughout retirement, and to ensure that their recommendations are understood by the client, especially with regards to the costs of their lifestyle choices and the impact on the sustainability of their retirement capital. If the exercise identifies that the client will not sustain their retirement assets for their expected lifespan, the adviser must highlight this to the client and record on file.

We are mandated to use Synaptic Analyser which is an at retirement income analysis tool that uses stochastic projection methodology and long-term variable economic projections to mitigate the risk of our clients depleting their retirement assets before their likely death.

For the purposes of budgeting and sustainability of assets in retirement, the client's income is split into Guaranteed and Non-Guaranteed income, and expenditure into Essential and Discretionary Expenditure.

- Guaranteed income is classed as State Pension and any other state benefits and, Final Salary Pension or lifetime annuity in payment.
- Non-Guaranteed income is classed as Employment income, rental income, pension drawdown income, other investment and savings income, and dividends.
- Essential Expenditure is classed as legally binding expenditure and/or that is essential in maintaining a client's basic standard of living.
- Discretionary Expenditure is classed as expenses derived from additional client behaviours or intentions that are above and beyond those incurred in 'normal/basic' day to day living.

The adviser will recommend that a client uses Guaranteed income in the first instance to cover essential expenditure and any shortfall will be covered by non-guaranteed income.

If there is a shortfall in meeting essential expenditure, the adviser will recommend the best option to cover it, and these will be dependent upon the clients ATR as follows:

Cautious (No/very limited risk) – If the client does not wish to take any risk with their provision of essential income, the adviser will be required to recommend the purchase of the most suitable Annuity or savings account.

Moderately Cautious or Balanced – The CRP allows for clients to take a Moderately Cautious or Balanced (1-5 scale) level of risk to provide essential income. The essential income shortfall will need to be met by a Moderately Cautious or Balanced fund or portfolio or other cash savings.

Moderately Adventurous or Adventurous – The CRP allows for clients to take an increased level of investment risk with their retirement assets in decumulation where essential expenditure is already adequately covered by lower risk retirement solutions. Moderately adventurous and Adventurous solutions can only be used to cover discretionary expenditure.

The adviser will always need to record the clients ATR as well as an assessment on the sustainability of the client's retirement capital through a cashflow modelling forecast. This must be placed on file.

Withdrawal Rates

The sustainability of assets in retirement is extremely important for us to monitor so that our clients do not deplete their retirement assets before the end of their life.

As such, we mandate that every adviser conducts a whole of market annuity illustration at least annually for clients at, and in, retirement and they must recommend to their clients a withdrawal rate that is no higher than;

- the highest quoted % annuity rate from the illustration*

The annuity illustration must be appropriate to the clients' circumstances, examples are as follows:

- If married, the annuity should be a joint life with a 50% spouses' entitlement and a RPI escalation rate,
- If there is no spouse, a single lifetime annuity with a RPI escalation rate should be used.
- If the client is in ill health, an impaired life annuity should be used with a 50% spouses' entitlement and a RPI escalation rate.

*All quotes must be recorded on file.

Clients may request to increase the frequency and/or level of withdrawals, but in this instance, the adviser must always undertake a further sustainability assessment using Synaptic Analyser and/or an approved cashflow modelling tool and refer to the ONS Life Expectancy calculator which will indicate the age at which the client will be expected to deplete their retirement capital and the age at which they will be expected to die.

Should the client still wish to increase the frequency and/or level of withdrawals, the adviser must record the reason and ensure that the client understands the future impact on their retirement capital. These clients will be classed as 'insistent,' and the adviser must follow the 'insistent client' process.

If our adviser identifies that the client is at risk of depleting their retirement assets before, they are likely to die, they will look to recommend an annuity. The trigger point will be when the client's retirement assets are less than £200,000 and/or a vulnerability which impacts their understanding of the products they are invested in, and/or their financial decision-making, all of which leads to a significant risk of retirement asset depletion.

Sequencing Risk

Sequencing risk is one of the major investment risks of decumulation and refers to the risk of a significant downturn in markets shortly after retirement which means that more assets need to be withdrawn than is expected at the outset of retirement, and this adversely effects the quantum and longevity of assets for the future. This situation is actively considered and mitigated as part of a successful decumulation strategy and as such we mandate the following:

- Portfolio diversification continuing in retirement.
- Retirement solutions that are aligned to essential expenditure and have a lower risk profile.
- An assessment of all retirement assets so that a 'bucketing approach' can be adopted and appropriated to a client's personal circumstances.

The bucketing approach is one in which retirement assets and decumulation solutions are categorised as follows:

- Those that cover short term income needs and are highly liquid.
- Those that cover medium term income and growth requirements.
- Those that provide long term growth requirements.

