

What is the right balance between taking income and growing the portfolio?



AUTHOR
Matthew Yeates
Deputy Chief
Investment Officer



Investing in retirement can be challenging. Many investors want to make sure they have enough income to last throughout their retirement, but they also want to maintain some growth in their portfolio to keep up with inflation. One way to achieve this is by combining a Secure Lifetime Income (SLI) with a drawdown portfolio. In the last year, annuities have become increasingly attractive for retirement income because they offer a guaranteed stream of income for life, and higher interest rates have increased the size of that stream.

In practice, the decision to include a combined approach will depend on several factors, including the client's specific needs and risk appetite. The choice of between either approach should be partly based on the likelihood of success, and 7IM's Retirement Income Solution (RIS) calculator can inform this decision in an easy-to-understand format. When combining approaches, there may well be a threshold above which the security of income would be deemed equivalent to the SLI and the drawdown when considering these solutions in isolation.

Investors can use the RIS risk gauge to look at the viability of a drawdown solution versus a fully secured solution



Clients may also want to consider giving up immediate access to a small portion of their initial portfolio if it means achieving more of their goals; this approach has the benefit of maintaining flexibility on much of the initial portfolio. Additionally, the presence of a guaranteed element may help the client "feel" the slightly increased volatility of an adjusted portfolio less.

For more information call 020 7760 8777

Higher secured income rates could mean that many might want to re-think the option of securing some of their retirement income

Age	SLI Income as of September 2022		SLI Income as of January 2022	
55	£5,020	5.02%	£3,733	3.73%
60	£5,440	5.44%	£4,256	4.26%
65	£6,330	6.33%	£4,981	4.98%
70	£7,070	7.07%	£5,848	5.85%
75	£8,280	8.28%	£6,873	6.87%

Source: JUST Retirement, SLI rates, based on £100,000 purchase price, DN22 7DR postcode and average health non-smoker persona.

The decision to include a combined approach of SLI and a drawdown portfolio will depend on a number of factors. With recent interest rate increases, more people may be looking at annuities for retirement income. However, SLI provides a neat way to combine an annuity with a traditional drawdown portfolio, allowing investors to maintain flexibility while still receiving a guaranteed stream of income.

The author generated this text in part with GPT-3, OpenAI's large-scale language-generation model. Upon generating draft language, the author reviewed, edited, and revised the language to their own liking and takes ultimate responsibility for the content of this publication.

Any reference to specific instruments within this article does not constitute an investment recommendation. You should be aware that the value of investments may go up and down and you may receive back less than you invested originally. Tax rules are subject to change and taxation will vary depending on individual circumstances.

Any reference to specific instruments within this article does not constitute an investment recommendation.

For more information call 020 7760 8777