Client case study

Financial planning and pensions

"I had no reason to suspect that the biggest recession since the 1930s was about to hit when we met in 2006 to discuss my strategy for retirement. When equities plummeted, I had good reason to be grateful that your managed transition to less risky funds had already started, thus reducing the immediate impact of falling markets. You also offered good advice on timing when rigorously sticking to the six monthly switches seemed counter productive. By 2011, while markets were still volatile, my funds were securely growing and invested in assets that hedged against the downward trend in annuity rates. My annuities, now in payment, demonstrate the success of prudent and informed management as one moves towards retirement date. Many thanks."

GM, Aberdeen

Our client came to us in 2006, when he was 60. He was due to retire at age 65 and would then be reliant on his private pension funds (£765,000 at the time) for income. The funds were an ad hoc collection of insurance company pension plans. Some 60% were invested in so-called "balanced" managed funds. This innocuous title disguised the fact that such funds typically hold 80% equity. Overall, our client's pension fund was 90% invested in equity. This came as a surprise to him.

Describing himself as cautious, our client planned to liquidate his fund at age 65 and buy an annuity to secure retirement income for him and his wife.

We agreed a strategy of "risk-management" to reduce the equity content of the pension funds over the five years remaining. Our client did not want to disinvest from equities wholesale overnight; our strategy was to phase the switches (roughly switching 10% every six months) into less volatile funds.

By the time stockmarket fortunes turned rapidly downwards in 2008 we had already disinvested 30% of the equities. This bought our client valuable time (and considerable peace of mind) in that, come age 65, he could, if necessary, have drawn on the non-equity funds for income, pending a revival of stockmarket fortune.

In practice, we were able to reinstate the programme of switches in 2010 and buy the annuity as planned in 2011.

The aim of the exercise was to manage risk and reduce the impact of investment volatility at a financially vulnerable time (i.e. retirement). As a bonus, the final fund at retirement of £1m outpaced inflation and, indeed, was 10% higher than it would have been had the original 2006 investments been kept.

You will find more detail on our financial planning services at:
www.blickrothenberg.com/Services/Financial-Planning

If you wish to discuss the new provisions, please speak to your usual contact at Blick Rothenberg or:

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