






# Consumer Duty Product Value Assessment Summary: AJ Bell Retirement Portfolio Service




April 2023  
Version: 1.0

The Financial Conduct Authority (FCA) requires all UK asset managers to conduct a fair value assessment of their products and services as part of Consumer Duty. This covers a variety of areas from benefits and limitations to costs and potential harm. At AJ Bell, we pride ourselves on being transparent with our customers and so we are pleased to present a summary of the assessment for the AJ Bell Retirement Portfolio Service (RPS).

The assessment has been carried out against four factors, using a ‘traffic light’ system; where green indicates good value, amber indicates room for improvement, and red indicates poor value. The overall results of the assessment are below:

Category	Retirement Portfolio Service
Nature of the product and its benefits	
Limitations in the product and services	
Total cost of ownership	
Mitigating foreseeable harm and potential customer vulnerability	
Overall value	

**Key**

-  Good value
-  Room for improvement
-  Poor value

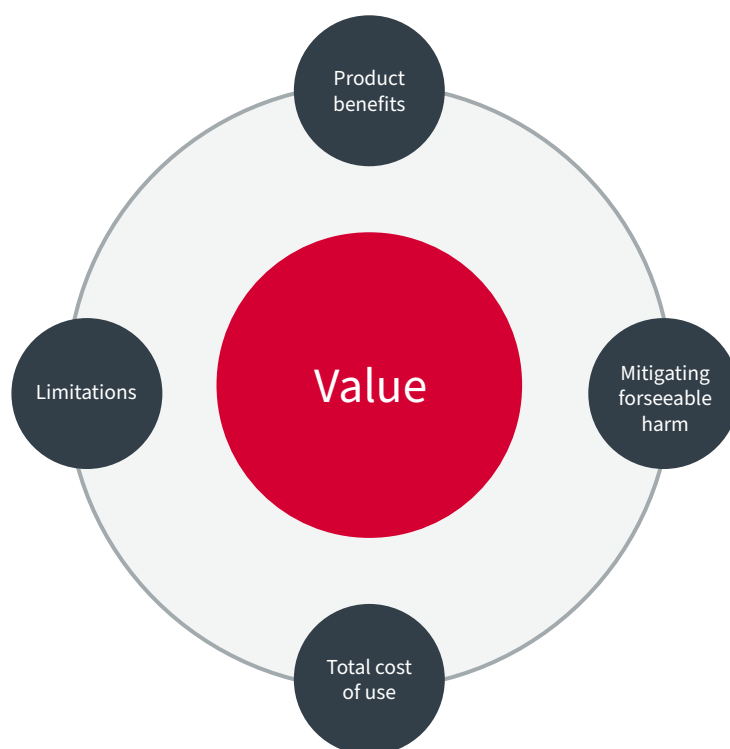
The assessment was completed by the AJ Bell Investments Product Team and approved by the Investment Proposition Committee on 20 April 2023. We review the assessment annually and will make more frequent updates if there are material changes to outcomes.

Overall, we believe the RPS offers fair value to customers, and we continue to look for areas to improve. We are confident that the RPS is well-positioned to continue providing good outcomes and fair value for its customers into the future.

## Factors used to assess value and pricing

Based on the Final Guidance issued by the FCA as well as our own consideration, the following factors have been used to assess the value provided by the Retirement Portfolio Service:

- The nature of the service, expected benefits to customers and their quality.
- Any limitations of the service and its features.
- The expected total annual cost, including non-financial cost, paid by customers over the life of the relationship between the customer and the firm.
- Costs incurred in the manufacturing process and whether any material changes to the service have impacted the price.
- Foreseeable harm and mitigating actions / controls in place.
- Any elements of vulnerability that may affect customers' ability to understand or achieve value from the product.



