FOR RETAIL CLIENTS



ACHIEVE A SUSTAINABLE LONG-TERM INCOME FROM YOUR SAVINGS AND INVESTMENTS

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INVESTMENT MANAGEMENT

In partnership with

RAYMOND JAMES

Introduction

There are many ways to generate an income from your savings. After considering your circumstances, your objectives, and the structure of your funds, your adviser has recommended drawdown.

Drawdown involves managing withdrawals from an investment or retirement account to generate income while keeping the remaining balance invested for potential growth to make that income sustainable into the future.

Your adviser has also chosen Raymond James to manage your investments to help you meet these goals.

In this guide, we will look at the challenges that come with using a drawdown strategy and how the team at Raymond James will work with your adviser to manage them and create a solution that is tailored to your needs.

What are the challenges of a drawdown strategy?

There are three main things we need to consider when planning to use drawdown for income:

- making sure your savings last
- protecting your lifestyle
- investment returns are unpredictable

By carefully planning and managing your withdrawals, we aim to provide an income that supports your lifestyle over the long term. Whether that's to give you greater financial freedom before retirement, or to manage your wealth through retirement.

Making sure your savings last

The table below shows the life expectancies of a 50-year-old man and a 50-year-old woman in the UK, along with their probabilities of living beyond these ages.

	50-year-old Men	50-year-old Women
Average life expectancy	83	87
1 in 4 chance of living to:	93	96
1 in 10 chance of living to:	97	99
Chance of living to 100:	4.1%	8.3%

Source: Office of National Statistics, correct as at June 2026.

While we all hope for a long, happy and healthy retirement, these figures show how there is a very real chance your savings and investments could have to last thirty, or even forty years. If you're married or in a civil partnership, you could benefit from a life expectancy boost of as much as 7.5 years[1] . The earlier you start drawing on your wealth, the longer it might need to last.

Protecting your lifestyle from inflation

The longer you live, the greater the risk of not being able to maintain your lifestyle because of the effects of inflation on the cost of living. Even if inflation were to remain at the Bank of England's target of 2%, the amount of goods and services you could buy with it would halve over 35 years. Everything will cost twice as much.

Investment returns can be unpredictable

Another important factor is the potential for investment values to fluctuate. Whilst you are growing your wealth (known as "accumulation"), the focus is on long-term returns and any short-term falls in the value of investments can be seen as a way of investing more money in good companies at a lower price, anticipating a potential recovery and return to growth.

However, when we start withdrawing from that pool of assets ("decumulation") we need to be much more aware of day-to-day variations in the value of our investments especially at the time of making a withdrawal. If the value of investments falls at the same time you withdraw money from the account, or they are very close to each other, the remaining assets have to work even harder to get you back to where you started.

While markets do tend to rebound, it might take a long time for your investments to recover. This makes it important to manage this risk properly, particularly during the early years of your income strategy.

What this means in practice

Since 1986, the FTSE All-Share has delivered positive returns in 17 out of 26 years. The second-best return was in 2010 when it achieved 25%. But in that same year, the largest single drop in the value of the index was 17%. At some point during 2010 the FTSE All-Share lost about a sixth of its value. Although past performance is not a reliable guide to the future, on average we can expect the FTSE All-Share to fall by about 15% at some point in any year[2].

To illustrate, if your portfolio is valued at £200,000 and it experiences a 50% decline, the value would drop to £100,000. If it then recovers by 50%, this would only raise the value to £150,000, as 50% of £100,000 is £50,000. To return to the original value of £200,000, a 100% increase from £100,000 would be required.

Now imagine you decided to withdraw £20,000 the week before this market fall to buy a new car, say. Your investments would have to work even harder.

[1] The effect of marital status on life expectancy: Is cohabitation as protective as marriage? Cambridge University Press, August 2023.
[2] Bloomberg, Raymond James correct at 31 October 2022.

How do these challenges affect traditional drawdown strategies?

There are **two traditional ways** in which drawdown pots are invested.