The implementation of a bucketing approach should be aligned with the coverage of essential and discretionary expenditure and detailed clearly in the client suitability report and assessed and reviewed on an ongoing basis.

In those circumstances where there is a fall in equity or bond markets which leads to a reduction in the value of retirement assets in any 12 month period of more than 6.5% for those with a moderately cautious ATR and/or 11.5% or more with a balanced ATR, our advisers will assess the impact on the longevity of the clients retirement assets and adjust the %'s allocated to the respective buckets and the overall retirement strategies.

Investment solutions by Client Segment

- Basic – The adviser will recommend an annuity, or savings and/or bank accounts, or low risk cash equivalent products.

- Core – The adviser will recommend that the client be invested in an annuity, however if this is not suitable or possible, a low risk, multi-asset income solution, an approved decumulation product, a cash savings product, or a Multi Asset Portfolio that matches their ATR can be recommended.

- Enhanced – The adviser should recommend an annuity to cover essential expenditure and if there is excess capital available to invest, they will recommend a platform solution with either one, or two portfolios that will typically be a multi asset fund and/or decumulation product. An adviser will only recommend two portfolios if it has been determined that the client is willing and able to adopt a higher level of investment risk with the Discretionary income part of their portfolio. A lower risk portfolio will any shortfall in essential expenditure and one with the higher risk covering their Discretionary expenditure.

- Bespoke – Clients in this segment can be recommended a fully bespoke solution. They must cover their essential expenditure from Guaranteed income or a Moderately Cautious or Balanced portfolio, and discretionary expenditure can be met by solutions that have a greater level of investment risk. All income is likely to be covered using annuities and Multi Asset Core Funds.

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Investment and Pensions Solutions

Funds Scope and Range

Our CRP uses funds and products approved by our Principal (In Partnership). Decumulation solutions should focus on the delivery of income to meet a clients expenditure requirement as well as growth.

Regulatory Guidance

Our decumulation solutions use funds and products that are regulated by the FCA and have been selected as suitable to meet the objectives of clients in retirement. The appropriateness of each solution is considered for:

Value for money
Designated Target Market
Long term investment horizon
Ability to meet the client investment needs and objectives.
Cost
Performance
Delivery of a good consumer outcome at a fair value

Off Platform Scope and Range

Where a client's investable retirement assets are less than £200,000 and/or they do not have capacity to understand complex decumulation products, we should recommend an annuity or products that include an annuity as a constituent of the solution. If this is not possible, we must recommend an off-platform solution as approved by our Principal, from providers such as the following:

- AVIVA
- Aegon
- Royal London
- Scottish Widows
- LV=
- Prudential

Please refer to Appendix B for additional information in relation to scope for Off Platform Solutions

Annuities

In respect of annuities, our advisers must access a panel of providers representing the whole of market being:

- Aviva
- Canada Life
- Just
- LV=
- Scottish Widows
- Prudential
- Legal & General

Cashflow Modelling

We must undertake cashflow modelling at least annually for all clients in decumulation to ensure that their retirement objectives are aligned with their decumulation strategies and that their retirement assets will not be expected to be depleted before the end of their life. The adviser must use a cashflow modelling tool that uses stochastic modelling and is aligned with Moody's asset growth projections. Please refer to the list of approved cashflow modelling tools.

Vulnerable Clients

Any client categorised as vulnerable will be treated in accordance with the In Partnership vulnerable client guidance.

Please refer to the Appointed Representatives – Guidance - Vulnerable Consumers document available in the Compliance Section of the members intranet

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APPENDIX A
Example Retirement Budget Planner

Essential Expenditure	Monthly £'s	Discretionary Expenditure	Monthly £'s
Mortgage Rent		Television Subscriptions	
Secured Loans		Vets Bills & Pet Insurance	
Life Assurance Policies		Personal Grooming	
Pension Payments		House Repairs & Maintenance	
Shopping		Regular Savings	
Adult or Childcare Costs		Gifts (Christmas & Birthday)	
Council Tax		Holidays	
Gas, Coal, or Oil		Leisure (Socialising)	
Electricity		Membership Fees	
Water Rates		Sundries	
Phone, Mobile & Internet		School Fees Grand Children	
TV License		Private Health Insurance	
Buildings & Contents Ins		Other	
Essential Clothing & Footwear			
Public Transport			
Car Ins, Tax & Breakdown			
Fuel			
MOT & Servicing			

Total		Total	

Essential Expenditure	
Discretionary Expenditure	

Total Monthly Expenditure	

Plus 'one off' immediate expenditure(s)	Age/Date	Amount £

APPENDIX B
Off Platform Solutions

Royal London	Governed and Governed Retirement Income Portfolios
LV=	Balanced Index Flexible Guaranteed Balanced Flexible Guaranteed Cautious Flexible Guaranteed Managed Growth