## Assessment of value

The below is a high level, non-exhaustive summary of the features and benefits provided by our Retirement Portfolio Service, upon which value has been assessed:

- Outcome-orientated, multi-asset portfolio delivered in accordance with agreed objectives of the defined target market.
- A low-cost centralised investment proposition for customers who anticipate having to drawdown income in the short-to-medium term.
- Aims to deliver natural income, reduce sequencing risk, and provide a 4% inflation-adjusted withdrawal rate for advised customers over a 30-year period.
- No Annual Management Charge (AMC).
- No charge for holding cash in the service.
- No minimum investment.
- No exit fees, notice periods, or written cancellations, enabling customers to divest without barriers to exit.
- Suite of literature produced including articles, FAQs, and guides.

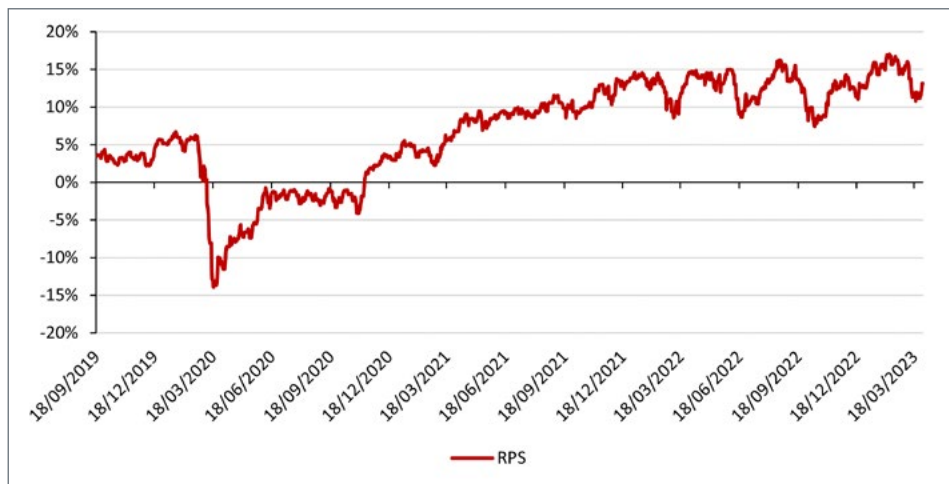
The benefits outlined above have been designed to provide simple, transparent, low-cost investment solutions that deliver good customer outcomes, and are appropriate and proportionate to the needs, characteristics, and objectives of the target market. An overview of the target market can be found on the Consumer Duty Hub on the AJBIC website<sup>1</sup>.

<sup>1</sup> <https://www.investcentre.co.uk/support/consumer-duty>

## Financial performance

As a provider of a retirement portfolio service, we aim to deliver natural income and reduce sequencing risk for clients with a 30-year (or less) investment horizon and withdrawing no more than 4% of their original investment on an annual basis. The portfolio is multi-asset in nature and the asset allocation of the underlying products is dependent on achieving the target levels of income. This means there is no single financial instrument or index that represents a fair benchmark. Consequently, there are no meaningful comparators for us to use as an objective assessment of performance. The following chart shows the cumulative, non-annualised total return (%) of the portfolio:

### Retirement Portfolio Service



Retirement Portfolio Service	1 Year Return (%)	3 Year Return (%)
Retirement Portfolio Service	-1.18	26.53

Backtesting shows that if a pension pot was invested in an RPS, at outset, and no more than 4% of the initial amount, adjusted for inflation, is removed from the portfolio each year, there has not been a series of market returns over the past century that results in money running out over a 30-year retirement span. The historical yield of the RPS, along with that of its underlying products, are summarised in the table below.

### Retirement Portfolio Service Yield

RPS Underlying Products	1 Year Yield (%)
AJ Bell Income and Growth Fund	3.67%
AJ Bell Income Fund	3.21%
Cash	0.00%
<i>Total Yield of the Retirement Portfolio Service</i>	<i>3.10%</i>

## Literature and support

AJBAM is committed to delivering simple, transparent, jargon-free literature at all points of the investment lifecycle. We believe customers should always know where, why, and how their money is invested. The literature produced for the Retirement Portfolio Service includes guides, FAQs and articles. The provision of this literature is designed to enhance customer understanding, either directly through client guides or via support for their adviser.

