

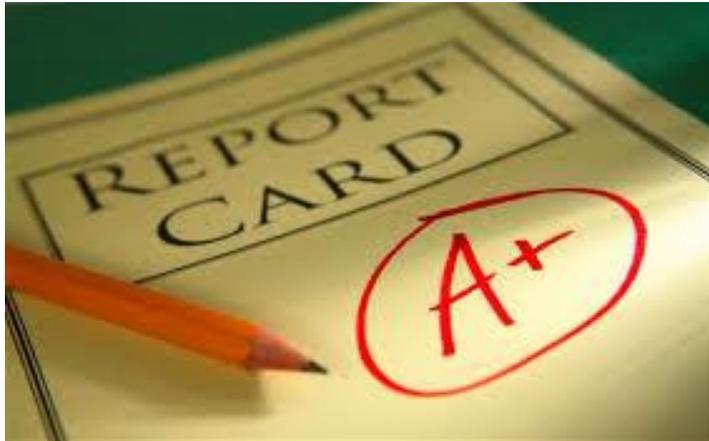
Alpha Beta PARTNERS



Talking Decumulation at Alpha Beta Partners

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The importance of an annual review



By Simon Glover, CEO Whole Money Ltd

We all remember the dreaded arrival of the annual school report. 'Could do better' sticks in my memory. The point however of a school report is to communicate between the school and home and provide the opportunity for course correction when or where necessary.

The same principals apply for advisors and their clients in decumulation.

If we knew in advance how long a retirement would last and what investment returns we would receive, then we could calculate what is known as the Perfect Withdrawal Amount or that exact same amount each year which could be withdrawn leaving the final balance at exactly £0.

Unfortunately, we do not.

However, there is a practical solution to calculate a withdrawal rate for unknown investment returns and unknown longevity:

- 1) Establish an initial planning horizon. If drawdown starts at age 65 and that by age 85 the retiree wishes to be fully invested in annuities, to provide income for life not matter how long that maybe, the initial planning horizon is 20 years.
- 2) Calculate how much money needs to remain within the pension pot to purchase an (enhanced) annuity at the end of the planning horizon.
- 3) Establish core income needs which can be met by withdrawing at a rate for which there is a minimal probability of having to reduce in the future
- 4) There may be for the lucky few, a balance which can then be withdrawn at a higher rate to meet 'nice to have' expenditure

5) Establish an annual review process, which with the benefit of knowing the prior year's investment returns and considering any change in personal circumstances or retirement objectives and with one less year in the planning horizon, all can be recalculated.

This process, while not as certain as the Perfect Withdrawal Rate when all could be foreseen, is a scientific way of iterating the drawdown plan to ensure the retiree will arrive exactly at the selected outcome and exactly on time.

All this tech is now embedded in the **AB Pension Pathway app**.

Together we can engineer a new solution to managing income in drawdown.

The **AB Pension Pathway app**, developed together with Whole Money Ltd and leading academics at Cass Business School provides all the calculations, illustrations, comparisons needed and an evidence based annual withdrawal statement to enable the end to end provision of a client recommendation and so help meet a decumulation suitability check list.

Let's talk decumulation together and together with our academic and R&D partners.

Contact us [here](#)

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