

‘Consilia’ from the
Latin word meaning
to advise and counsel

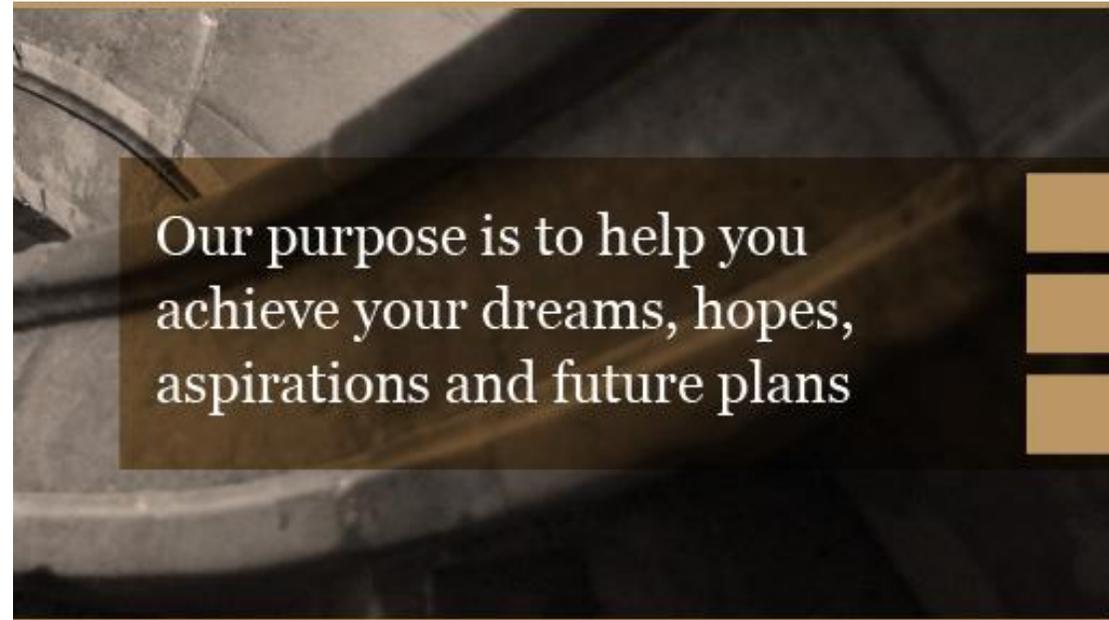


Consilia Wealth Management

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About Consilia Wealth Management

- We are a “boutique” wealth management firm owned by its team of professionals who are committed to excellence
- Currently have 7 financial advisers, 3 of which are Chartered
- We have an independent and highly experienced Investment Committee who meets quarterly to review our client investment portfolios to ensure they remain in tune with current market conditions and the changing economic environment
- Funds Under Management of c.£220million
- Strong professional connections



About me

- Chartered Financial Planner; holding the advanced papers in pensions, investments, tax and trusts.
- Partner at Consilia Wealth Management and designated pension transfer specialist
- 12 years experience in financial services
- Passion for financial lifestyle planning
- Marathon runner
- Father of two



What we do

- ≡ Build long term relationships with clients
- ≡ Help create achievable goals
- ≡ Educate
- ≡ Provide discipline to clients
- ≡ Communicate regularly to clients and professional connections
- ≡ Reduce stress and provide peace of mind

Slide 4

Z2

Changed to black

Zoe, 08/10/2015

Agenda

- ≡ Impact of Pension Freedoms
- ≡ Impact on Safeguarded Rights
- ≡ Considerations for income in retirement
- ≡ Case Study
- ≡ Questions

Slide 5

Z2

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Zoe, 08/10/2015

Pension Freedoms

- Introduced April 2015
- Purpose to increase access to pensions
- Provide more choice
- Withdrawal of income restrictions
- Changes to death benefits (including changes to taxation)

Pension Freedoms (the impact)

- ≡ Greater need for advice
- ≡ Changed the landscape of advice
- ≡ Provided more scope for generational planning
- ≡ Safeguarded rights became more accessible
- ≡ Annuities challenged as a viable option for income
- ≡ More tax paid!

