HFP
HARWOOD
FINANCIAL PLANNING

Mr K W Kirkby
133 Ulverston Road
Dalton-in-Furness
Cumbria
LA15 8EZ

1st July 2024

Dear Ken,

Re: Annual Review 2024

This report aims to summarise your objectives and then provide recommendations in order to keep your financial plan on track to meet these objectives.

Following on from the objectives and recommendations there is supporting information in the appendices including analysis that you may find useful.

Objectives

There has recently been a change in your objective. Previously you were comfortable drawing £1,024 per month of income from your pension and aiming for potential capital growth on the remaining assets. You are no longer worried about growth on your funds, instead you would like to maximize income potential and you would like to increase your withdrawals to £1,600 per month.

When we asked you about the possibility of an annuity you responded as follows:

"Once you sign up for an annuity that's it, its done, I would prefer to retain control of the capital for myself and for my family".

At present you have no known planned spending after you have spent a lot recently on renovation. You may use your GSK shares next time you need to replace your car.

Recommendation

We are recommending your Pru Funds remain unchanged; however, are suggesting you increase your gross monthly withdrawal to £1,600.

With regards Fidelity wwe are recommending that your holding in Jupiter Strategic Bond is sold and redistributed to some of your existing holdings in the percentages specified below:

- 35% M&G UK Inflation Linked Corporate Bond
- 35% Troy Trojan O
- 30% Smithson Investment Trust

Rationale

We have decided to remove Jupiter form our model portfolio selection as it has underperformed its benchmark for a significant period and we are also concerned about the managers over focus on macro-economic issues as opposed to the fundamentals of the underlying investments he is purchasing. Furthermore, the manager is trading frequently adding to the cost of the fund and in doing so reducing the growth potential of the fund. The new funds chosen (as a collective) are lower charging than your existing fund (0.25%) lower in cost.

The remaining funds are consistent with your objective for gaining capital growth and conform with your agreed level 5 (Balanced) risk profile.

We trust that this letter provides an accurate summary of our discussions and our recommendations are clear; however, should you have any concerns or wish to discuss any of the issues raised in more detail please do not hesitate to contact us.

Yours sincerely
For Harwood Financial Planning

Ryan J Woodhouse
Independent Financial Adviser/Director

You agreed to the above changes during our meeting; thus, no further action/response is necessary.

Appendix 1: Disclosure

The scope of our service is explained in the client agreement we provided you with on 30th August 2023 and you confirmed you did not wish to place any restrictions on the types of products or investment strategy when making our recommendation.

At our meeting on 30th August, we conducted your annual review for 2023. Our advice provided to you is based upon the information you have disclosed and therefore if this letter does not coincide with your view of the situation, or you require any further clarification, please let us know at your earliest convenience. It is important to emphasise any information in relation to your circumstances that has not been disclosed could have affected our advice to you.

Our recommendation has been limited to your objective of reviewing your pension as these are the only financial planning areas you wish to review at present. Therefore, you may have other financial planning needs that are not addressed by this report.

Appendix 2: Attitude to Investment Risk

In order to understand what would represent an acceptable level of risk for you we follow a 3-step process. Firstly, we assess your psychological approach to risk through a risk questionnaire. Secondly, we assess your circumstances including your capacity for loss and investor experience and the final step is to combine the first two steps to arrive at a suitable level of investment risk.

The funds recommended are based on the level of risk you are prepared to accept. This was discussed following the initial completion of a risk profiling questionnaire. Your risk profile was mapped to a 5 on a scale of 1 to 10 (a Balanced investor).

We had previously agreed that you had a balanced risk profile. We discussed this area again and you confirmed you wished to maintain this approach.

<u>5 - Balanced Investor</u>

As a balanced investor, you are happy to take on investment risk and understand that this is crucial in terms of generating long-term return. You are willing to take risk with most of your available assets. This would typically mean a portfolio invested in a combination of bonds, property, UK and International shares – the share component for a balanced investor would be between 40% and 70% of the portfolio value.

