Calculate the cost of a comfortable retirement for 2024 and beyond

April 2024

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Important information

FINANCIAL PLANS | INVESTMENTS | TAXES

The value of investments, and the income derived from them, can go down as well as up and you can get back less than you originally invested.

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

Prevailing tax rates and reliefs depend on your individual circumstances and are subject to change.

Nothing in this webinar is intended to constitute advice or a recommendation, and you should not take any investment decision based on its content. Our opinions may change without notice.

This information is for UK residents only

About Evelyn Partners

1
of the leading wealth management groups

187 YEARS
of helping clients achieve their financial goals

179k+
clients trust us with their financial future

£59.1bn
assets under management

10+
Years Performance track record

A leading
provider of investment and financial advisory services

3000
>3,000 staff across the UK, Ireland and Jersey

290+
Qualified financial planners

330+
Investment managers

30
local offices

Financial Planning Awards

thewealthnet Top Financial Planning Companies 2020

thewealthnet Top Financial Planning Companies 2021

MAGIC CIRCLE AWARDS Financial Planning Firm of the year Large Citywealth 2023 Gold Evelyn Partners

Investment Awards

International Investment Awards 2021 Winner Best International Discretionary Fund Manager

Professional Adviser Women in Financial Advice Awards 2021

COLWMA 2022 The Six Securities Services Award for Best Advisory Service Company Award Winner

As at 31 December 2023
Past performance is not a guide to future performance

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WHAT WE WILL COVER TODAY

1. Market backdrop
2. Retirement planning considerations
3. Pensions and point of retirement options
4. Benefits of financial forecasting
5. Managing investment risk in retirement
6. Effective use of taxes
7. Questions

Market backdrop

James Grayson, Director
Investment Management

2023: Looking back

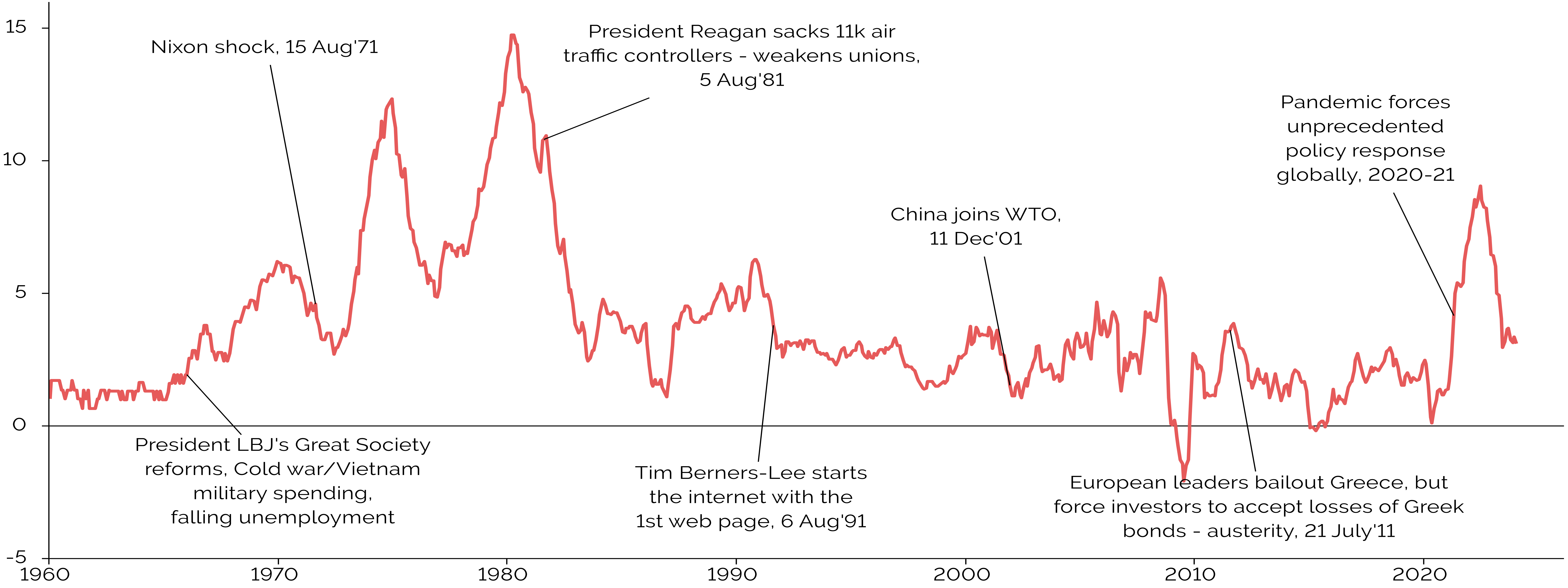
...households, savers and investors confronted with a 'wall of worry'

- High inflation
- 'High' Interest rates
- Cost of living crisis
- Ukraine-Russia War
- Israel-Hamas Conflict
- Heightened geopolitical risk
- A coming recession?

Key historical events have influenced inflation, with the pandemic (and war in Ukraine) being the latest drivers

50-plus year US inflation cycle, with key events every decade

Headline CPI, % yoy



Source: LSEG Datastream/Evelyn Partners, Data as at 13 Feb 2024

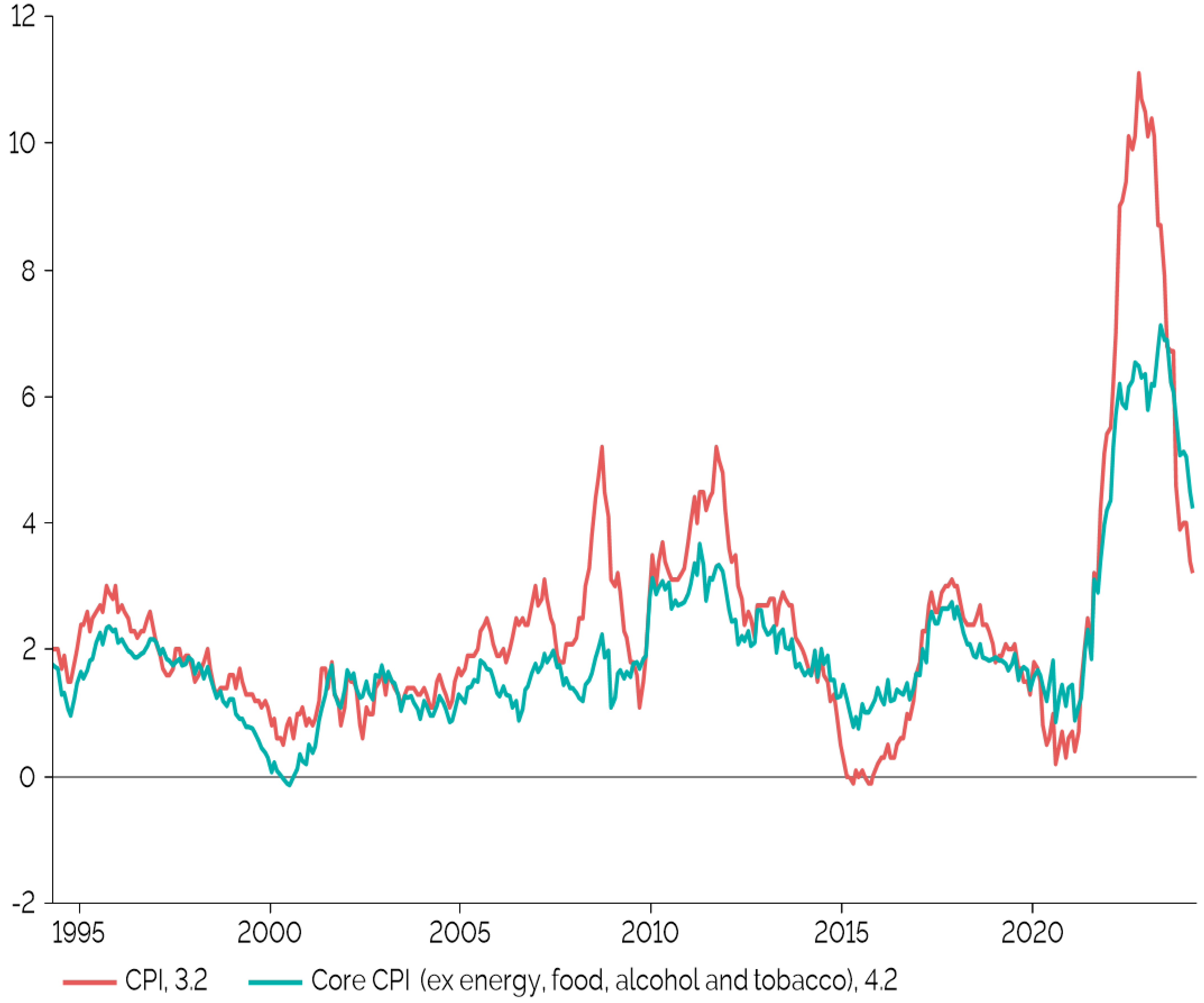
Past performance is not a guide to future performance.