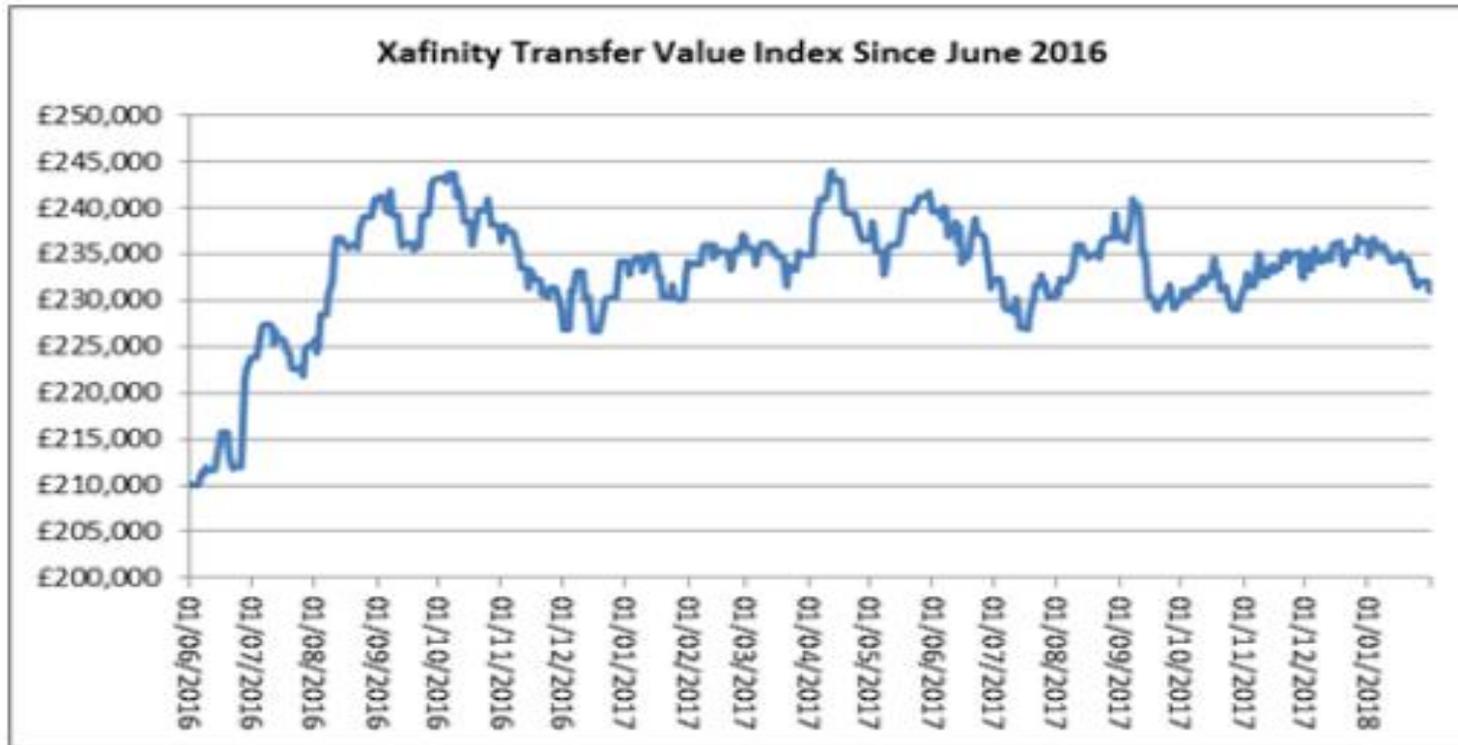
The DB Transfer Storm

- Changes in death benefits make transferring to DC a more attractive proposition for some
- Economic factors, such as low gilt yields, low annuity rates; aiding high transfer values
- Strong equity performance over the long term (providing confidence for long term returns) –
Consilia's 100% Equity Global Portfolio has produced 11.66% annualised over 5 years
- Positive legislation changes
- Lack of education with the general public regarding pensions, adding to poor decisions
- Bad press – unfunded schemes; BHS and Carillion
- DB transfer market being targeted by charlatans*

***noun: a person falsely claiming to have special knowledge or skill**

The DB Transfer Storm

■ Xafinity Transfer Value Index



The Xafinity Transfer Value Index tracks the transfer value that would be provided by an example DB scheme to a member aged 64 who is currently entitled to a pension of £10,000 each year starting at age 65 (increasing each year in line with inflation). Different schemes calculate transfer values in different ways. A given individual may therefore receive a transfer value from their scheme that is significantly different from that quoted by the Xafinity Transfer Value Index.

Storm in a tea cup?

- Gilts yields rise and transfer values fall – therefore stress tested transfers will look less favourable/justifiable
- Legislation changes regarding DB transfers?
- Further changes to pension legislation, especially death benefits
- Poor investment performance and loss of confidence in the markets
- Continued bad press leads to reduction in demand for transfers

FCA's view

- Firms “commoditising” DB transfers are less likely to give suitable advice
- Expect firms to consider the assets that the clients funds will be invested in and the charges
- Disclose the rates of return to replicate benefits given up (critical yield)
- They do not expect the final decision to be based solely on the critical yield and would expect the clients wider circumstances including income needs and other income sources to be considered.

Source: FCA Pension Transfer Letter – Reminder of your requirements Jan 2018

Wider considerations

- ≡ **Alternative income sources;** state pension, rental income, investment income, inheritances, consultancy/part-time work
- ≡ **Other assets;** investments, cash, property, potential for downsize, business assets
- ≡ **Liabilities;** mortgage repayment, school fees, funding houses for children, lifetime allowance
- ≡ **Family;** married, children, long term care, health
- ≡ **Personal circumstances;** income needs, retirement age, timing of any inheritance, major capital outlays, attitude to risk, knowledge & experience and capacity for loss
- ≡ **Client objectives;** estate and generational planning

Case Study

- Anne (52) and John (59). Wish to retire at 67. Have the following assets:

Asset	Anne	John	Joint
Home			£600,000
Mortgage			(£135,000)
Cash ISA's	£10,000	£10,000	
DC Pension	£50,000		

- Clients targeting a net income of £36,000 in retirement
- They will pay their mortgage off in 11 years
- Have one grown up son; none dependent