It is important to note that a balanced investment can fall as well as rise in value and it would be quite common for this type of investment to rise or fall by 20% over a 12-month period. Although your investment is unlikely to fall by more than 20% over a 12-month period it is still possible.

We agreed that we would maintain your risk profile at its present level as you do not feel your circumstances/attitudes have changed in a way that would merit a change. We considered your capacity for loss and investment experience when making this judgement.

Investment experience

Judging your investment experience is an important part of determining your overall risk profile. We say this, because the risk profile tool in isolation is a theoretical exercise i.e., it deals with hypothetical situations, whereas investing for real tests how you have reacted/responded to certain situations in reality. The way you respond to setbacks when investing is an important factor that can determine the ultimate success/failure of your investment.

You have investment experience because you have been invested in unit linked investments pension with us since October 2018. Whilst you have seen the value of your investment pension rise and fall with markets, this has never been a major concern to you; therefore, you are comfortable with the volatility levels (explained above) for a level 5 investor.

Capacity For Investment Loss

When assessing your investment, it is our responsibility to assess your ability to 'absorb' investment losses and whether this would have a detrimental impact on your standard of living. The following factors that are important to you in this respect are as follows:

- Your investment time horizon, which in your case is your lifetime.
- You have cash emergency funds of £25,000
- Your chances of needing access to the funds in the next 5 years are unlikely (apart from the withdrawals outlined in your cash flow forecast).
- You also hold approximately £17,000 of Glaxo shares, which currently produce a quarterly dividend of £260.
- Your State Pension of £14,716 per annum covers your essential expenditure and you receive £280.32 per annum from a Legal & General annuity.
- Your retirement Cashflow Forecast estimates £232,107 remaining capital, at age 91. According to Aviva life expectancy rates your life expectancy is age 86.

In light of the above, a fall in the value of your funds is unlikely to affect your current standard of living, because your cash buffer is sufficient to suspend withdrawals for 5 years or more on your drawdown pension (if necessary) and you could still maintain your lifestyle. Thus, you have the capacity to maintain a level 5 (balanced) investment risk level.

The above factors leave us feeling confident that a fall in the value of your investment pension in line with the volatility levels outlined previously would not mean that you suffer a drop in living standards.

Your risk profile will be reviewed on an annual basis or if you inform us of a change in your circumstances.

Cashflow Forecast

We have updated your cash flow forecast; this has been uploaded to your app.

This year we have again updated the assumptions. This is in part to make the forecast a more robust assessment but also to make it more realistic.

The new forecast assumes variable growth averaged out at 4% p.a., with growth/losses varying from one year to the next in line with a bespoke template we have constructed. As your life expectancy is 86, we have applied a 5-year extension i.e. our forecast assumes you will live 5 years longer than is expected.

We should point out that your Prudential income is not guaranteed for your lifetime; however, the withdrawal represents a withdrawal rate of 4% of your combined pension value. This is a level we feel is sustainable for a period of up to 20 years.