UK Consumer Price Index inflation

The Bank of England held interest rates at 5.25% as inflation has been coming down . . .

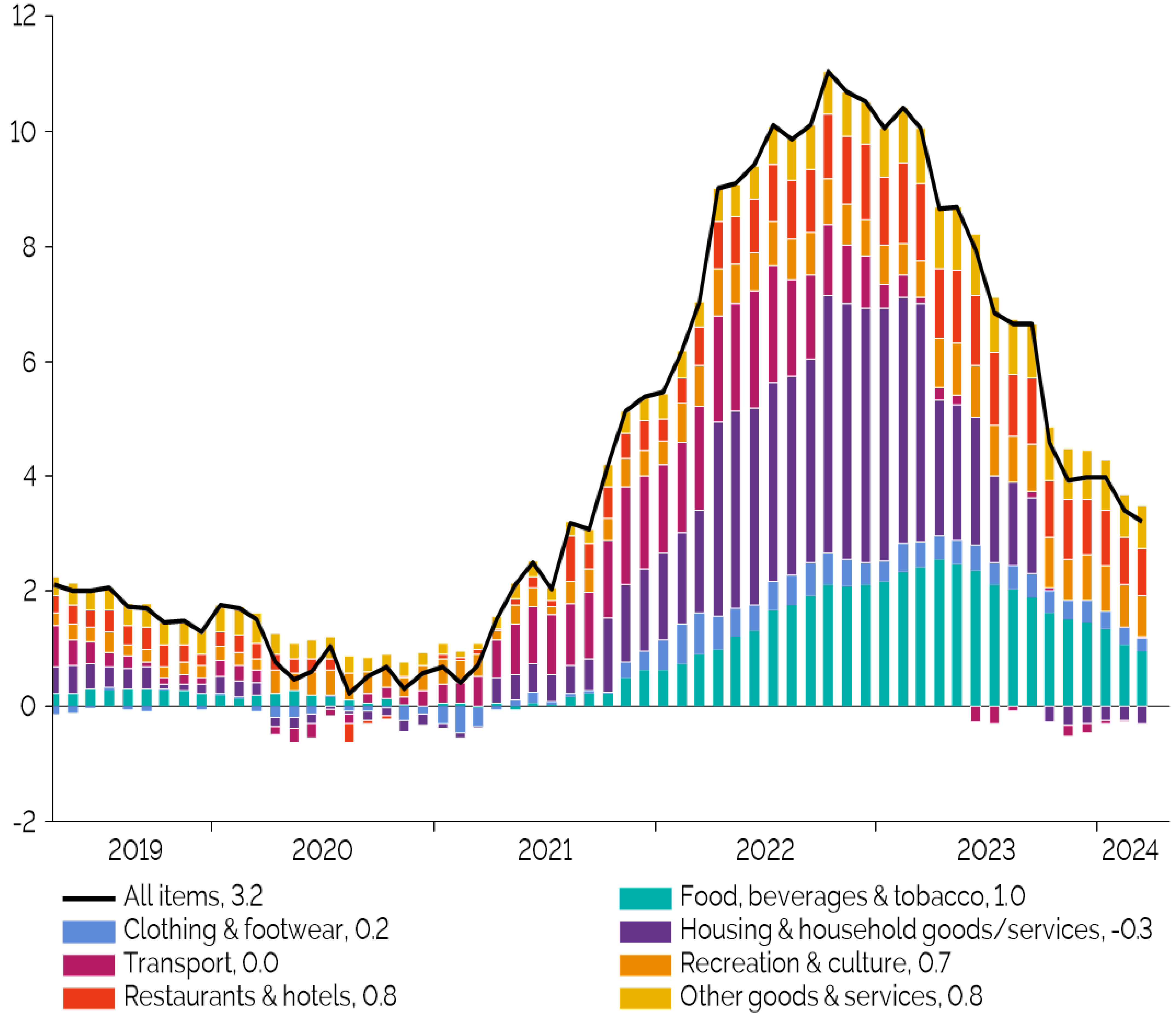
Past performance is not a guide to future performance.

UK CPI inflation (%, YoY)



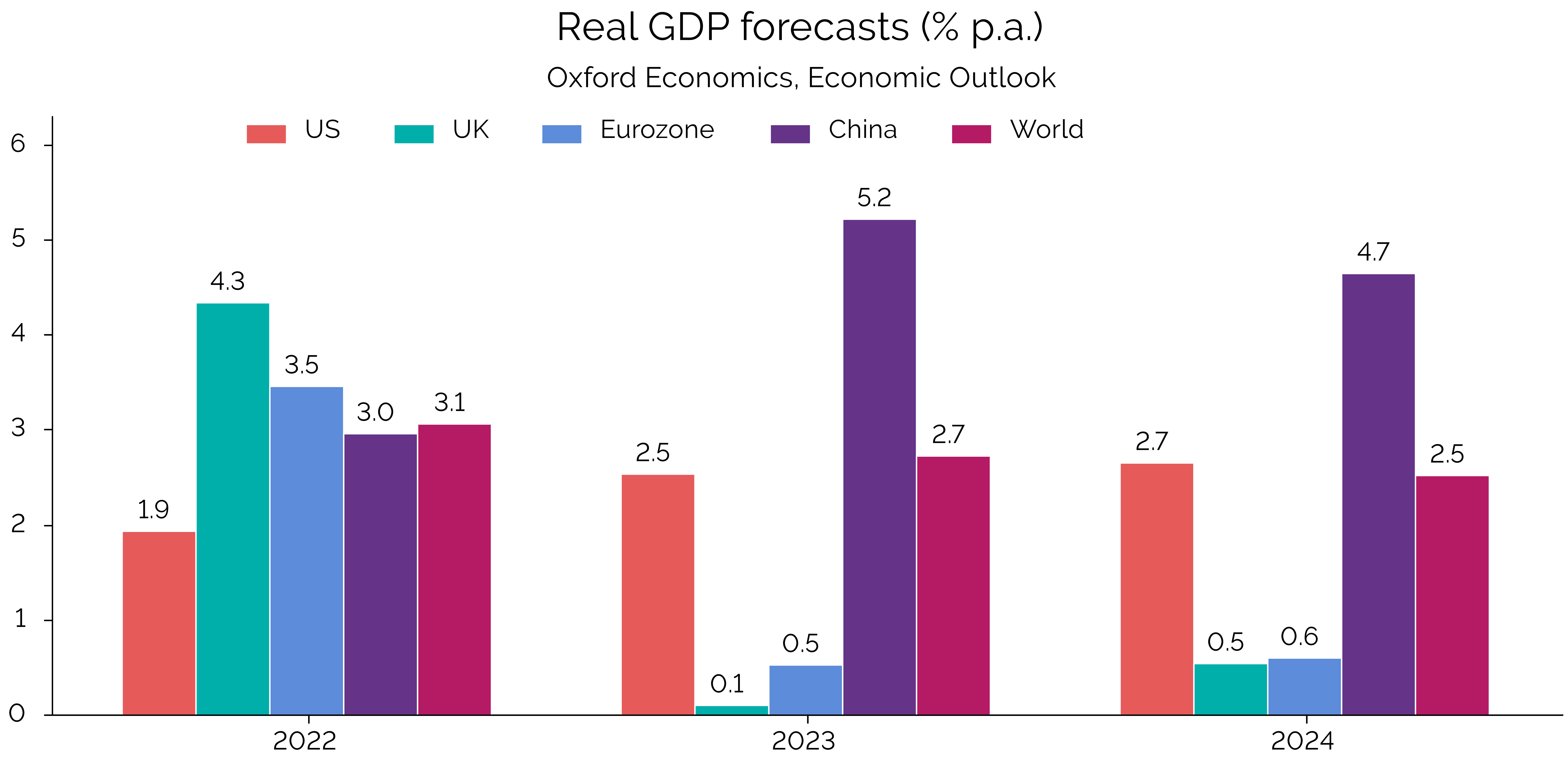
Source: LSEG Datastream/Evelyn Partners, Data as at 23 Apr 2024 Inflation is UK Consumer Price Index, percentage change year on year.

