RETIREMENT PORTFOLIO SERVICE

Client guide

Only available through professional intermediaries.
Ask your financial adviser for more information.

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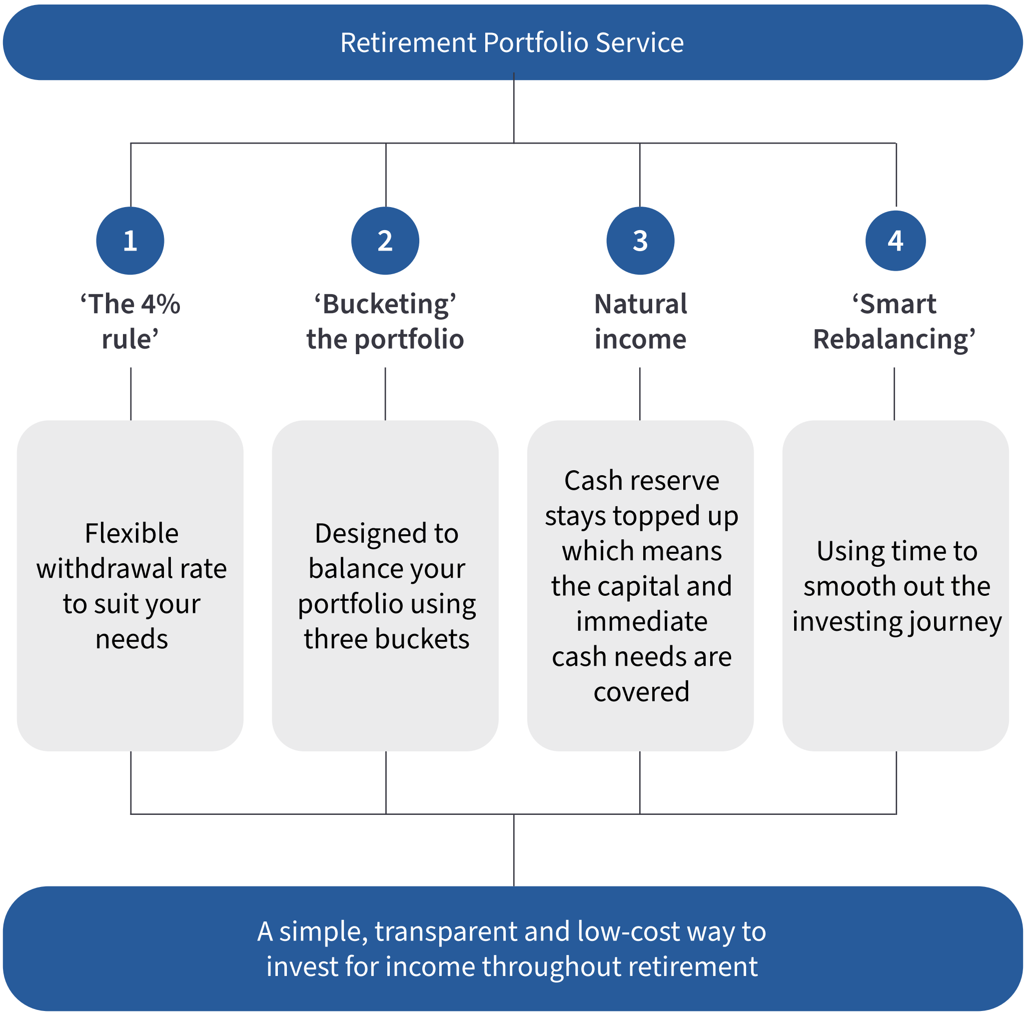
Introducing the Retirement Portfolio Service

Combining four retirement income strategies in a single solution, the Retirement Portfolio Service (RPS) from AJ Bell Investcentre provides a simple, transparent, low-cost way to invest for income as you move into and through retirement.



Strategy 1 – 'The 4% rule'

How much you take from your pension pot is a decision for you and your adviser. Backtesting shows that if a pension pot was invested in the RPS and no more than 4% of the initial amount* is removed from the portfolio in any given year, there has not been a series of returns from markets over the last century that results in the monies running out over a 30-year retirement life. That includes two World Wars and periods of high inflation as seen in the 1970s. This is commonly known as 'the 4% rule'.

> i | *increased in line with inflation. Figures refer to simulated past performance and past performance is not a reliable indicator of future performance. Simulated past performance is calculated gross of fees.

The service does not tie you to that withdrawal rate and has the flexibility to allow you to take income to suit your needs. Taking more than this amount on a regular basis will shorten the expected lifespan of your overall investment pot.

Strategy 2 – 'Bucketing' the portfolio

Designed to help you see the balance of your portfolio in action, the RPS splits your investment into three separate 'buckets'.

Bucket 1
Cash reserve

The cash reserve bucket covers your immediate income needs for the next couple of years and provides you with peace of mind that the money you need in the short term is safe from the day-to-day fluctuations in value that come with any investment strategy.

Bucket 2
Medium term

Built largely of lower-risk investments such as government and corporate bonds, the medium-term bucket is designed to generate a consistent level of income and to hold its capital value over the medium term.

Bucket 3
Long term

Using more risky assets like shares and property, the longer-term funds should grow in value as well as generating an income that also grows over the long term.

Strategy 3 – Natural income

The 'natural income' strategy works by choosing investments that produce income, which tops up the cash reserve over time. This reduces the need to nibble away at the capital and means that your immediate cash needs are covered on an ongoing basis, allowing you to keep calm when the value of the investments inevitably moves up and down.

