Centralised Retirement Proposition

Simply Retirement

Introduction

As part of the ongoing development of the Simply Retirement Client Service Proposition (CSP) which incorporated its Centralised Investment Proposition (CIP), we have created our Centralised Retirement Proposition (CRP).

Our CRP seeks to formalise the process of delivering suitable and consistent advice to all clients at retirement in a clear, fair and comprehensive way. The CRP aligns seamlessly with the CIP.

Because of the specific business model offered by Simply Retirement, which focuses predominately on Retirement Solutions for clients seeking to keep any servicing costs to a minimum, it should be qualified and made clear that the following CRP relates to those clients seeking to engage in taking 'advice' or a Personal Recommendation in respect of their retirement plans. For additional clarification, the CRP will also refer to any 'Ongoing Annual Review' referred to in our Standard Plus service level, which includes a periodic assessment of the ongoing suitability of an investment.

Ongoing Service – Investment Solutions

For our Ongoing Service 'Standard' level, we do not provide holistic advice or comment on the ongoing suitability of your plan. This is referred to as a periodic assessment of suitability and is not provided under our 'standard' service. This level of service was designed and offered to consumers seeking to keep their costs to a minimum and only wishing Simply Retirement to provide an annual service concerning the investments or portfolio in the context of the plan that is being considered and the risk profile of these investments. However, I can confirm that in addition to dealing with the underlying investment portfolio, undertaking the ongoing monitoring of the funds and the administration of the plan, we would seek to provide an element of 'cashflow' forecasting to examine the sustainability of your funds and would also look to encourage you to examine your own Income and Expenditure requirements in retirement, with our assistance and what we would believe to be 'good practice' with a desire to ensure that good consumer outcomes are attained.

The significant difference in this approach to investing and portfolio design is the standardisation of the Investment Process, which will mirror our CIP but where we look to place the next 3 years of expected withdrawals from Drawdown in a Cash or Deposit solution to shelter these funds from any market volatility. Of course, whilst this can protect you from any short-term volatility and the 'pound cost ravaging' of talking withdrawals from a falling fund, the risk is that the cash / deposit element of a portfolio will not benefit from any potential gains in the fund performance. It should also be noted that Simply Retirement will recommend funds that are aligned with your agreed risk profile / category for the element of your portfolio that is NOT invested in Cash / Deposit funds for withdrawals. This means that the risk profile of your total portfolio could be lower than agreed because we have the funds held for withdrawal in a very cautious asset class, not included in the assessment of the whole portfolio. Our rationale for this is that if these are providing for withdrawals, the proportions will change over time.

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 and ability to pay.
- A transparent plan for the provision of essential and discretionary income in retirement.
- 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's views on essential and discretionary income.
- Professional oversight of the components of the client's investment portfolio.
- An annual cashflow assessment to allow the client to understand if their assets may be depleted in the future
- Robust processes to ensure that all clients are treated fairly.
- Vulnerable clients (as defined by the FCA) are identified and treated with the upmost care and advice is communicated to them in the most suitable way.

Business Tangible Benefits

As per the CSP, it is important to the Business and its clients that the CRP ensures that advice and services offered by Simply Retirement meet the expectations of the Financial Conduct Authority (FCA).

The FCA expects us to have a sustainable business model for the long term and that it 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. This means that the CRP will incorporate the following:

- A simple, repeatable process for the provision of consistent advice at retirement.
- A client segmentation process that is clear and concise and complies with the Product Intervention and Product Governance Sourcebook (PROD).
- An investment process that provides access to multi-asset risk rated solutions.
- A standardised process that considers the Investment Pathway regulation detailed in PS19/21.

Client Segmentation

We have considered and elected to segment our clients on the following basis.

- **Non Advised Service** for Retirement Solutions, which includes providing a whole of market research tool (Exchange / Exweb) to provide an annuity or providing 3 providers for comparison for Drawdown or Pension Savings.
  This is designed and intended for clients who know what 'solution' they require but require some assistance to source a provider. Our aim is to offer access to a cost-efficient retirement solution, not giving advice but providing sufficient information to allow the client to make an informed decision.
- **Advised Service** to provide a wholistic review of the client retirement provision, including Pre-Retirement Wealth Planning

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. Our CRP deals with the other three objectives.

The Retirement Process - Advice

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 certain details from every client and specifically client income, expenditure, ATR, longevity, 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.

Recording these details are important so that our adviser(s) can assess Guaranteed and Non-Guaranteed income against both Essential and Discretionary Expenditure. They will complete a Budget Planner and carry out cashflow modelling with the intention of ensuring that the Clients financial goals can be met throughout retirement.

For the purposes of budgeting 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 legal binding expenditure and/or that is essential in maintaining a client's basic standard of living (eating and heating!)
- 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 always 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 the shortfall, and these will be dependent upon the clients ATR as follows:

No risk – If the client does not wish to take any risk with the coverage of essential income, the adviser will be required to recommend the purchase of the most suitable Annuity.

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.

Maximum level of withdrawals will need to be set at the mean expected gain of the Moderately Cautious or Balanced risk category as projected by Moody's. This is very likely to vary on a Quarter-by-Quarter basis, however, advisers will only be expected to recommend withdrawals that are affordable and in line with the published Moody's figures. The recommended amounts will be determined as a result of the completion of the fact-find undertaken immediately prior to the clients retirement and at subsequent annual reviews.