UK headline CPI and contributions (%, YoY)



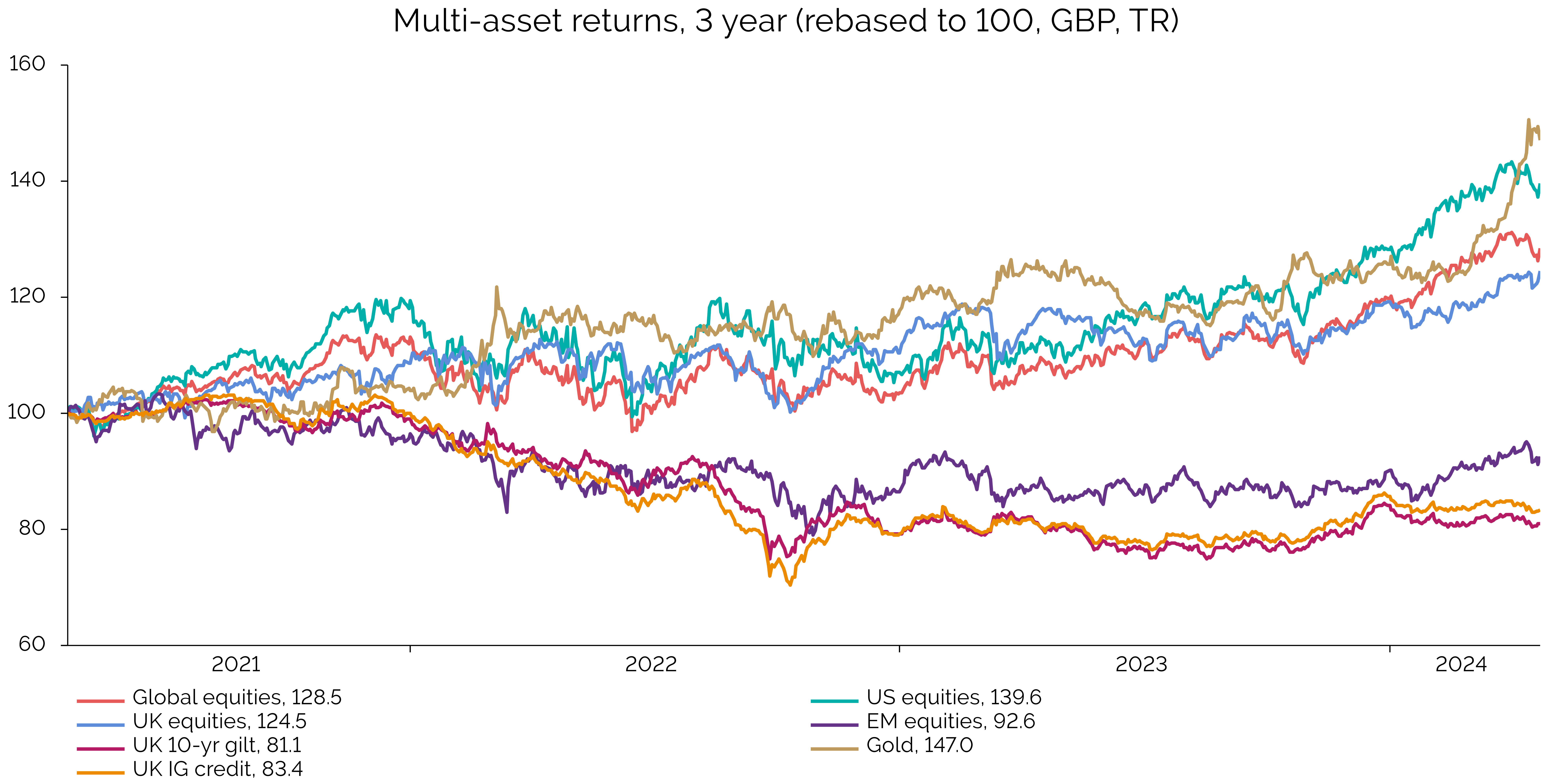
Source: LSEG Datastream/Evelyn Partners, Data as at 23 Apr 2024

Economists' expectations for growth in major economies



Source: LSEG Datastream/Evelyn Partners. Oxford Economic Outlook, Data as at 23 Apr 2024