## Limitations

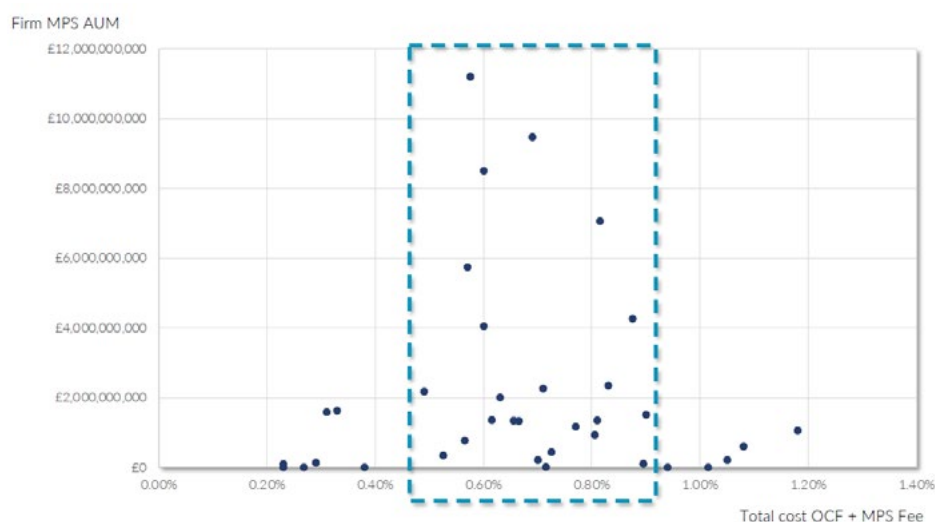
Considering the target market of our Retirement Portfolio Service is defined as digital advised customers, and the resultant product design features, we do not believe there are further legal or non-regulatory limitations embedded within our Retirement Portfolio Service.

## Total cost of ownership

The total cost of ownership comprises of the cost of the underlying funds within the portfolio. The underlying products, AJ Bell Income Fund and AJ Bell Income & Growth Fund, benefit from a fixed OCF of 0.65%. Based on an initial allocation of 45% Income Fund, 45% Income & Growth Fund, and 10% cash, the total cost of investment to the customer is 0.59%. There is no charge for holding cash within the service.

The 0.15% AMC on other standard range portfolios for AJBAM is not applicable to the RPS because we already have this charge in place for the underlying funds. We believe an additional charge would not result in good value for customers.

AJBAM does not engage in discriminatory pricing and all RPS customers pay the same charges. These charges rank competitively in the market. The chart below, taken from NextWealth<sup>2</sup>, shows the majority of AUM is concentrated within a total cost range of 0.50% to 0.90%. The cost of the RPS stands within this average.



<sup>2</sup>NextWealth MPS Proposition Comparison Report 2022

## Mitigating foreseeable harm

The target market for the RPS range is defined as “UK retail advised digital investors”. We also define a negative target market as customers who are uncomfortable taking any risk, and potentially vulnerable customers who have low financial resilience or capability.

Further detail on Target Market and Vulnerable Customer policies can be found on the AJ Bell Consumer Duty Hub<sup>3</sup>.

## Conclusion

This document provides a summary of the fair value assessment for the AJ Bell Retirement Portfolio Service. In carrying out the assessment, we are satisfied that we have considered all relevant factors and available information relating to the range’s value. Following this analysis, we believe the RPS has successfully delivered fair value to customers and have rated the portfolios ‘green’ across all four categories.

We monitor all products on an ongoing basis to ensure they are delivering good value, and we always look for opportunities to improve. The governance and oversight of the fair value assessment process, along with how this is managed, is carried out in the relevant committees. AJ Bell’s quarterly committee cycle actively monitors consumer outcomes through Key Risk Indicators, performance analysis and product features. We take action to mitigate risk where necessary and make improvements where possible.

We are confident that the AJ Bell Retirement Portfolio Service is well-positioned to continue providing good outcomes and fair value for its customers into the future.

<sup>3</sup> <https://www.investcentre.co.uk/support/consumer-duty>