

Guaranteed Income Adviser Guide

The Changing Face of the Retirement Landscape

We're currently rebranding from Novia to Wealthtime. You'll notice that some of our products and services still use the name Novia while we're transitioning over to the new name. So don't worry if you see both Wealthtime and Novia names in our documents. Wealthtime is a trading name of Novia Financial plc.

What do Investors want in Retirement?

Whether it's in the form of foreign travel or the purchase of a high-end luxury item, such as a second home, a new car or even a boat, it's only natural that Investors want to enjoy themselves in their retirement. However, looking beyond these instant perks, in retirement, Investors require a solution that balances the need for a sustainable, regular guaranteed income with the flexibility to adjust their plan as circumstances change.

For any Investor, that balance between enjoying retirement to the full while at the same time understanding what 'income' they will be receiving in the future is vitally important. Neither of the current pension scheme options (Defined Benefits [DB] or Defined Contribution [DC]) successfully achieve this crucial balance. As you can see, DB guarantees incomes but lacks flexibility and the access to extra funds, while DC risks income sustainability:

Investor need	DB	DC
1. Sustainable income	✓	✗
2. Access to extra funds	✗	✓
3. A legacy	✗	✓
4. Flexibility	✗	✓
5. Control	✗	✓

Introduced in 2015, Pension Freedoms have been beneficial in enabling Investors aged 55 or over to take control of their pensions pots and to access a higher degree of flexibility over their pension planning and retirement income.

The market is missing a solution that provides the ability to create the right blended portfolio for Investors

While more options are clearly beneficial, this increased flexibility has also added a fresh degree of complexity for Investors when making plans for retirement. This, in turn, requires Advisers to work more closely with Investors when making decisions. This flexibility also puts the onus on product providers to bring more innovation to the market, something that both the government and FCA asked for in the Retirement Outcomes Review (FCA MS16/1.3 Chapter 2). The market is missing a solution that gives the ability to create the right blended portfolio for Investors.

That's why Wealthtime (a trading name of Novia Financial plc) offer, within our existing Novia SIPP, a blended retirement income solution.

Our guaranteed income solution is the Secure Lifetime Income solution, provided by Just. It can enhance the retirement Investor outcomes by generating more SIPP drawdown income, improving the legacy provision and producing a more sustainable plan.

This is achieved by investing part of an Investor's SIPP drawdown into this type of guaranteed income producing asset, which helps to reduce the withdrawal rate on the remaining portfolio. The guaranteed income can also be treated as part of the defensive allocation of the drawdown portfolio, maintaining exposure to growth assets. This combination enables the portfolio to produce higher longer-term values and generates enhanced Investor outcomes.

Wealthtime was the first UK platform to offer to offer a fully underwritten guaranteed income solution within a platform-based SIPP.

Investor Benefits

- **Personalised guaranteed income for life** – Secure Lifetime Income takes account of the Investor's individual health and lifestyle to provide a personalised guaranteed income. The income rate will be determined by market rates at the time. As a guide, a 70-year-old in average health might get an income rate of 7.29% (estimated income rate as of 21 March 2023).
- **Flexibility and efficiency** – the monthly payments can be used immediately to support the Investor's lifestyle or retained within their drawdown arrangement and reinvested.
- **Simplicity** – Secure Lifetime Income sits within the Investor's SIPP alongside their other retirement savings and investments, so everything is in one place.
- **Legacy provision** – in addition to enhancing the Investor's overall legacy provision, Secure Lifetime Income also provides protection in the case of early death by offering a lump sum death benefit for a set period by generating more SIPP drawdown income, improving the legacy provision and producing a more sustainable plan.

Adviser Benefits

- **A new option for drawdown portfolios that complements your existing strategies** – an alternative low risk asset that can be used when configuring drawdown portfolios.
- **Delivers enhanced outcomes mitigates some of the key risks when drawing income.**
- **A fully digital solution** – Online quote and apply process that efficiently integrates into your decumulation proposition, designed to work alongside your existing technology stack.
- **Sequence risk management** – an additional option for reducing the exposure to sequence risk and income volatility, an important consideration for many Investors in uncertain times.
- **Offers simplicity** – Secure Lifetime Income sits alongside the Investor's other SIPP assets within a single wrapper, making it easier to conduct a holistic portfolio overview.

Risk in Decumulation

Why and How is it Different

Risk in decumulation is different to investment risk in accumulation and therefore must be considered separately. Investment growth in accumulation can benefit from greater volatility because the Investor is not taking a regular income, allowing them to better tolerate losses over time.

While we would all like to continue to grow our investments in retirement, it is essential in this period of decumulation that the Investor is able to maintain a secure income for the remainder of their life, however long that is.