Multi-asset performance – 3 year

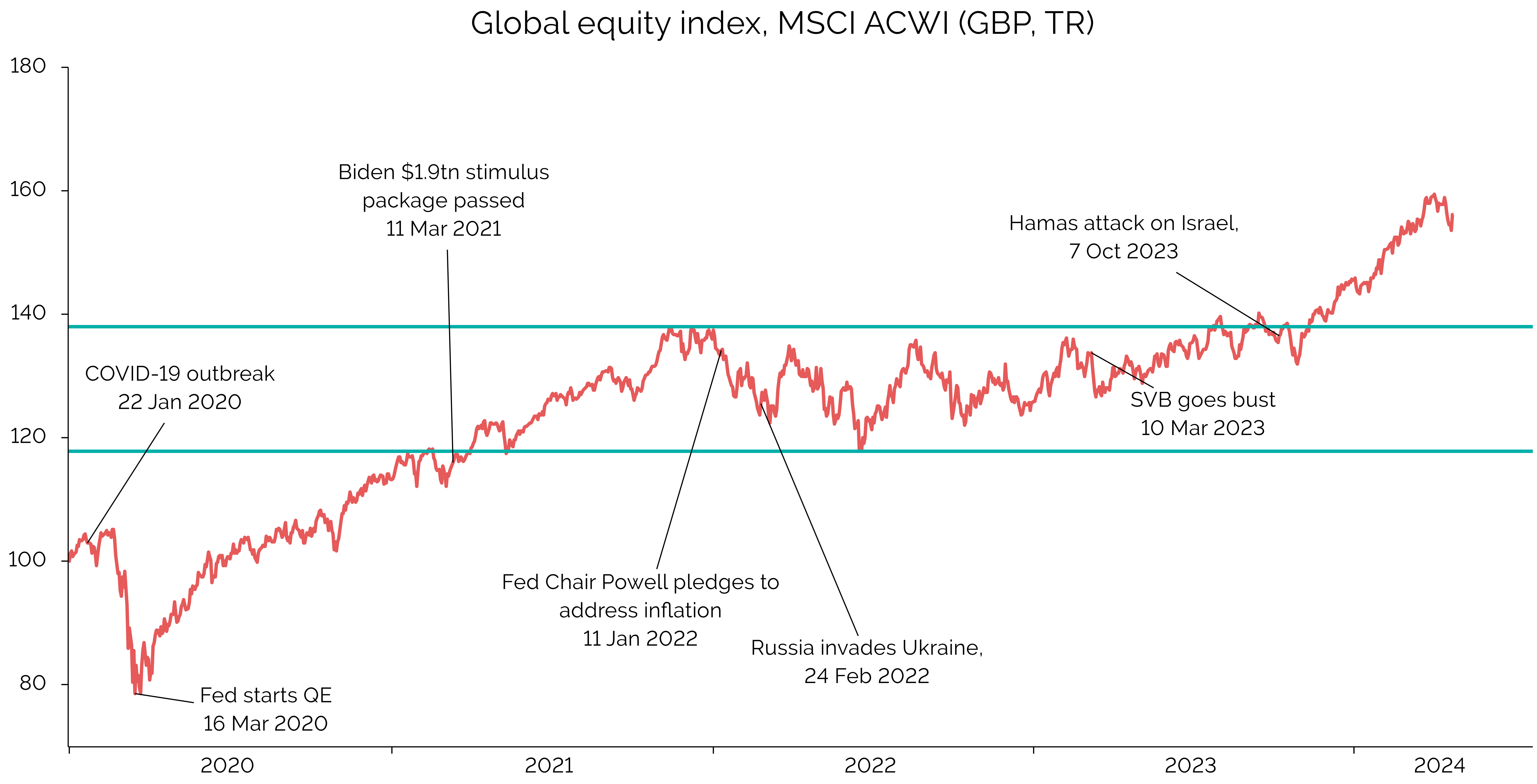


Source: LSEG Datastream/Evelyn Partners, Data as at 23 Apr 2024

Past performance is not a guide to future performance. **Investing in equities puts your capital at higher risk than investing in UK gilts and UK IG credit**

Note: Returns are calculated in local terms and converted to the specified currency.
Investments denominated in a currency other than sterling may expose you to the risk of fluctuating exchange rates.

Chronology: Global equity price level, last 3 years



Source: LSEG Datastream/Evelyn Partners, Data as at 23 Apr 2024

Past performance is not a guide to future performance.

The ‘megatrends’ could exert upward pressure on inflation

There are four trends we believe will shape the next decade:
♦ Changing world order ♦ Energy transition ♦ Shifting demographics ♦ Technological revolution ♦

Deglobalisation

- Re-shoring production to higher cost countries could increase costs
- Diversifying supply chains could increase costs & prices

Direction

Energy transition

Net-zero carbon investment, moving away from low cost energy producers and energy security could increase upward pressure on inflation

Direction

Fiscal spending

Going forward, we expect fiscal policy to be more expansionary than in the period following the Global Financial Crisis

Direction

Demographics

Older populations across the world could lower demand (retirees spend less) and place downward pressure on inflation, but China’s working age population is shrinking, potentially driving up wages and imported costs

Direction

Technology

Technological advances that have pulled down inflation over recent decades may be ending

Direction

Overall

Inflation could be higher, and more volatile, in the coming decade

Direction

Our Key investment themes

1 | Corporates remain resilient which continues to support equity prices

- Businesses continue to exhibit pricing power and consumption remains strong, supported by still-elevated household wealth and resilient labour markets. Leading indicators suggest that global growth can accelerate this year, giving broad support to equity markets.
- Earnings expectations are expected to bounce back to ~11% in both 2024 and 2025. This growth is being led by the AI megacap stocks.

2 | Inflation is decelerating but interest rates look set to be higher for longer, creating headwinds

- Long and variable lags means we may not have seen the full impact of monetary policy tightening. However, corporates and consumers termed out their debt during the pandemic, which means they are less sensitive to higher rates than in previous cycles.
- With the US economy exhibiting continued strength, it looks like rates will need to remain restrictive. Our base case is for a soft economy landing in the next twelve months.

3 | Core fixed income offers a positive real yield as well as mitigation against growth shocks

- The interest rate hiking cycle looks to have finished, which is typically supportive of fixed income.
- At the higher risk end (higher equity allocation), we prefer a barbell approach using longer-dated government debt (for risk mitigation) coupled with short-dated corporate credit (for return-seeking).
- At the lower risk end, we favour short-dated exposure to both government bonds and corporate credit, along with a level of inflation-linkage.

4 | Key risks: policy error, geopolitics, inflation shock

- Central Banks have a narrow path to tread, and history suggests that tightening cycles end in recession around 50% of the time.
- Geopolitics always has the scope to impact markets, but uncertainty is very high making such events essentially unforecastable. Nonetheless, there are clearly a growing number of concerns in this area.
- Inflation continues to trend lower, but a resurgence remains a key risk, prompting Central Banks to stick to hawkish language.

Planning for retirement

Graham Dixon, FPFS, Chartered Financial Planner - Partner

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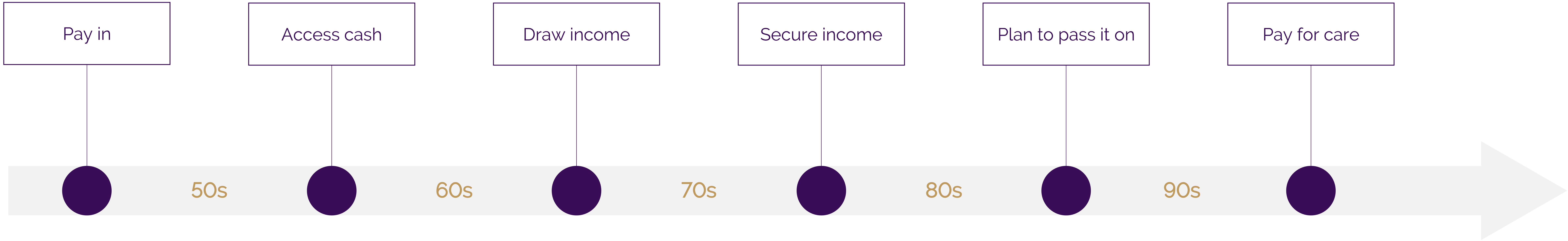
Managing changing priorities



Don't just rely on your pension

Questions that you could think about

- When do I want to retire?
- What do I plan to do in my retirement?
- Do I know how much that would cost?
- What would a comfortable retirement look like?
- Are there projects or events that will need funding?
- How much help do I think my children will need in the future?
- Do I expect to retire completely, or will it be more gradual?
- How do I think my expenditure will change in retirement?
- What about inheritance tax (IHT)?

How much income do I need?

Standard of living	Single person pa	Couple pa
Basic	£14,400	£22,400
Moderate	£31,300	£43,100
Comfortable	£43,100	£59,000

The three levels show the annual amount you might need to achieve that standard of living in retirement. Everyone's financial circumstances are different. The standards provide a rule of thumb guide based on common costs for many people in retirement.

Source: Pensions & Lifetime Savings Association, www.retirementlivingstandards.org.uk. Retirement living standards in the UK in 2023 report, dated January 2024

What size fund do I need?