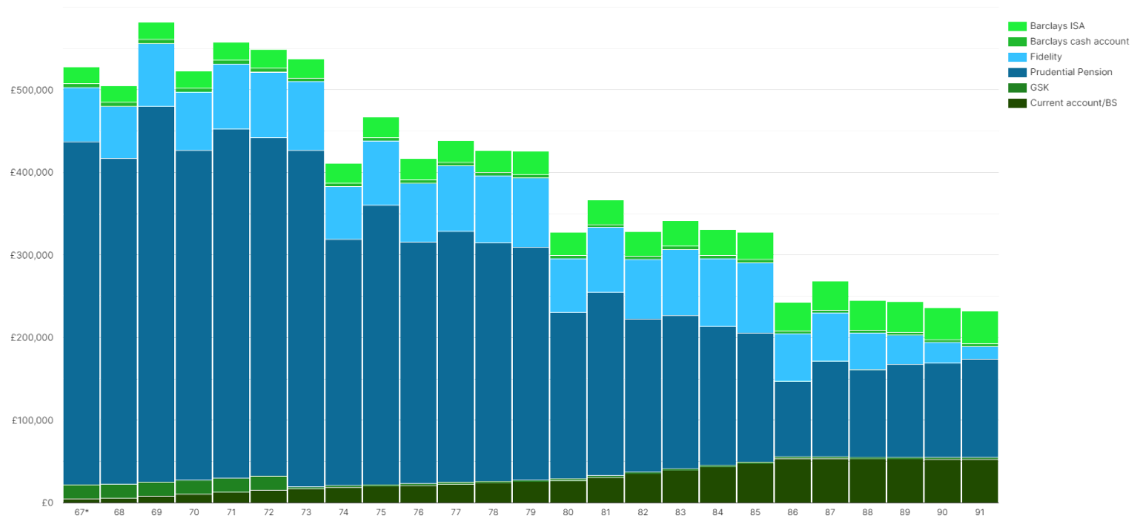

Figure 1: Capital Position extracted from Cashflow Forecast 2024

Appendix 3: Plan Information

You have the following pension plans:

Plan	Value
Prudential Retirement Account – Savings (RET149306A01)	£344
Prudential Retirement Account – Drawdown (RET149306D01)	£414,611.15
Fidelity Pension Drawdown (AP10043138)	£66,075.12
Total	**£481,030.27**

Options discounted

When accessing your pension, you have a number of options available which we discussed in some detail. These include:

- Drawing your benefits via an annuity from your existing provider
- Purchase an annuity with a different provider on the Open Market
- Move to guaranteed flexi-access drawdown (third way pension)
- Move to a fixed term annuity (third way pension)
- Use the uncrystallised fund pension lump sum rules (UFPLS)
- Move to phased retirement
- Move into a hybrid arrangement
- Move to a combination of the above

We have provided you with a detailed explanation of these options which are confirmed in the 'retirement options booklet'. Each option was considered before making our recommendation to you.

The solution we have recommended is more suitable than the above options as it allows you a greater chance of achieving your objective and is more tax efficient than most of the options above.

Appendix 4: Risks

All the risks associated with this investment are detailed in the product literature provided to you when you started your plans. You should refresh your understanding on this information. In addition, you should take note of the following risks:

- You should remember that unit prices and the value of your investment can fall as well as rise and there is no guarantee you will receive a return of your original capital. Past performance is no guarantee of future returns.

- You should note that, whilst your switches are taking place, there could be movements within the stock-market; that is to say that the stock-market could rise or fall in value. If the market rises in value between the date of realising your existing funds and the purchase of your new funds, you could be financially disadvantaged insofar as the cost of buying your new fund could be greater. Conversely, if there is a fall in the market between the date of realising your existing funds and the purchase of your new funds, you could be financially advantaged insofar as the cost of buying your new funds could be lower.

- There is no guarantee the return on the new funds will be greater than that of your existing fund and could possibly be lower.
- Following an active approach means you take the risk of underperforming the stock market as a whole.
- By accepting a recommendation to invest in a bespoke portfolio you take on an element of key person risk. This is the risk of death or incapacity of your financial adviser which impacts the company's ability to help you manage your investments. Details of our business continuity plan can be provided upon request.

  Your Portfolio is made up of a mixture of collective investment funds that assume the following structures:

- Open Ended Investment Companies (OEICs)
- Unit Trusts
- Investment Trusts
- Exchange Traded Funds

The following risks should be noted in relation to the above fund structures:

- Investment Trusts have the ability to borrow (or gear), this means that if a manager accesses this facility the borrowing will either increase gains or increase your losses.
- Premium/Discount Risk: Investment trusts can trade above (at a premium) or below (at a discount). This means that upon sale you could receive less than the net asset value of the investment on encashment.
- In exceptional circumstances Open Ended Investment Companies (OEICs) and Unit Trusts may temporarily suspend withdrawals.

Once you enter into Drawdown there are specific risks involved, the main ones are detailed below:

- Sequence of returns risk – (also known as reverse pound cost averaging) where withdrawals during a market downturn can lead to a rapid reduction in the value of a fund.
- Volatility Drag – the risk inherent where a portfolio falls in value and then needs to work harder to get back to its original value.
- Inflation risk – appreciating how long a portfolio might need to last and taking a considered view on the effects of inflation. For example, 5% inflation reduces real income by two thirds over a 20-year period.
- Longevity risk – an assessment of average life expectancy and helping you understand the probability of living beyond this.