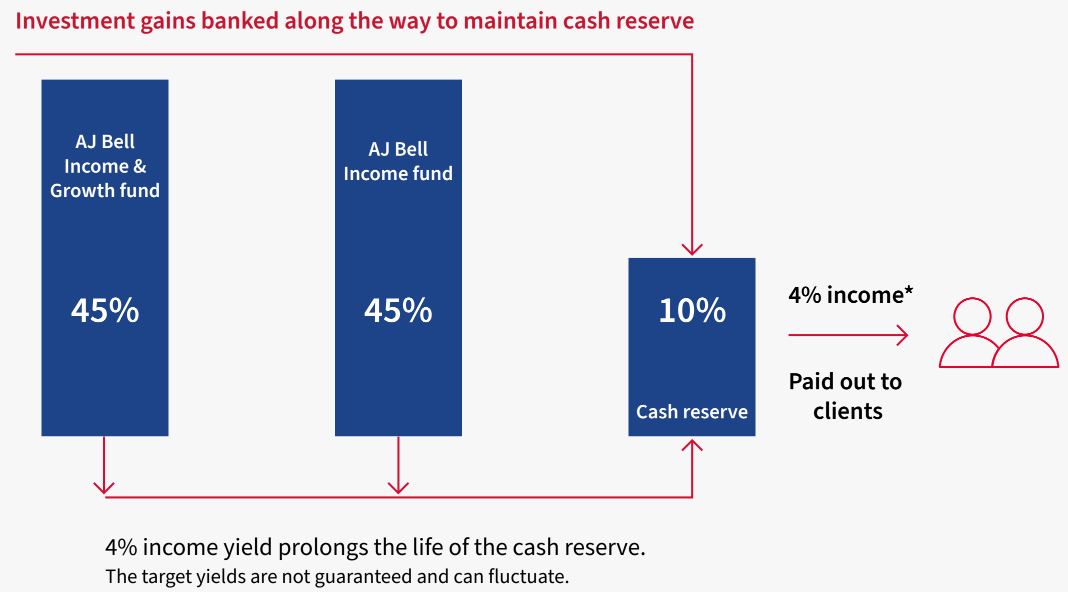
Strategy 4 – 'Smart Rebalancing'

As an investor, time is your greatest friend. The longer you can invest for, the more confidence you can have in how your investments will perform. But this comes with a downside.

Since investment values are usually linked to the performance of the economy – which is cyclical – the value of investments can fall as well as rise. At times, those falls can be severe.

While long-term investing increases the confidence you can have in the long-term performance of your investments, it also increases the likelihood that you will have to endure a period or two of potentially significant losses.

The RPS looks to smooth the journey by banking profits along the way. Topping up the cash reserve in good times reduces the risk of having to sell investments during periods in which their value has fallen.



*4% of the initial monies invested, increasing in line with our future inflation expectations.

In what conditions might the portfolio not perform as expected?

- If investors experience a significant and prolonged drop in the value of their investments, without seeing a quick recovery, they may need to sell off some parts of their investment portfolio to limit their losses. This could reduce the overall lifespan of their investment funds.
- In situations where the companies providing the dividends and income payments for the investments are struggling, not only will the value of those investments decrease, but the cash reserve set aside for emergencies will also deplete faster. This increases the chance of having to sell off some parts of the investment portfolio, which in turn reduces the overall lifespan of the investment funds.

Who will manage my money?

AJ Bell was established in 1995. We have grown to become one of the UK's largest investment platforms, with £80.3 billion of assets under administration and 503,000 customers. We succeed by providing award-winning investment products, backed up with a dedicated investment team, excellent service, and online functionality at a low cost. AJ Bell is a member of the London Stock Exchange.

AJ Bell Investments was launched in 2016. Our purpose is to design and manage a range of simple, transparent, low-cost investment solutions that deliver good customer outcomes.

With more than 100 years of combined experience in the industry, our highly respected Investments Team manages over £5 billion of clients' money. Drawing on their considerable experience and expertise, the team developed our managed portfolio service (MPS) to help your adviser manage your financial affairs in the most time- and cost-efficient way possible.

You can view our team <u>here</u>.

How much does it cost?

The RPS is provided free of charge and there is no charge for the ongoing management of your portfolio.

There is an ‘all-in’ charge, which is the cost of the funds in the service. Both the AJ Bell Income fund and AJ Bell Income & Growth fund are managed by AJ Bell. Both funds benefit from our fixed ongoing charge of 0.65% which promises that the overall cost will never exceed 0.65%.

Based on the initial allocation of 10% cash, 45% AJ Bell Income Fund, 45% AJ Bell Income & Growth fund, the overall cost of investment will never exceed 0.65% of assets.

The charges for the management of the two AJ Bell Funds are taken directly from the funds themselves. This means that the performance of these two funds is reported net of fees.

There is no charge for holding cash within the service. The assets held within the RPS are subject to AJ Bell Investcentre’ s standard platform service charge. Full details of the platform service charge can be found at: www.investcentre.co.uk/charges.

What happens then?

AJ Bell Investcentre is available only through your financial adviser, but we never forget whose money it is that we are managing. For this reason, we are committed to communicating with you in a transparent and timely way. We also make it easy for you to keep track of your investments at any time by simply logging into investcentre.co.uk/client or the AJ Bell Investcentre app.

AJ Bell Investcentre is available only through your financial adviser.

i | Please contact your adviser for more information or to ask questions about the AJ Bell Retirement Portfolio Service.

i | This brochure provides general information about the AJ Bell Investcentre Retirement Portfolio Service. It should not be read or construed as investment advice. It is your adviser’s responsibility to assess your circumstances and make a personal recommendation that is suitable for your needs.

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