Case Study

- They will have the following income streams when Anne is 67

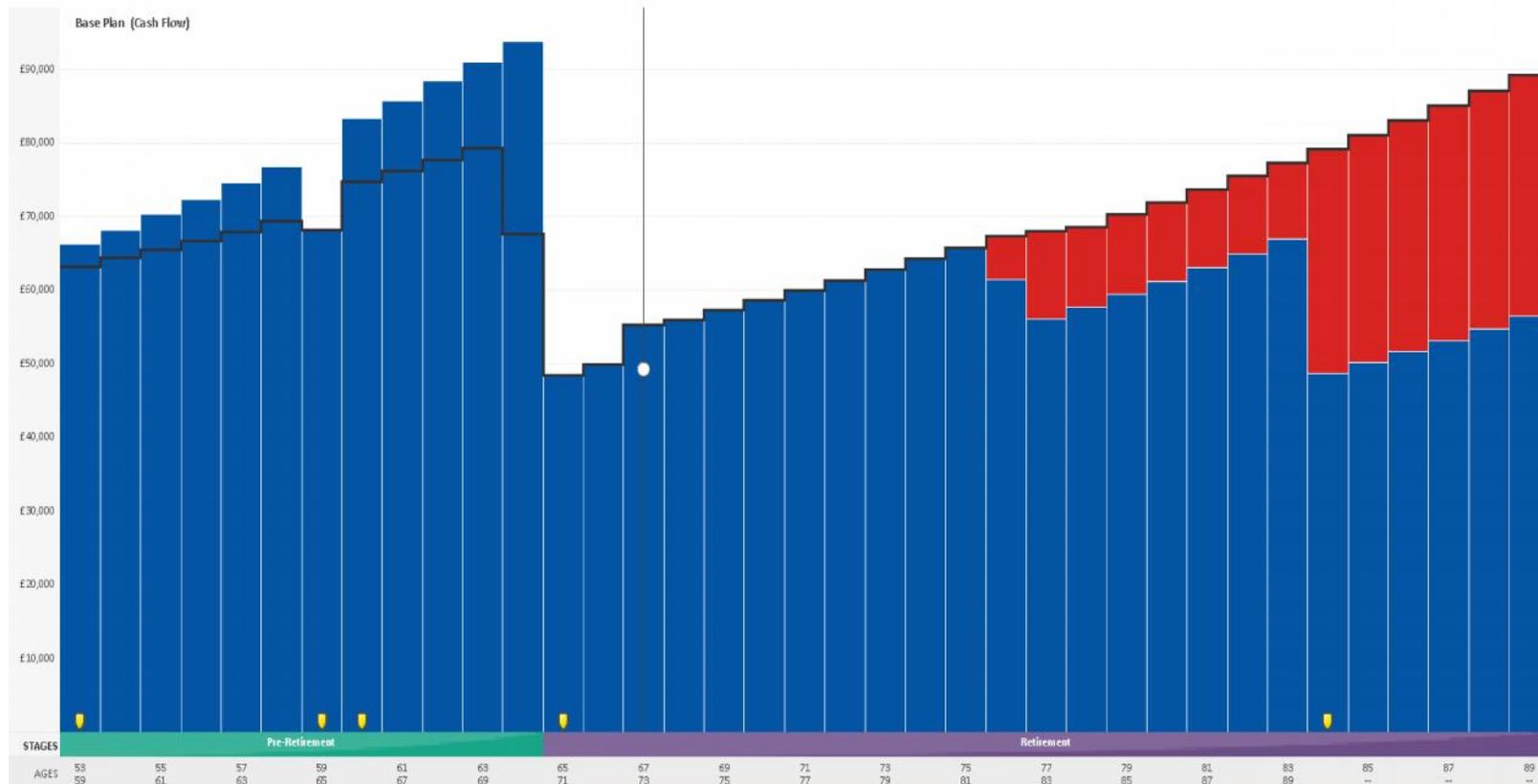
Income Stream	Anne	John
State Pension	£9,968	£12,258
DB Plan 1	£9,148	
DB Plan 2	£5,883	
DB Plan 3	£1,221	
Total	£26,220	£12,258

- Total gross guaranteed income of £38,478 (net of £35,502 assuming £11,800 personal allowance)
- Shortfall met by additional DC withdrawal and savings

