

IT'S TIME FOR BETTER

Retirement Income Service

ABOUT 7IM

We're Seven Investment Management – or 7IM – an investment management business that helps advisers manage their clients' capital to meet their financial needs and aspirations.

We look after around £14bn of clients' investments as well as our own, with more than 300 of our people taking care of it all.

7IM'S RETIREMENT INCOME SERVICE

- Manages sequencing risk and the risk of ruin
- Is scalable and repeatable
- Is easy to use for you and your clients
- Keeps you at the heart of matters
- Makes suitability and regulatory compliance straightforward
- Is attractively priced
- Is ideal for clients who will depend on their income
- Is the natural evolution of your CIP into a fully-featured CRP

This document has been prepared for authorised financial advisers and is not intended for distribution to retail clients. 7IM considers that the obligation to provide appropriate advice and explain the risks inherent in the portfolios falls to advisers. In particular they should ensure that retail clients are aware, before investing, that the value of investments may fall as well as rise and that they may lose money by investing; that the portfolios are not suitable for those unable to take a long term view and that their personal circumstances, objectives and capacity for loss are vital factors when considering investment. In specific relation to the service described in this document there can be no guarantees that a plan will deliver all the intended benefits to clients; in particular that their income will be sufficient for all their lifetime needs.



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WELCOME TO 7IM'S RETIREMENT INCOME SERVICE

The world for your clients approaching retirement is unrecognisable compared to less than a decade ago. The old certainties are gone. Pension freedoms have changed the way we all think about income in retirement forever.

And yet the ways we invest clients' money in retirement – our Centralised Retirement Propositions (CRPs), if you like – haven't kept pace with the environment in which you and your clients find yourselves.

The result? Additional risks; messy administration; unnecessary costs; unintended consequences; increased indemnity premiums. And, most worryingly, potentially poorer outcomes for clients.

We believe that the time has come for something better.

We think we have the ways and means to make that happen – a way that works for your clients and for you. And crucially it's a way that keeps your relationship with your client at the heart of it and brings together all our strengths to support you and them.

THE CENTRALISED RETIREMENT PROPOSITION FOR WHEN IT REALLY MATTERS

73%

of adviser firms don't use a Centralised Retirement Proposition
– **the lang cat, State of the Adviser Nation, December 2018**

WHY WE NEED SOMETHING BETTER

We live in a remarkable time. There have never been more challenges facing you as advisers – but you’ve never been busier. The rewards for both you and your clients have never been greater for getting it right – but the consequences of not doing so are harsh.

This is perhaps most true in the area of investing in retirement. Every decision matters: there’s no time to recover if you get it wrong. You have no rails to run on: even the safety net of the Government Actuary’s Department (GAD) limits to govern drawdown are now meaningless. Theories of sustainable income are too old, too general or too ‘American’ to be of more than academic interest here. Every client’s situation is unique; yet you are encouraged to adopt one-size-fits-many approaches; and that leaves you carrying the responsibility if it doesn’t all work out.

To put it simply, if you were designing the retirement investment industry landscape today, it wouldn’t look anything like what’s in front of you right now.

But it’s not all doom and gloom. The bones of something great are there. The Centralised Investment Propositions which have proved effective for clients in accumulation (and which most advisers continue using post-retirement) have an application in the post-retirement world. But they need adapting.

So here are the things we think we have to sort if we’re going to build a Centralised Retirement Proposition that genuinely works for you and for your clients.

“Retirement pots need to last a lifetime”

ADVISER ISSUES	CLIENT ISSUES
<p>MANAGING THE NUMBERS TO MEET THE GOALS</p> <ol style="list-style-type: none"> 1. Sustainability – make the money last. Most CRPs are inflexible by nature and lack back testing during all market cycles, which is key. 2. Sequencing risk – the markets give, and the markets take away. Through it all your client will need income. Minimising the ravaging effects of normal market volatility is a core requirement for individuals. 	<p>RISK OF RUIN</p> <p>It's not theoretical for clients, simply put, their retirement pots need to last a lifetime.</p>
<p>INSOURCING VS OUTSOURCING</p> <p>There are no short-cuts in managing income portfolios in retirement. It's a matter of making sure things are constantly optimised.</p> <p>It's fine to insource, as long as you can commit the resource – and it's much easier with discretionary permissions.</p>	<p>ADAPTABILITY</p> <p>No client fits a model perfectly – and if they're paying you to provide a personal service then that's what they expect.</p> <p>The client's changing circumstances must always be taken account of.</p>
<p>SUITABILITY & REGULATORY COMPLIANCE</p> <p>MiFID II and its UK nephew, PROD, place new responsibilities on you for disclosure and client suitability. For retired clients it's likely that some kind of CRP will become essential.</p>	<p>COMPLEXITY AND MANAGEMENT</p> <p>As clients get older, their capacity for coping with complexity in their finances naturally diminishes. It's simple good practice to ensure that the service is well understood at the outset, and that it works and is understandable for any professionals who get involved as clients age.</p>
<p>COST</p> <p>The overall cost including investment management, service charge and adviser charge needs to be reflective and fair for the service provided.</p>	<p>COST</p> <p>As clients see their savings deplete over time, explicit disclosure will throw charges into sharp relief. It's not about being cheaper than other routes; it's about having a defensible price for the service you're providing.</p>
<p>ADMINISTRATION</p> <p>The set-up and maintenance of CRPs on an advisory basis takes an unreasonable amount of time and effort.</p> <p>The CRP needs to work at scale, for every client.</p>	<p>CLIENT EXPERIENCE</p> <p>Delivering the face to face client experience is your job. Ensuring that clients have the digital access they require at anytime ensures that they are receiving a service which is not restricted to ad hoc meetings but rather they can access your information at any time and in any place to suit them.</p>