Clients may request to increase the frequency or level of withdrawals, but in this instance, they must be provided with cash flow projections indicating the age at which they might reasonably be expected to deplete their capital.

Where a client has income of more than their essential expenditure, that portion of their overall total investible assets can have a different, and higher risk profile than that of that proportion of their portfolio being used to cover essential expenditure, if it is recommended. The adviser will record the clients ATR in this regard separately as well as the rationale.

Investment solutions by Client Segment

- Advised – The client will normally be invested in off platform, packaged, multi-asset solutions that match their ATR. If they have any investible assets left over after an annuity has been purchased. A platform may considered if there are specific circumstances to demonstrate why this is suitable. In addition to the off-platform solution, the adviser will consider a platform solution with either one, or two portfolios. A client will only be recommended two portfolios if it has been determined that they are willing and able to adopt a higher level of investment risk with the Discretionary part of their portfolio. A lower risk portfolio will look to cover any shortfall in essential expenditure and one with higher risk covering their Discretionary expenditure.

Investment and Pensions Solution

Funds Scope and Range

Our CRP uses funds approved by our Principal (In Partnership) but further filtered by our internal Investment Strategy Committee (ISC), these portfolios will be the same as those available through the Centralised Investment Proposition (CIP) except for the Pension Income Portfolios. These are lower cost portfolios that provide an additional income option at either a moderately cautious or balanced risk. The investments have the same governance process as the existing CIP.

Regulatory Guidance

Our Pension Income Portfolios, like those portfolios in our CIP, are constructed with funds that are regulated by the FCA and have been selected as suitable in consideration of their target market, as well as investment performance, cost, risk and volatility. We confirm that each fund is suitable for all investor types with all levels of knowledge and with long-term investment horizons. Individually, each component fund may have different client objectives but overall, they combine to provide income and growth in retirement for clients with a moderately cautious or balanced risk profile.

On Platform Scope and Range

Our CRP will allow us to access a range of product wrappers that fall within the definition of Retail Investment Products (RIPs) and Non-Mainstream Pooled Investments (NMPI) and Alternative Investments accessible via our chosen platforms. Our platforms of choice are listed below:

- Transact (for Onshore and Offshore Bonds)
- ABRDN / Elevate (Standard Life)

Off Platform Scope and Range – Retirement Products

Where a client's investable assets are less than £200K we will utilise off platform fund solutions. Our off platform Scope of providers consist of:

- Royal London

Annuities

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

Aviva	LV=	Scottish Widows	Legal & General
Prudential	JUST	Canada Life	

Cashflow Modelling

We will undertake cashflow modelling on an annual basis for all clients to ensure that their retirement objectives are aligned with their decumulation strategies. The following cashflow tools can be used:

Synaptic Pathways
Synaptic Analyser
Prudential Cashflow Modeller

Vulnerable Clients

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

PDF

Appointed RepresentativesGuidanceOctober2020VulnerableConsumers (1).pdf

APPENDX 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 Child Care 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	

APPENDIX B
Off Platform Solutions

Royal London…

- **Goverend and Governed Retirement Income Portfiolio's**

On Platform Solutions

Transact and ABRDN / Elevate…

- **Core Solutions**

An excerpt from our CIP – comparing funds…

Ranking and Comparing Funds

When comparing funds and portfolios we will use the Synaptic research tool. Having ensured that a solution is consistent with the aforementioned criteria, we will consider and rank funds based on:

- An Independent Fund Rating tool, such as a 'crown rating'.
- 3 Year Performance (where available)
- Fund Charges
- Volatility of the fund, shown as risk adjusted performance.

We will consider funds that have achieved above average quartile performance for the last 3 years. We feel that consistency of performance is far preferable to sporadic performance.

In the first instance we will endeavour to select suitable funds that are available without incurring any additional contract charges, such as the activation of a SIPP facility or the use of a 'platform'.

Active V's Passive Investments

Passive funds follow an index and are suited to clients who are concerned about the value offered by a fund manager. They typically have a lower cost because they are a computer programme that follows different sectors in the market, rather than paying for a fund manager to 'pick' stocks. These funds normally track a sector index.

Active funds are managed by an Investment Manager or Team who target the best of the best investments out there. This would suit a client who believes that a manager can identify shares that are undervalued and offer a ‘boost’ to performance.

An investor has a choice over which style of investment they would prefer and may feel that they would like to combine a mixture of both strategies. In the first instance we would tend to suggest funds that have a greater bias to the Passive investment style. This is because it is consistent with much of the research and analysis that has been done using stochastic modelling to provide the target asset allocation and it serves to keep costs for investments lower.

The funds selected in Managed Portfolio’s using independent research agencies may not always appear to be the best funds available, under certain criteria, currently. They will be analysed based on a medium to long-term time horizon working alongside your retirement goals, based on perceived potential performance. An example of this could be where a top-performing fund has a low independent fund rating for its style of management and risk taking.

A summary of our default selection for a portfolio will be:-

- A Risk Rated Multi Asset Portfolio (Core or Additionally Reviewed Life and Pensions Fund) with
- A bias towards passive management, unless directed
- Risk Profiling and subsequent Asset Allocation mapped to Capita.
- Ensuring a commitment to ESG but not using any screening as a default, not wishing to restrict any investment opportunities or restrict performance.