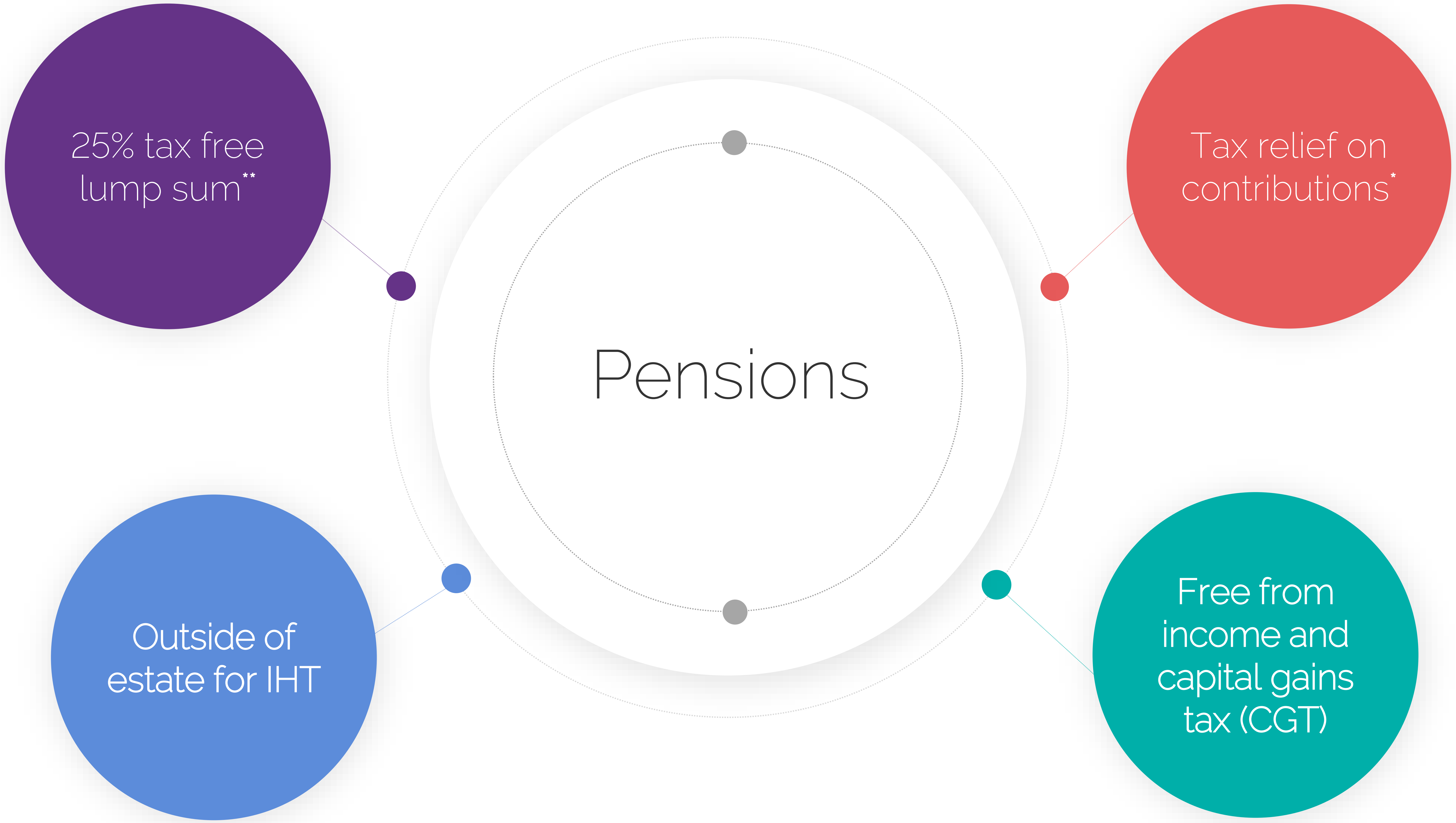
Standard of living	Single person* pa	State pension** pa	Gross income shortfall pa	Fund size required if annuity purchase***
Basic	£14,400	£11,502.40	£2,897.60	£69,448
Moderate	£31,300	£11,502.40	£19,797.60	£474,869
Comfortable	£43,100	£11,502.40	£31,597.60	£759,918

For illustrative purposes only. The actual fund size needed depends on individual circumstances and could be more or less than this amount

The three levels show the annual amount you might need to achieve that standard of living in retirement. Everyone's financial circumstances are different. The standards provide a rule of thumb guide based on common costs for many people in retirement.

*Source: Pensions & Lifetime Savings Association, www.retirementlivingstandards.org.uk, Retirement living standards in the UK in 2023 report, dated January 2024
**Full flat rate state pension available from April 2024. . The basic State Pension and Additional State Pension rules will apply to individuals who reached State Pension age before 6 April 2016
*** Assumes single life annuity purchased at age 66, with RPI indexation payable in arrears - example only, Source Exweb. Data as at Febauray 2024

Pensions have an important role to play

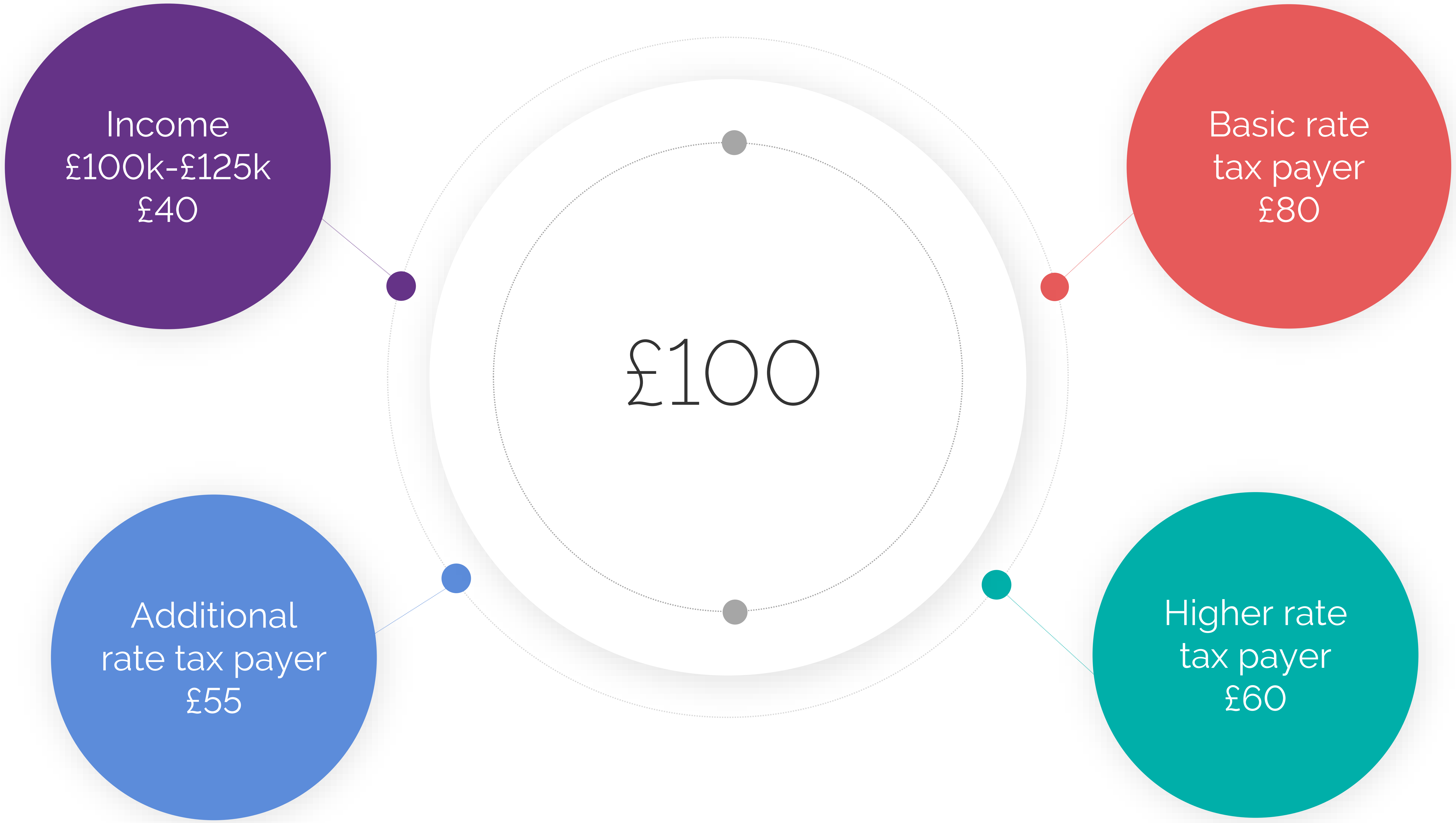


Tax reliefs and allowances depend on individual circumstances and are subject to change.
Tax relief is not available after age 75.