*assuming a 5.5% annual growth and a 4% withdrawal

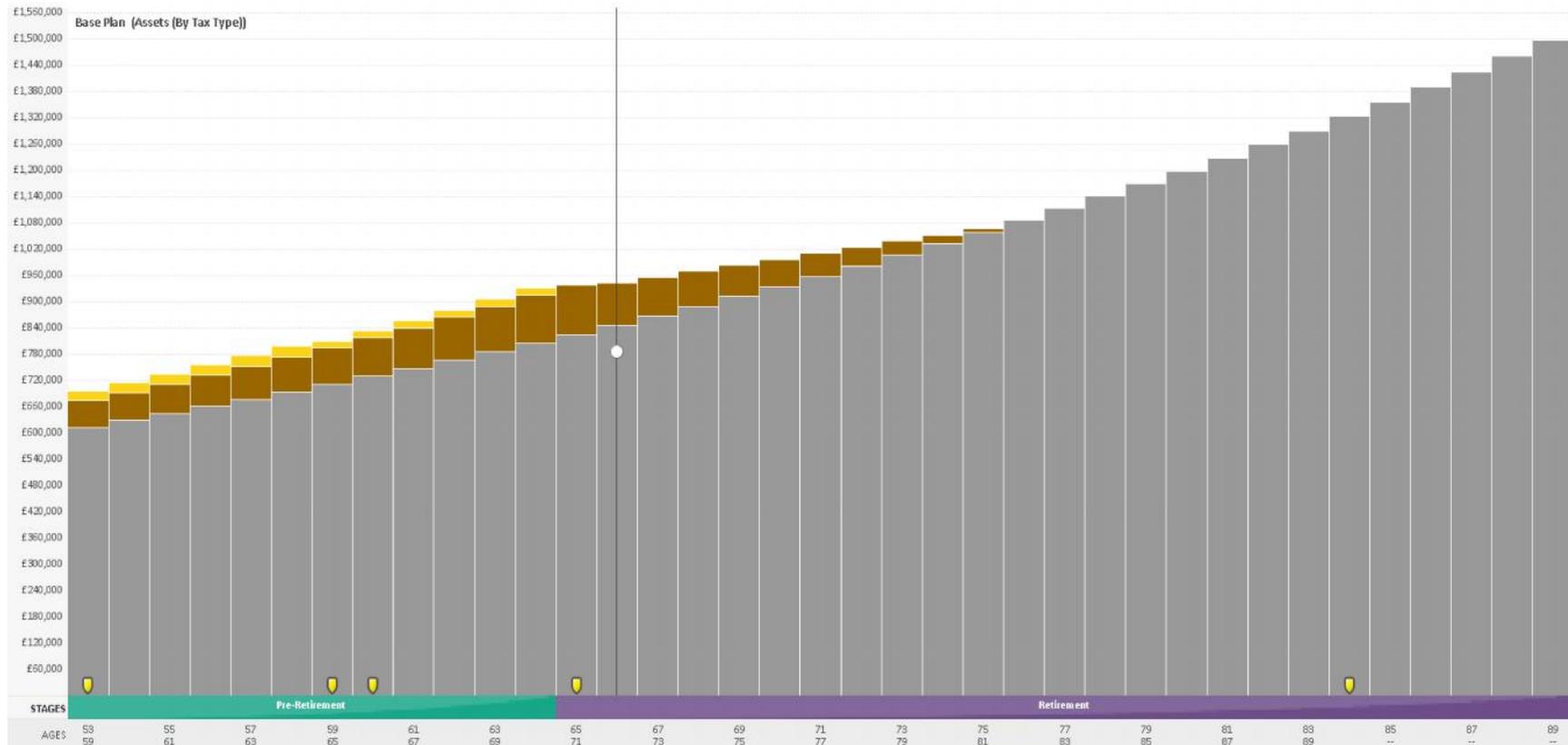
Case Study

Scenario 1: Do nothing – Cash Flow Forecast



Case Study

Scenario 1: Do Nothing - Assets



Case Study

☰ Anne was offered the following Transfer Values:

Plan	Income	CETV/Transfer Value
DB Plan 1	£9,148	£242,928
DB Plan 2	£5,883	£141,956
DB Plan 3	£1,221	£30,507
Pension Withdrawals	£4,513*	£54,846
Total	£20,765	£470,237

As Anne and John have guaranteed income of £22,226 from State Pensions we need to create a **gross** income of £16,356 (net £13,774**) which equates to a withdrawal rate of 3.48% in today's values.

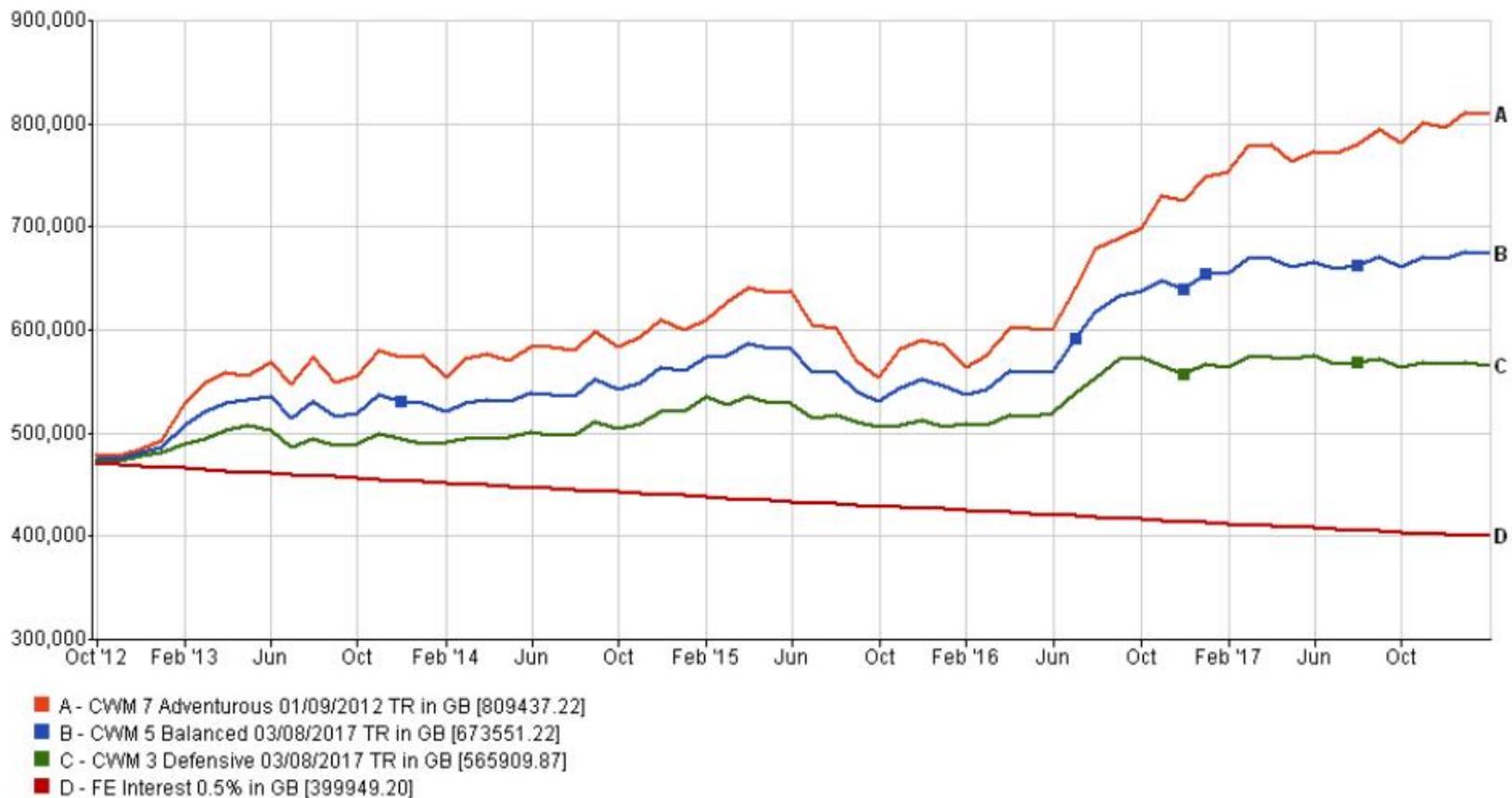
*assuming 5.5% growth and a 4% withdrawal

