

Dynamic Planner assesses your clients' retirement income preferences

When a client moves from the accumulation to decumulation phase of their financial journey, their attitude to risk is one element for consideration in the advice they should receive. Though these phases are different, a questionnaire assessing a client's attitude need not change over this period if it has been designed appropriately. In fact, willingness to take risk tends to decline as an individual ages and therefore it's important that one measure is continuously used that considers attitudes more broadly and avoids miscalculating a client's willingness to take risk by introducing an additional measure. It is, however, crucial to capture changing conditions and circumstances to offer meaningful advice. This should involve a wider conversation about the client's capacity for loss, their goals, knowledge, experience and vulnerabilities.

When transitioning into the decumulation phase it is necessary to provide your reasoning behind the recommended withdrawal type and withdrawal strategy for each client. Therefore, it is important to begin to formally capture your client's retirement income preferences and understand which characteristics they feel are most important to them.

Dynamic Planner have identified seven retirement income characteristics and designed a new retirement income questionnaire to help you understand your client's preferences. This includes the client's desire for:

Certainty – Having necessary expenditure covered for life

Accessibility – Taking income as and when they want to

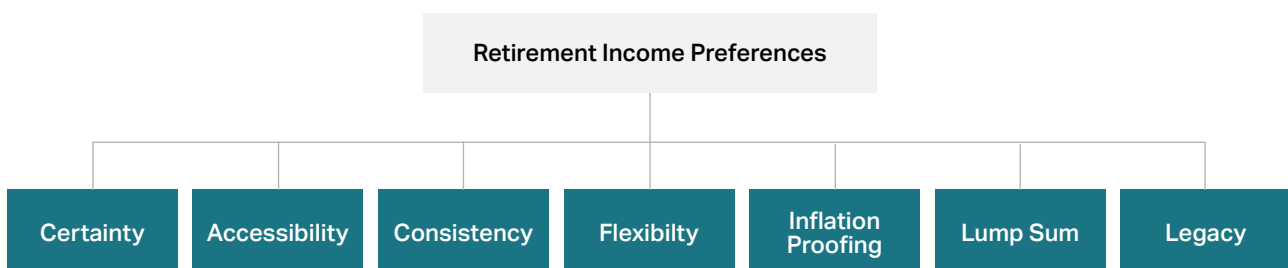
Consistency – Having a fixed income

Flexibility – Having the ability to vary income

Inflation proofing – Protecting against future inflation

Lump sum – Having the ability to take lump sums

Legacy – Being able to leave something behind

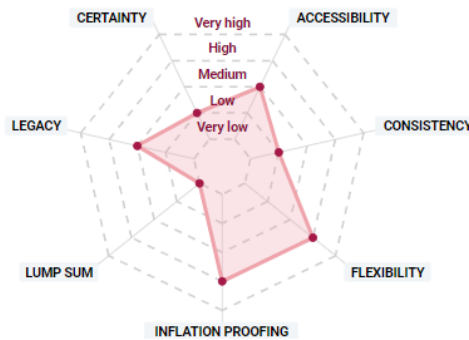


Client preferences

The retirement income questionnaire is positioned between client profiling and solution selection, its aim is to encourage clients to consider their high-level retirement income preferences in a way that is long standing and not solution specific. The output is a summary that enables you to match available solutions and tailor your advice and recommendations to the client's preferences and expectations.



Firstly, a radar chart identifies the level of importance of each of the seven characteristics in relation to one another. Solutions may not exist that meet all desired requirements, but knowledge of what a client prioritises allows you to discuss this in more detail and ensure that you consider all characteristics with each client. Secondly, for each income characteristic we provide further insight and guidance about what the result (low to high importance) may mean for the client.



A further suite of questions assesses the client's willingness to make lifestyle changes to increase their income during retirement, as well as their desire to make a permanent decision at the time in which they complete the questionnaire. Finally, you are provided with a list of actions you may want to perform straight away or plan for the future in order to make a suitable recommendation for your client.



Data Insights

The distribution of client risk profiles from the Dynamic Planner attitude to risk questionnaire resembles a normal distribution, but we observe a difference in the skew of results when looking at the risk levels of clients across age groups (see figure 1), with older clients likely to be in the decumulation phase being more risk averse (see *Dynamic Planner's Introduction to Financial Personality and Attitude to Risk questionnaire throughout life* for more information).