In addition, there are more general warnings associated with pension planning:

- You should be aware that whilst you do not currently require a lifetime or short-term annuity, you may find that should you require one of these in future, the rates may be lower at that time.
- In withdrawing capital from your pension, you are losing its valuable tax efficient benefits of potential growth and inheritance tax exemptions.
- When you enter drawdown as opposed to purchasing an annuity you are exposed to investment risk. If there is a fall in the value of your plan this could lead to lower future income than an annuity purchase would have provided. You also face the risk that your funds may be exhausted before you die.

Annuity Comparison

If you were to purchase an annuity with your combined drawdown pension funds of £480,880.15 you could receive £21,109.44 per annum. This annuity is with Legal and General and is based on a guaranteed lifetime annuity, with a 5-year guarantee period, 50% spouses benefit and a 3% per annum escalation in payment assuming you are both non-smokers and doesn't take account of any pre-existing medical conditions.

The above annuity income would provide you enough income to fulfil your expenditure requirements in retirement when added to your State Pension and annuity; however, you have expressed a desire to retain the benefits in a flexible form, as you wish to retain full death benefits for your family and full flexibility for yourself during your lifetime. For these reasons we have not recommended an annuity at this time.

Appendix 5: Estimated Ongoing Fee's/Charges

We believe it is important to review your investment strategy at regular intervals to ensure it continues to meet your aims and objectives. Full details of our service proposition are contained within our client agreement. We will review your plans annually.

Prudential Retirement Account based on £414,955.15

Type of Charge	Charge (%)	Charge (£)
Fund Charges	0.90	£3,734.59
Product Charge	0.15	£622.43
Ongoing Adviser Charge	0.50	£2,074.77
Total Charge	**1.55**	**£6,431.79**

Fidelity Fundsnetwork Pension based on £66,075.90

Type of Charge	Charge (%)	Charge (£)
Fund Charges	0.63	£416.27
Product Charge	0.32*	£211.44
Ongoing Adviser Charge	0.50	£330.37
Total Charge	**1.45**	**£958.08**

*Includes annual investor fee of £45

Appendix 6: Miscellaneous

Product Documentation

The documentation provided at outset is important and contains information regarding the product which we have recommended, particularly with regards to how the product works, its aims, risks and charges, together with its legal status, tax treatment and your cancellation rights. Therefore, please ensure you have read this document carefully. If there are any points on which you are unsure, or require further clarification, please contact us and we will be pleased to explain these in greater detail.

Tax Treatment and Law

All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and His Majesty's Revenue and Customs (HMRC) practice. Levels and basis of tax relief are subject to change.

Financial Services Compensation Scheme (FSCS)

You may have full rights to the Financial Services Compensation Scheme (FSCS). The FSCS provides compensation should your chosen provider become insolvent and be unable to honour a claim under your policy. The levels of compensation vary depending on the type of contract concerned and the limits for each type of category are available at www.fscs.org.uk.

Wills and Lasting Powers of Attorney

You have confirmed you currently have a valid Will in place with Livingstons. You should always review this whenever your circumstances change.

It would also be prudent to set up and register Lasting Powers of Attorney for "property and financial affairs", to ensure that in the event of your incapacity, your spouse/partner/relative could act on your behalf.

Nomination on death

You have previously completed a nomination of beneficiary/expression of wish form. In the event of your death the policy proceeds, subject to the trustees' discretion, are paid to your chosen beneficiaries as follows: Matthew Kenneth Kirkby-25%, Rachel Catherine McGown-25%, Lee Kirkby-25% and Craig Kirkby-25%.

What happens when you die? –

Should you die before age 75, the nominated beneficiary can receive a lump sum, drawdown an income or purchase a dependents annuity. All these options are paid free of tax.

Where you die after the age of 75 the same options are available, but tax is paid at the beneficiary's marginal rate of tax.