**this is assuming we use phased drawdown for the tax free cash

Case Study

Scenario 2: Transfer – 3.48% Withdrawal Rate

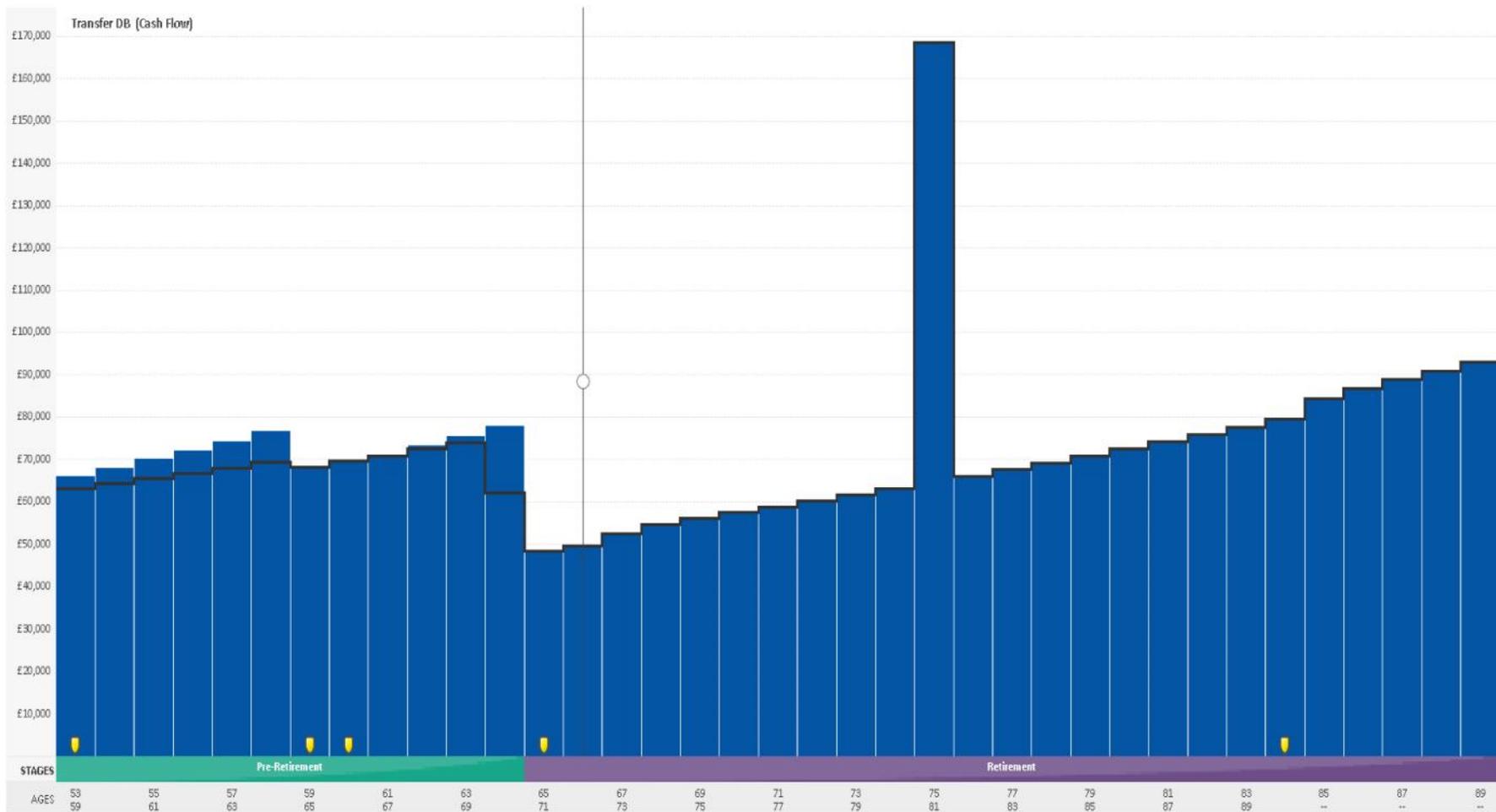
Pricing Spread: Bid-Bid • Initial Investment: 470237.00 • Data Frequency: Monthly • Withdrawals Date: 1st of the Month • Withdrawals Amount: 0.29% Monthly • Currency: Pounds Sterling