* Contributions within the Annual Allowance.

** Money Purchase pensions, if within the Lifetime Allowance. The amount of tax free lump sum may vary.

Net contributions before tax relief



Examples of how tax or tax relief may apply are based on our understanding of current tax legislation. Whether any tax will be payable, at what level it is charged and whether you qualify for tax relief will depend upon individual circumstances and may be subject to change in the future.

Tax relief is not available after age 75.

Your pension, your way

More freedom, more choice, more complexity

Access pension plans from age 55

Tailor when and how you take your pensions. Full access age will increase to 57 in 2028 on money purchase plans

Passing on your pension

If money purchase and you die before the age of 75, your beneficiaries have full return of fund nil tax*. After 75, they will pay their marginal rate**

Limits on how much you can save

Your Annual Allowance will reduce if income from all sources and tax relievable pension contribution is over ***£260,000,*** ǂ

Tax penalties on large pensions

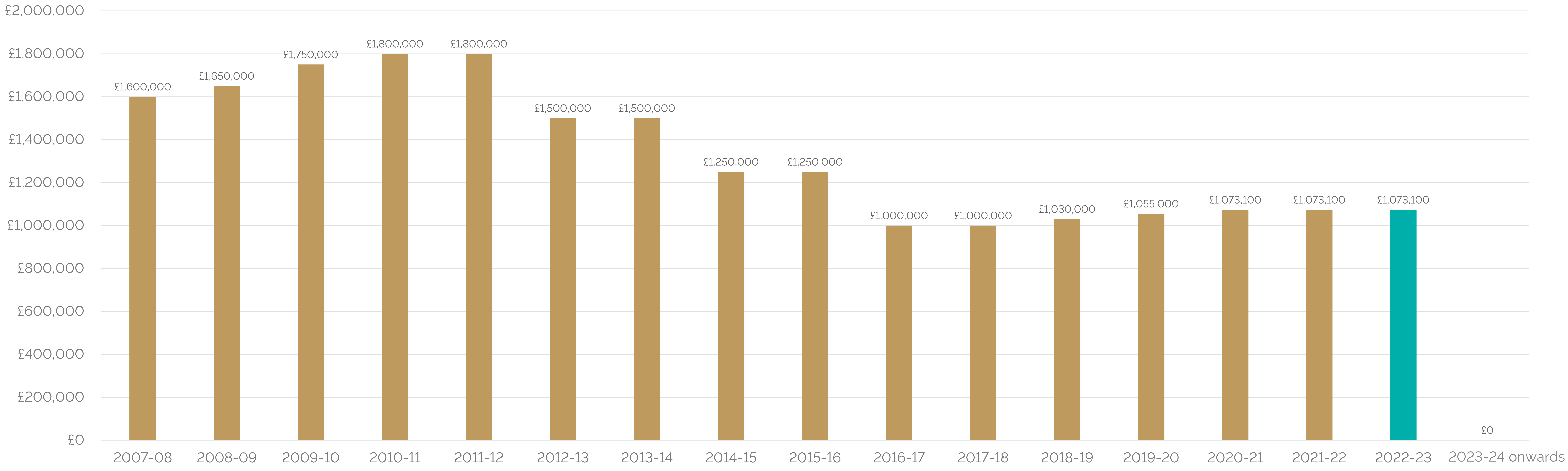
Lifetime Allowance charge (previously payable over £1,073,100 lifetime allowance) is abolished however the maximum tax-free cash will be retained at its current level ***

*Assuming there is sufficient Lifetime Allowance remaining
**Different rules could apply to final salary schemes and state pension differs
*** The maximum pension commencement lump sum (also known as tax-free cash) for those without Lifetime Allowance protections will be retained at £268,275 (25% of the former Lifetime Allowance) and will be frozen thereafter

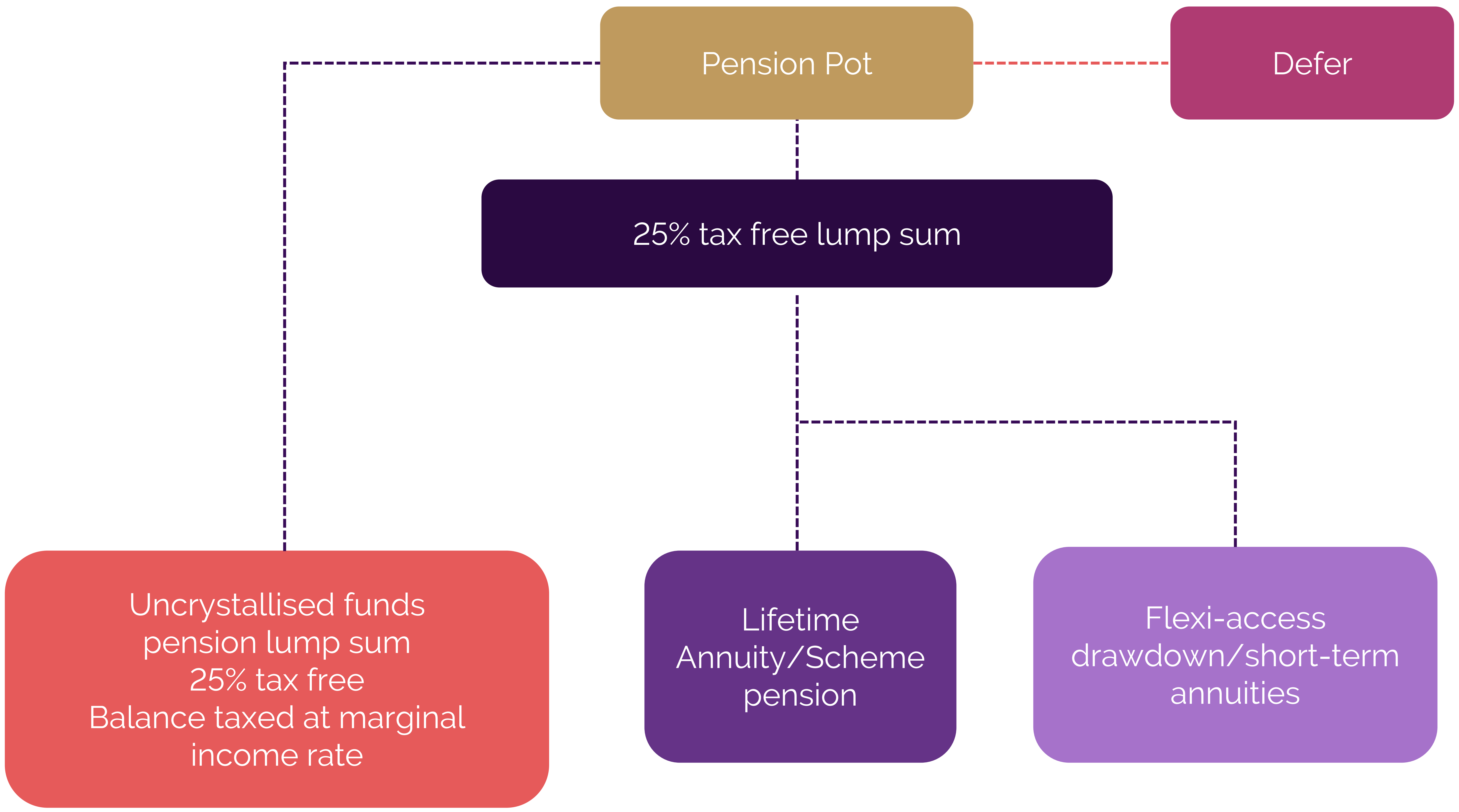
ǂBased on every £2 earned above **£260,000**, the total contribution allowance will be reduced by £1 (to a minimum of **£10,000** for people earning over **£360,000**).