IT'S TIME FOR BETTER: INTRODUCING THE RETIREMENT INCOME SERVICE

And so here it is. We don't have space here to take you through the detail – our business development team and relationship managers will do that.

We just have space to show you the important parts, in principle. Like everything worth having, the Retirement Income Service is at once pleasingly simple (as far as your clients are concerned) and sophisticated in the right ways (under the bonnet) in what it can do for your practice.

Here's how it works. Instead of thinking of a client's holdings as a SIPP, an ISA and a GIA, think of them as different time horizons. The matrix shown is a great example. Each wrapper has long term, medium and near-term money in it – each is invested in a different portfolio (very few other platforms have this functionality).

The initial work we do with you and your client tells us how to invest across the different time horizons, risk levels and pots – this is where your skill and expertise with goal-setting and cashflow planning is critical.

From there we ensure that enough money is flowing into the two cash pots to meet the client's immediate income requirements.

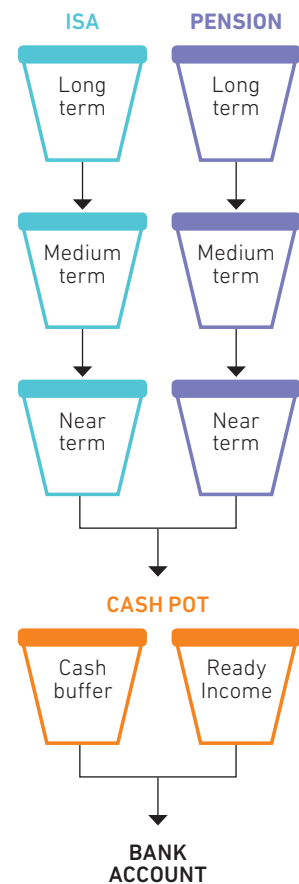
Overall your client's risk profile will be matched, by the blending of near, medium and long term pots.

Based on our calculations and protocols, money cascades down into the cash pots as appropriate. This is done through regular rebalancing; again this is done across the overall portfolio rather than wrapper by wrapper. You can define the priority order in which wrappers should be exhausted first.

The overall picture is reviewed with you – by people, not machines – each year, but you can ask for a formal review any time to reflect changing circumstances without additional cost.

At the review we'll look at the client's overall situation, based on your unique knowledge of that individual. We'll bring the figures and talk about what changes need to be made.

Throughout, we will treat you as a valued partner and your client as the reason that we exist. Nothing is more important to us.



7 THINGS TO KNOW

1 THE 7IM RETIREMENT INCOME SERVICE (RIS) IS A CENTRALISED RETIREMENT PROPOSITION (CRP) constructed around five time horizons – most CRPs either mix a CIP and cash or struggle to achieve a 3-horizon strategy. 7IM's RIS cleverly mixes near, medium and long-term with two cash pots to create a 5-horizon strategy.

2 IT REBALANCES IN 3D – you're used to rebalancing to a target asset allocation in a portfolio in a particular tax wrapper. RIS turns this on its head and rebalances across multiple portfolios and multiple tax wrappers to ensure the client is in the right place across all their holdings. No-one else does this.

3 IT KEEPS YOU AT THE CENTRE – this is your client and you keep the relationship. 7IM is the investment manager; you and your client will tell us what their objectives are. We'll take care of the investment construction, using our discretionary capabilities and taking the administration away from you and your client.

4 IT'S SCALABLE AND EASY TO USE – the best thing about RIS is that we have an almost infinite number of permutations to work with because 7IM is able to hold multiple portfolios in each tax wrapper and rebalance across them all. All are in our control and planned in, so we're ready to work with whatever your clients' requirements are.

5 IT'S COST-EFFECTIVE – with low core charges and no trading charges, you have plenty of capacity to maintain your own charging structure within a sensible overall limit.

6 IT BUILDS ON WHAT YOU ALREADY DO – it simply uses CIP techniques in a better way to suit the more complex needs of those who depend on the money they've built up.

7 IT'S BASED ON REAL LIFE – as well as comprehensive modelling and research, 7IM has already used this service successfully for our own clients. It's built to reflect real life – changing circumstances and all – without additional complexity and cost.

If you would like further
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