28/09/2012 - 31/01/2018 Data from FE 2018

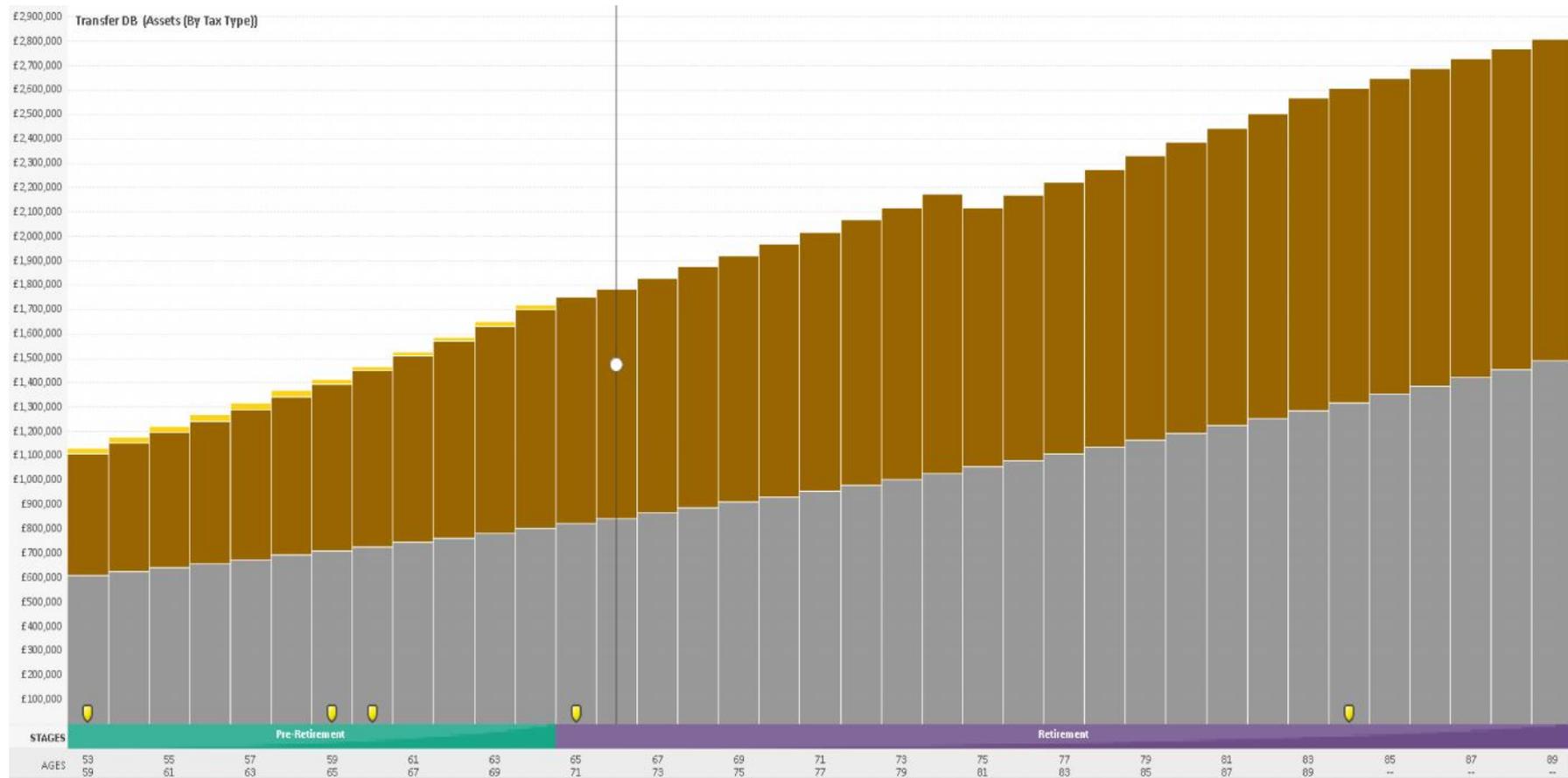
Case Study

Scenario 2: Transfer – Cash Flow



Case Study

Scenario 2: Transfer - Assets



Case Study

☰ Possible Outcomes at age 67

Scenario	Value of Pensions	Potential Income **
5.5% annual growth	£975,336	£39,013
35% drop day 1	£633,968	£25,358
Risk Rated Drop of 17%*	£809,528	£32,381

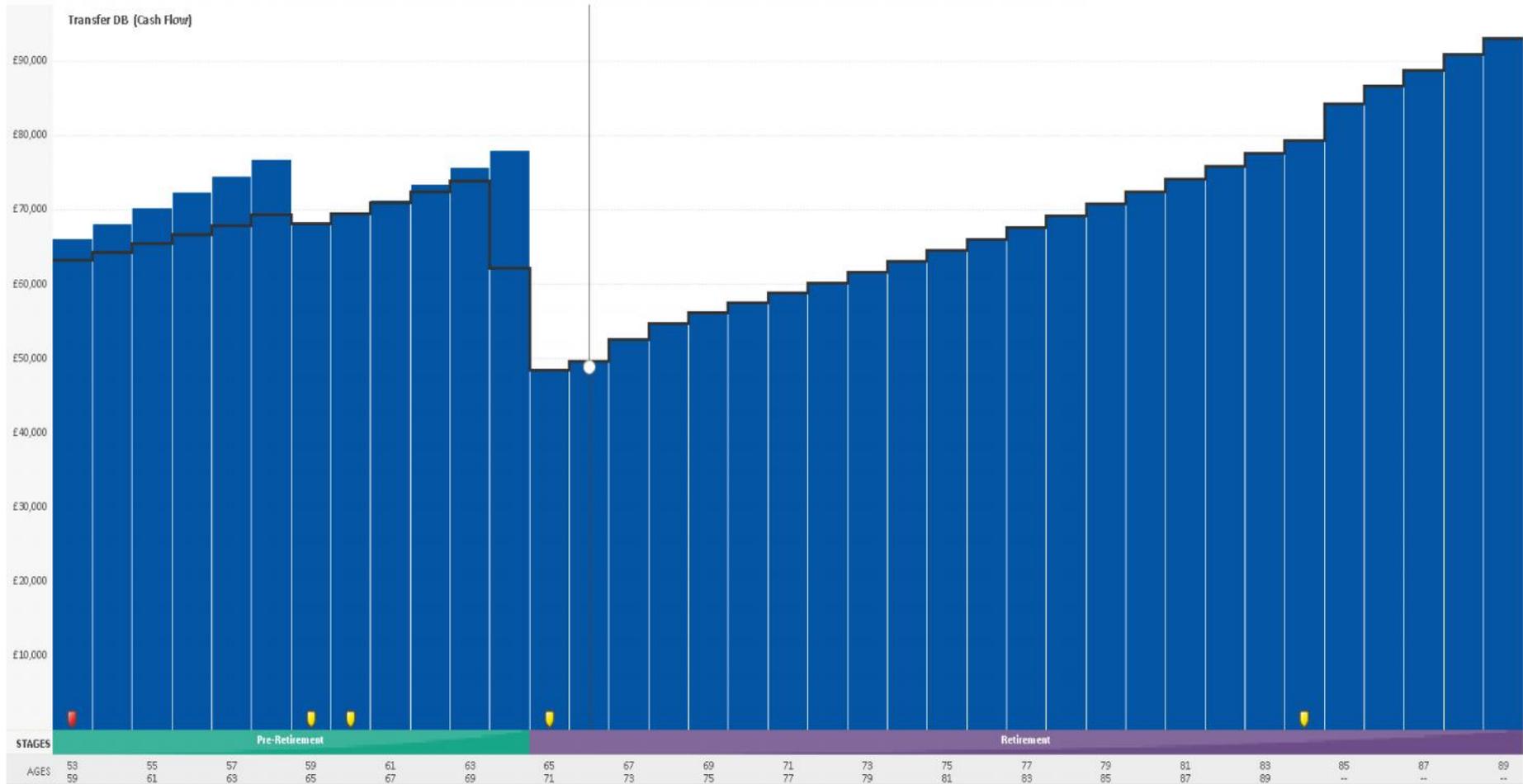
*Jane has a balanced risk profile with a blend of 60% global equities and 40% fixed income. Returns modelled by Dimensional Fund Advisers. Data span 1988-2017