Lifetime Allowance

Why had Lifetime Allowance become an issue?



Your choices at retirement* - what's right for you?

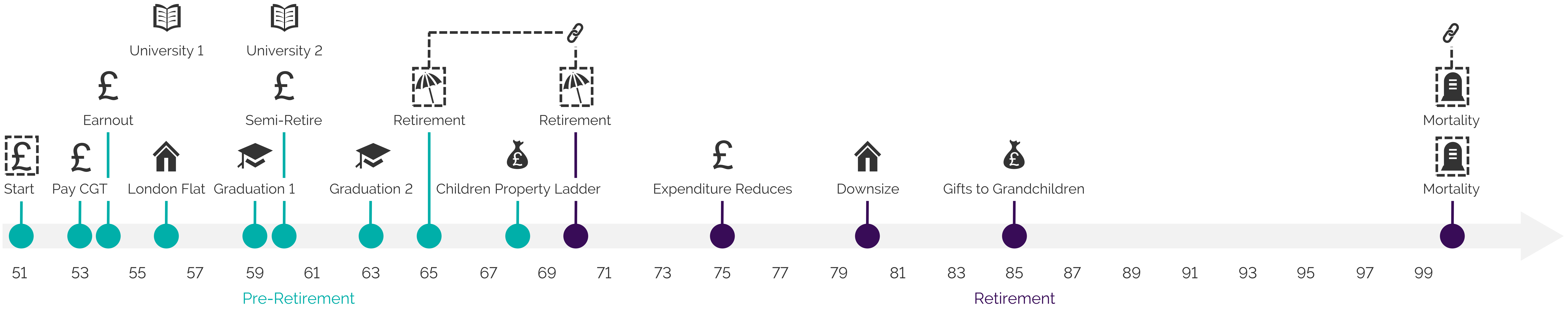


*Money purchase arrangements

Know where you are going

We take time to get to know you and help to define your aspirations

- Clearly defined goals and objectives
- A roadmap of financial future
- Understanding what lies ahead
- Having a documented plan in place provides clarity and increases the likelihood of it happening



What goes into our analysis ?

Inflows

- Earned income
- Pensions
- Investments
- Property
- Business assets
- Windfalls

Outflows

- Mortgage/loans
- Bills
- Education
- Discretionary spending
- Gifts

Michael and Kathy

Client circumstance

- Gross annual income £75k
- Joint expenditure pre £50k
- Joint expenditure post £55k
- Fixed assets (main residence) £1m
- Cash deposits £70k
- Investments cash ISA £100k each
- Investment portfolio £500k
- Pensions SIPP £400k
- No insurance protection
- No other financial liabilities

Michael age 55, married to Kathy, 55, with two financially dependent children.

Michael works as a consultant for a private health company. Kathy worked until age 54 both will become entitled to a full State Pension at 67.

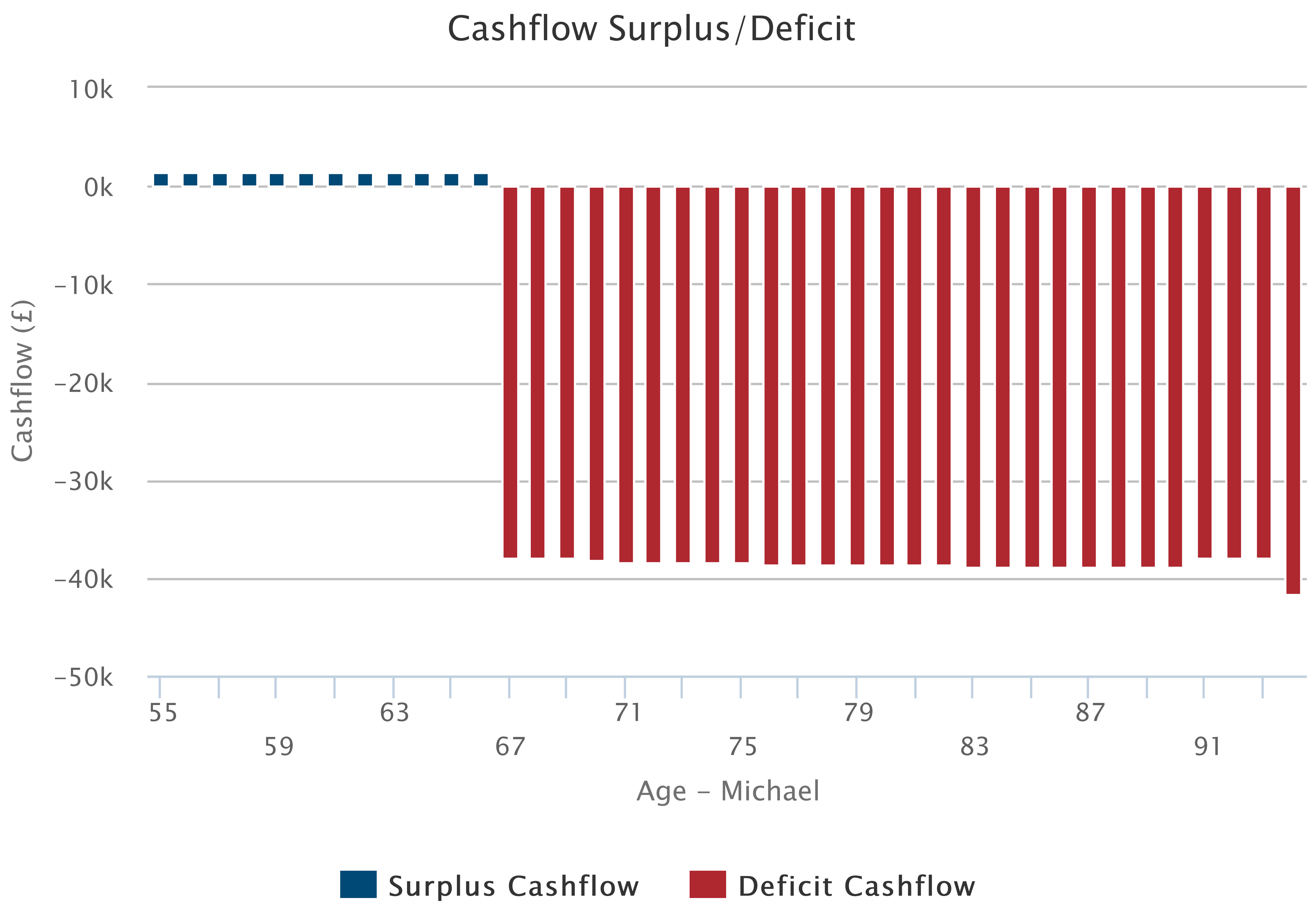
Objectives

- Michael would like to retire at 67, and wants to know if his existing realisable assets are able to support his desired level of expenditure throughout retirement.
- He has diabetes type 2, and despite him currently being in good health, he does have long term concerns in relation to his health. He currently has no life cover in place, and the only benefits he's likely to receive in the event of him being unable to work is statutory sick pay.