- **Total Return** focuses on delivering the best overall return, using both natural income and cashing in some capital growth to generate income,
- **High Income** focuses on investing in assets that produce a higher level of natural income, for example from dividends or interest.

What is natural income?

Natural income means the payouts you receive from equities in the form of dividends, and from bonds in the form of interest. Other types of investment can also produce regular payouts like intellectual property and infrastructure.

In a total return approach, the investor is more exposed to the risk of a fall in the value of their investments close to making a withdrawal of funds. As you are relying on capital growth for part of the income withdrawal, day-to-day movements in value can have a serious effect.

Whilst a high-income strategy isn't directly affected, companies often reduce the level of dividend payments if they are struggling, which is usually reflected in a falling share price. Fixed income securities ("bonds") may not always provide the desired level of returns. When investments do not generate enough income from dividends and interest, you may need to withdraw capital from the portfolio to make up the difference.



How the Raymond James approach is different

Our Tailored Income Solution aims to balance your short-term needs for cash with long-term sustained income and growth. As your situation and needs are unique, our portfolio managers will work with your adviser to create an income strategy that meets your individual needs.

There are three elements to our strategy:

- Short-term cash
- The income enhancer
- Long-term capital growth

This approach allows the team to move cash between the three pots to make sure risks and rewards are balanced, and to make sure the right level of emergency cash is maintained.

It gives you the confidence and peace of mind that you will have the income you need in the shorter term whilst making sure you target the right level of potential growth for your long-term plans. At the same time, your portfolio manager will adjust the balance between the different investments to prevent the total portfolio taking too much risk.

Short-term cash

Working with your financial adviser, we will establish how much money you will need to set aside in case of emergencies. This could be six months' essential spending, it could be a year. But whatever the answer, this amount should be kept in cash or low-risk investments that are easy to access at a moment's notice, mainly higher interest-paying deposits and money market funds.

Having this money set aside reduces the risk that you will be forced to sell investments at short notice when it might not be convenient: for example, if investment values take a sudden tumble.

As you draw down from this pot, it is regularly topped up by the portfolio managers, by selling the most appropriate investment(s) at the most appropriate time from the income enhancer or the growth portions of your portfolio to make sure there is always enough cash available.

What are money-market funds?

A money market fund is a type of mutual fund that invests in high-quality, short-term debt instruments, cash, and cash equivalents. They are considered extremely low risk because they invest in securities where the borrower is due to pay back the value of the loan in a very short time period; this means the chance of them failing to make these repayments is very low.

The income enhancer

This part of the portfolio provides a consistent and reliable level of income by investing in the Charles Stanley Monthly High-Income Fund. Income distributions from this part of the fund can also be used to top up the short-term liquidity pool if not needed for income.

What is the Charles Stanley Monthly High Income Fund?

The Charles Stanley Monthly High Income Fund aims to generate a sustainable income with the potential for some capital growth from a portfolio consisting of UK bonds, government securities, high yielding equities, and preference shares. From time to time the fund can also invest in other collective investment schemes and hold a high level of cash and money-market instruments.

Long-term growth

The final part of the portfolio aims to provide the growth needed to protect you from the effects of inflation over the longer term. To achieve this, the portfolio managers aim to generate a return higher than the UK Consumer Price Index by investing in a large proportion of the assets in stocks and shares but with bonds and alternatives to smooth out total returns. The team is not limited in how it selects the most appropriate investments and can select from UK and international equities, government and company bonds, active and passive funds, and investment trusts.

While this part of your portfolio will generate some income, the main objective is to optimise any potential growth in value.



What happens now?

Your financial adviser remains your chief point of contact, but we will be working hard in the background on your behalf.

Our portfolio managers will work with your adviser to understand your situation, and what you'd like to achieve from your investments, and create an investment strategy that's truly tailored to you.

Once the approach has been agreed, your financial adviser will also work with you to complete the paperwork that formally gives us the authority to manage your investments on your behalf.



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