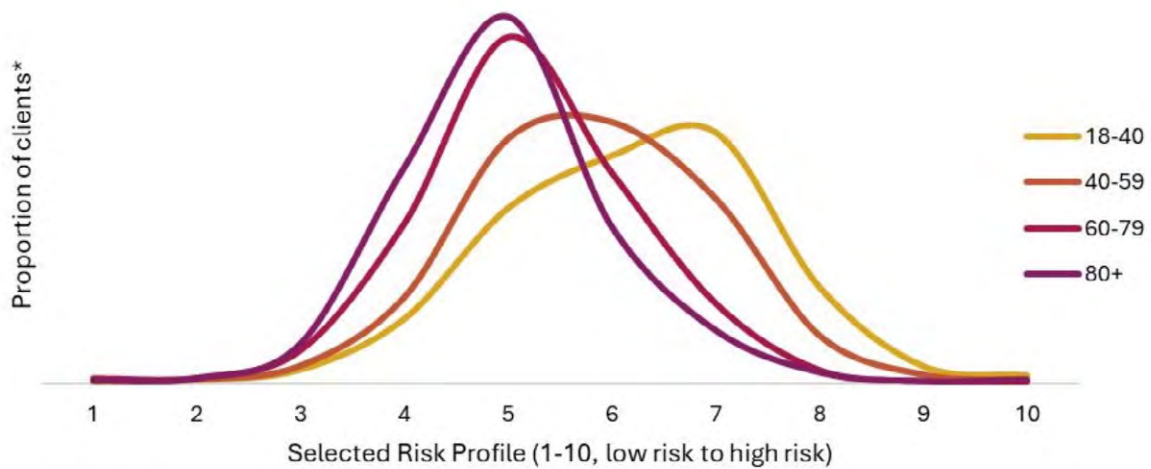


Figure 1: Risk profile across age groups

When we explore retirement income preferences from our survey sample, we observe that certainty and inflation proofing are the most important overall characteristics. However, we will continue to monitor these findings as clients enter the decumulation stage and complete our new retirement income questionnaire.

Interestingly, when we explore the effect of retirement on responses, although not statistically significant, the retired and semi-retired cohorts view the ability to vary their income from year to year as more important than all others, contrastingly, they care less about having a fixed income and being able to take lump sums in future (see figure 2).

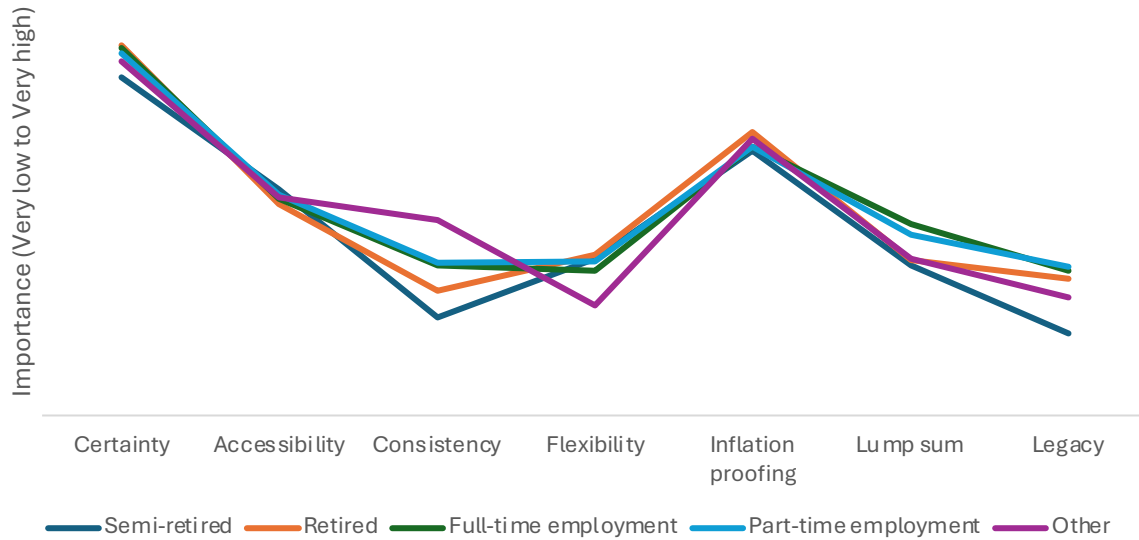


Figure 2: Level of importance of retirement income characteristics based on employment status ("Other" includes housepersons, unemployed and students).

The charts above represent an overview of a sample population from survey research, but our new retirement income questionnaire will provide you with more insights into individual preferences of each of your clients, allowing you to have more meaningful conversations to support your recommendations.



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