For Illustrative purposes only

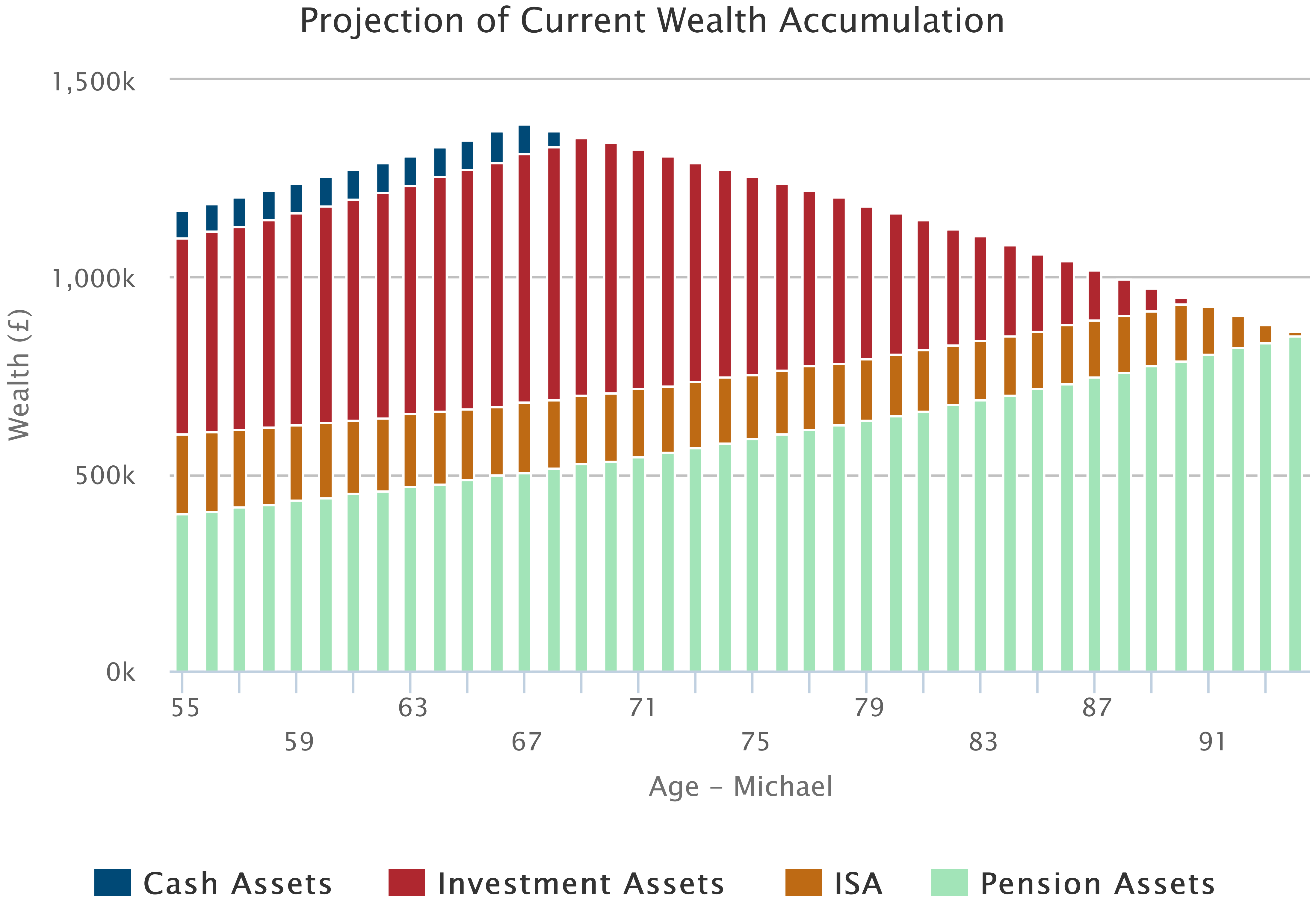
Before financial planning

Build up to retirement– income and expenditure



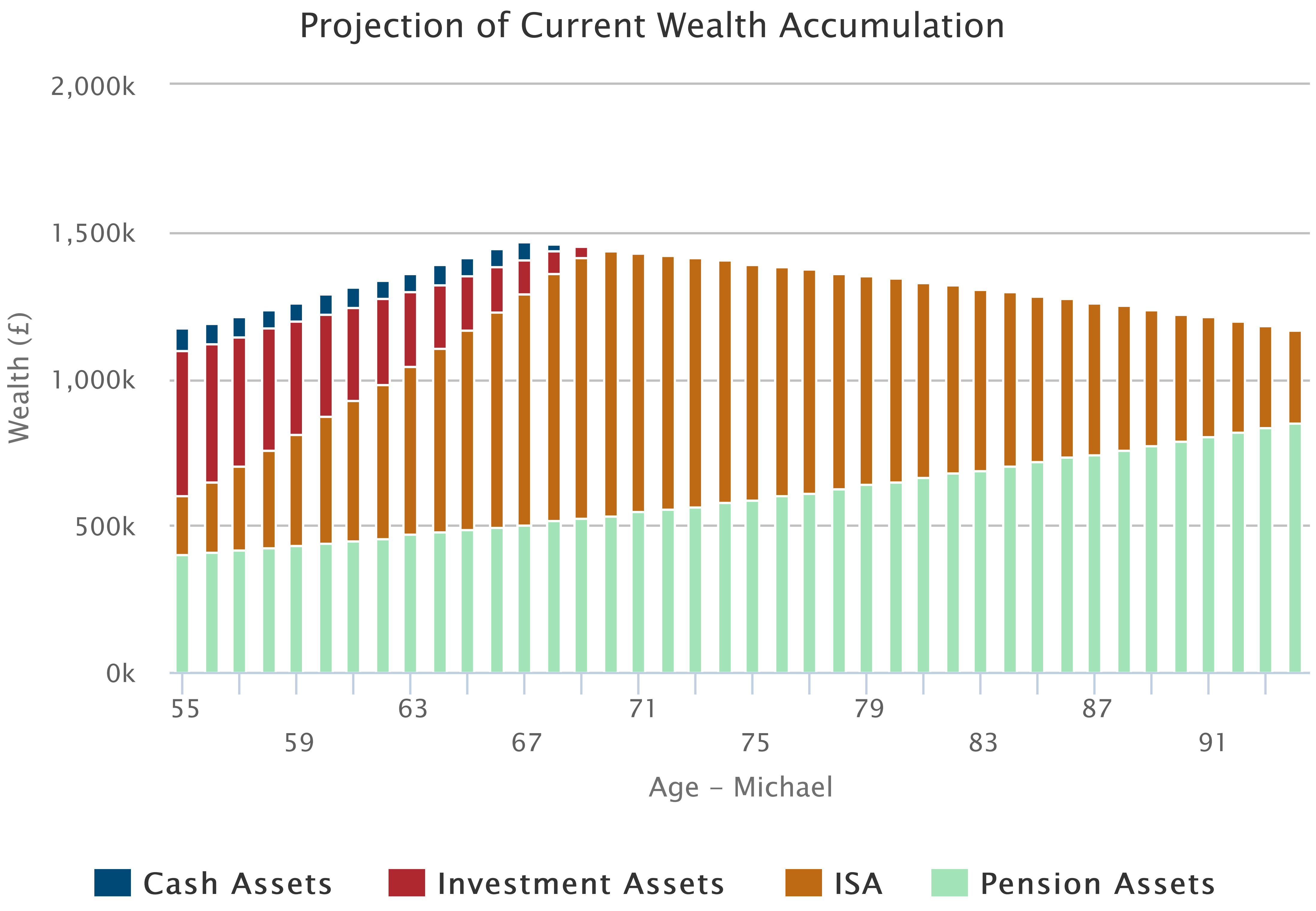
Before financial planning

Build up to retirement - with realisable assets



After financial planning advice

Realisable assets £150,258 higher with financial planning



WHAT MAKES A SUCCESSFUL RETIREMENT PLAN?

1. Remember that retirement is a journey not a destination
2. Define your goals
3. Use Lifetime Cashflow Planning to see the bigger picture
4. Carefully consider current and future expenditure
5. Have a variety of types of investment
6. Use your tax allowances wherever prudent to do so
7. Pensions are highly tax efficient for many people
8. Point of retirement advice is crucial
9. Review things on a regular basis

Follow Up

Questions

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Contacts

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Please contact your usual adviser with any queries.

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Please contact us online at
https://www.evelyn.com/contact-us/
where you can request a call back, book an appointment or send
us an email or call on 0207 189 2400.

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