



BROOKS MACDONALD

Helping you secure a long-term income from your investments



Brooks Macdonald's Decumulation Service can help you and your adviser plan for the future with confidence as you prepare to take a long-term income from your savings and investments.

What is decumulation?

When most people think about 'investing' they think about saving and growing their wealth for the future. For example, when we are working, earning an income and saving, planning for retirement is a key objective. Saving and investing at this stage is often called **accumulation**.

However, when we stop working and receiving employment income, we must rely on our accumulated savings and investments to provide us with an income. Drawing income at this stage is called **decumulation**.

Remember, this could also apply to any accumulated investments, perhaps from an inheritance, or a legal settlement from which an income is needed.

While investing can be rewarding and help us to meet our financial goals, markets are volatile. Investment values rise and fall, and this can significantly impact the value of your portfolio, especially in the short-term. **This is called investment risk.**

As our financial needs and priorities change, so must the way we manage and invest our wealth.

What's different?

During the accumulation stage, market falls can be an opportunity to put more money into an investment portfolio, a chance to invest at a low price and benefit from a recovery.

However, during decumulation, taking a withdrawal from an investment portfolio after a fall in markets reduces the investment value further and therefore the scope for the portfolio to grow back. This means that it may not last as long as you need it to.

You will still need to take an income when markets fall so it's important to understand the risks during the decumulation stage and to plan ahead where possible.





What are the main risks during decumulation?

Sequencing risk - How can I take a regular income with confidence?

Investment returns never form a smooth, straight line on a chart, there is always an element of volatility. Sequencing risk is related to growth and loss in your investments, and when income is taken. A clear plan is key to minimising sequencing risk, looking to avoid withdrawing funds when investments may have fallen.

Longevity risk - How much income will I need and for how long?

Life expectancy has increased steadily over the years and investment pots will need to last longer than ever. Longevity risk affects your future income requirements, for example if more money is needed to pay for healthcare in old age.

Inflation risk - How much more will things cost in 10 or 20 years?

The cost of living typically rises over time. Inflation erodes the buying power of money. It affects all investors, but particularly those relying on their investments to provide a secure long-term income.

How can Brooks Macdonald help?

Our Decumulation Service is designed for those who want to secure a flexible long-term income from their investments. Our investment managers understand the specific risks and will help you and your

adviser to plan and deliver an investment strategy to meet your individual needs. Your investments are split into different buckets.

- > Cash and a portfolio of lower risk investments which can be selected to deliver the specific level of income you need in the short-term.
- > A diversified portfolio of higher risk investments that can be left to grow.

This approach gives you confidence that you will have the income you need in the shorter term and maximise the growth potential of your portfolio to help you achieve your long-term plans.



Cash for immediate income needs



Short-term portfolio - lower risk investments



Long-term portfolio

Securing a flexible long-term income from your portfolio

Your financial adviser and investment manager can help plan your income strategy and review it regularly, to make the most of your investments, and your future.

Important information

Investors should be aware that the value of investments and the income from them may go down as well as up and neither is guaranteed. Investors could get back less than they invested. Past performance is not a reliable indicator of future results.

Please be aware that this service utilises structured products as part of the portfolio construction/strategy which comes with specific risks. Should the counterparty fail, you may not have access to the Financial Services Compensation Scheme (FSCS). Investors should speak to their advisers for further information and to ensure they understand the risk and return factors applicable in their case.

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