**Above income is gross and based on a 4% withdrawal rate

☰ Withdrawal rate for illustration purposes only – as we have to use something!!

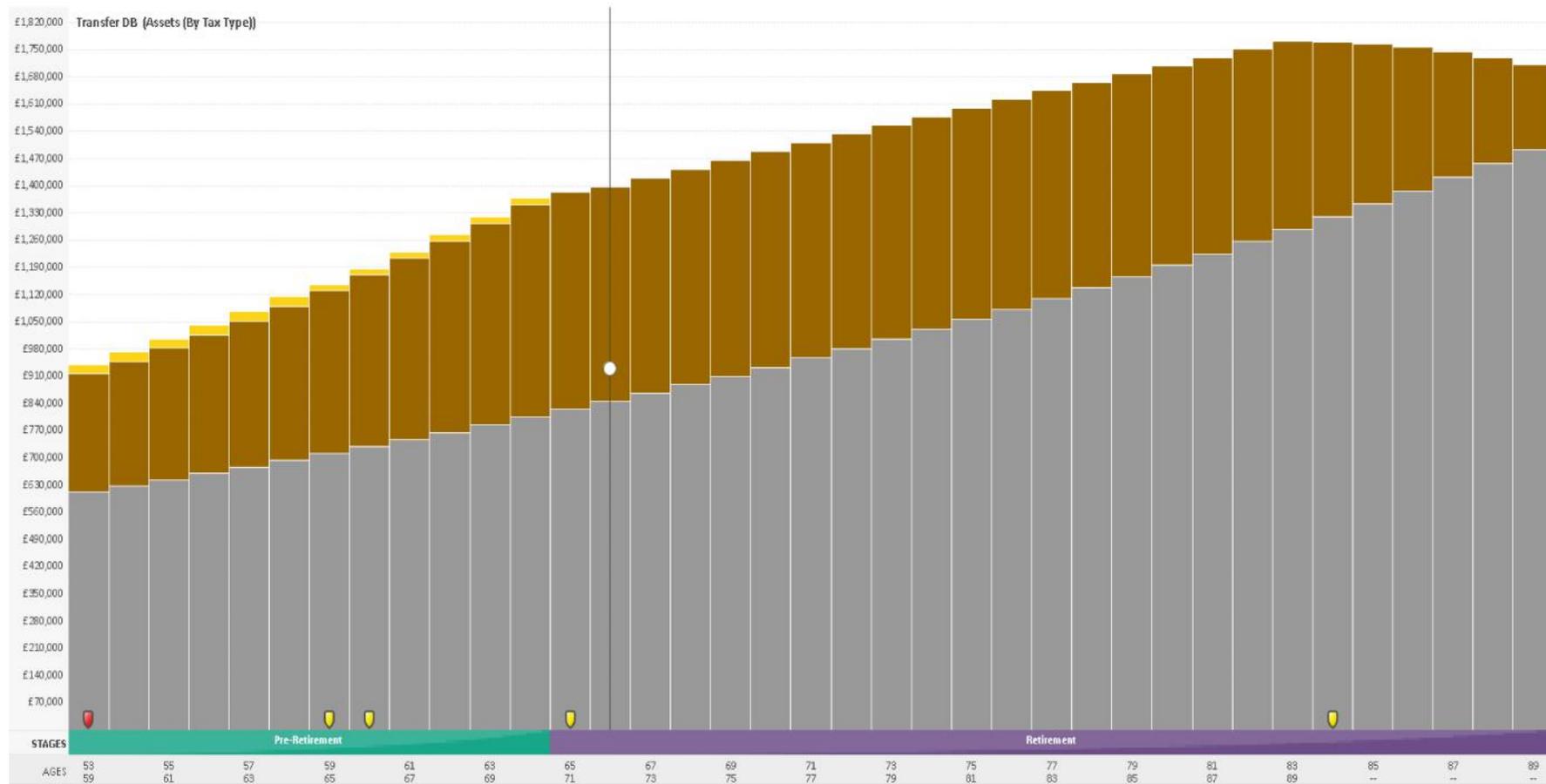
Case Study

Scenario 3: Transfer and 35% loss day one – Cash Flow



Case Study

Scenario 3: Transfer and 35% loss day one – Assets



Conclusion

- ≡ Pension Freedoms are on the whole are positive
- ≡ Seeking good quality financial advice is essential when considering income drawdown
- ≡ Only time will tell if reduced transfer values will considerably impact DB transfers volume
- ≡ All clients are different and its difficult to provide set rules. Each client and scenario should be judged individually
- ≡ We haven't heard the last of pension freedoms and the transfer of safeguarded rights!