Without a framework to set sustainable income limits, there's a real risk people could spend too much too soon. The temptation to empty the pot (because you can) has led to some people running out of money. Many Investors can underestimate the financial demands of retirement. The following issues need serious consideration:

Longevity: How long their savings and income have to last

Inflation: The effects of inflation on spending power

Investment: The need for real, but sustainable, investment growth

Asset Information:

Asset type	Guaranteed Income
Minimum age	55
Product wrappers	SIPP Income Drawdown
Minimum (current providers)	£10,000
Maximum (current providers)	£1,000,000
Income receipt frequency	Monthly
Included cash in value	Yes
Included death benefit	Yes
Online application	Yes
Health questionnaire	Yes

How to get a Quote and Apply for Guaranteed Income

Advisers can complete both the quote and apply processes through Adviser Zone. To get a quote, a health questionnaire needs to be completed, either by the Investor or by the Adviser on the Investor's behalf. The health questionnaire is a user-friendly online form provided and operated by third-party provider, Spire Platform Solutions.

Once the questionnaire has been completed, the user can request a personalised quote which will enable the Adviser and Investor to fully consider whether adding the Guaranteed Income to their SIPP would be appropriate. This quote will be valid for a set period stated on the quote.

How does Guaranteed Income work within the SIPP

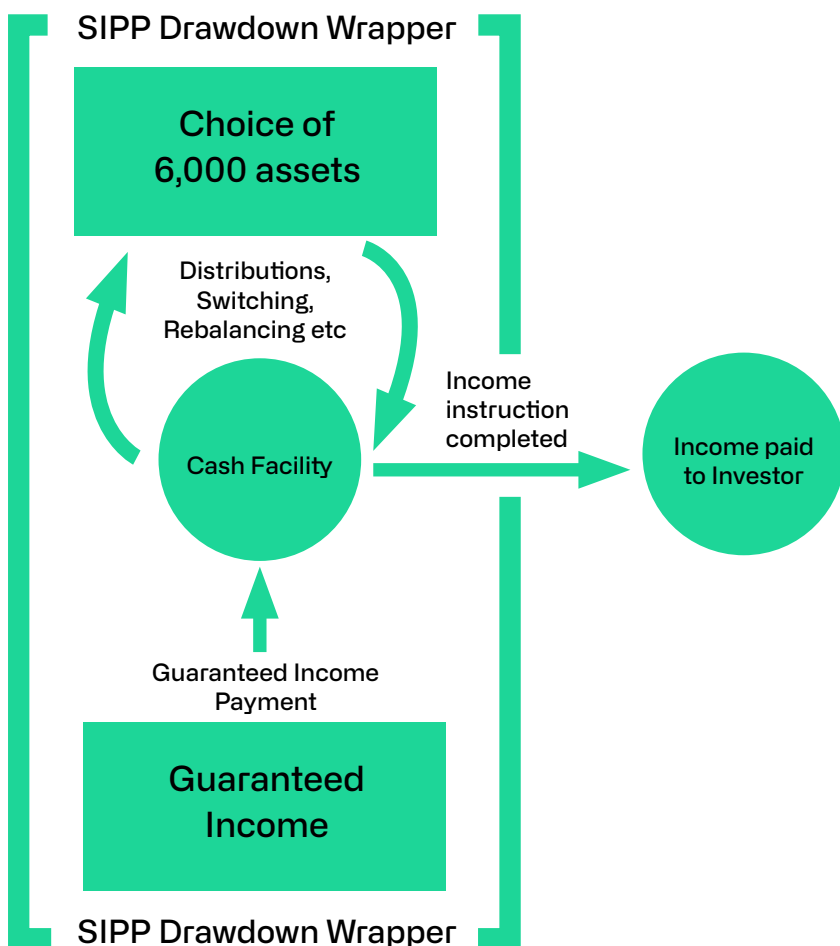
The Guaranteed Income asset sits within the SIPP wrapper, together with all of the other assets held within the portfolio.

The Guaranteed Income will be paid into the SIPP Cash Facility. It can then either be paid to the Investor's income as part of their SIPP withdrawal instruction or used for reinvestment into the other assets held within the SIPP.

This flexibility allows the Investor to decide if they wish to take all income from the Guaranteed Income asset at the time it is paid or if they wish to use the income to invest in other assets for growth.

Over time, as needs change, the Investor can change how they will take their income to suit their lifestyle and investment objectives. Indeed, as an Investor ages, they may wish to invest more into Guaranteed Income as their focus on investing for longevity increases.

To find out more about how the Secured Lifetime Plan and the Guaranteed Income option works within the SIPP, speak to your regional sales manager or account manager for more information.



To find out more about Guaranteed Income, contact your sales manager today.

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