Appendix

Focus on What You Can Control

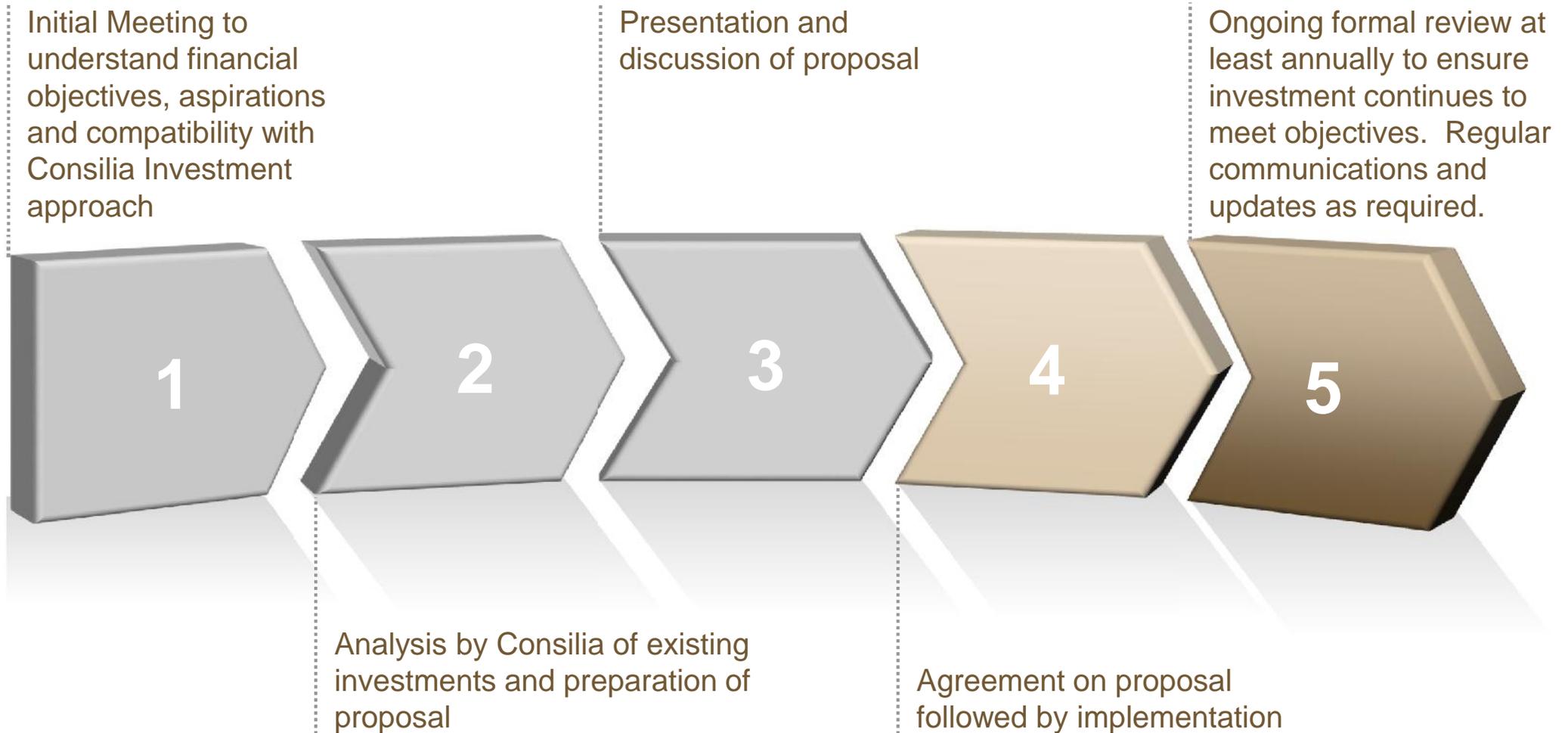
No one can reliably forecast the market's direction or predict which stock or investment manager will outperform.

A financial adviser can help you create a plan and focus on actions that add value.



Diversification neither ensures a profit nor guarantees against loss in a declining market.

Financial planning stages



Range of Returns: Global Perspective

For illustration: Source: Dimensional Fund Advisors Matrix Book 2017

	20% Global Equity/80% Fixed Income	40% Global Equity/60% Fixed Income	60% Global Equity/40% Fixed Income	80% Global Equity/20% Fixed Income	100% Global Equity
1-Year Total Return (%)	3.26	5.98	8.70	11.42	14.14
3-Year Annualized Return (%)	3.91	7.07	10.18	13.23	16.24
5-Year Annualized Return (%)	3.89	7.03	10.13	13.20	16.23
10-Year Annualized Return (%)	3.24	5.17	6.98	8.68	10.25
20-Year Annualized Return (%)	4.81	6.20	7.47	8.63	9.67
Annualized Return (%) 01/1988-12/2017	6.82	8.16	9.35	10.41	11.31
Annualized Standard Deviation (%) 01/1988-12/2017	3.22	6.18	9.22	12.32	15.49
Growth of Wealth 01/1988-12/2017	7.25	10.51	14.62	19.49	24.86
Lowest 1-Year Return (%)	-2.85%	-10.03%	-17.06%	-23.93%	-30.64%
	(3/08-2/09)	(3/08-2/09)	(3/08-2/09)	(3/08-2/09)	(3/08-2/09)
Highest 1-Year Return (%)	20.87%	29.14%	41.69%	55.26%	69.98%
	(12/88-11/89)	(9/92-8/93)	(9/92-8/93)	(9/92-8/93)	(9/92-8/93)
Lowest 3-Year Annualized Return (%)	1.73%	-1.73%	-5.21%	-8.69%	-12.20%
	(4/00-3/03)	(4/00-3/03)	(4/00-3/03)	(4/00-3/03)	(4/00-3/03)
Highest 3-Year Annualized Return (%)	15.74%	17.42%	21.55%	25.67%	29.80%
	(5/88-5/91)	(2/91-1/94)	(2/91-1/94)	(2/91-1/94)	(2/91-1/94)

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