

Impact of UK Policy Changes 'Pensions Freedoms'

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Agenda

- What has changed?
- What have people done?
- Impact on investment strategies
- Future developments

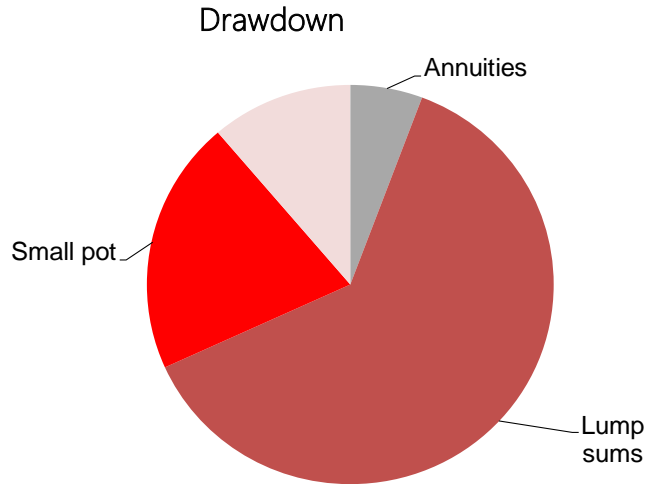
Budget 2014 - the DC Landscape changed - Freedom and choice

- No caps
- No drawdown limits
- No need to buy an annuity

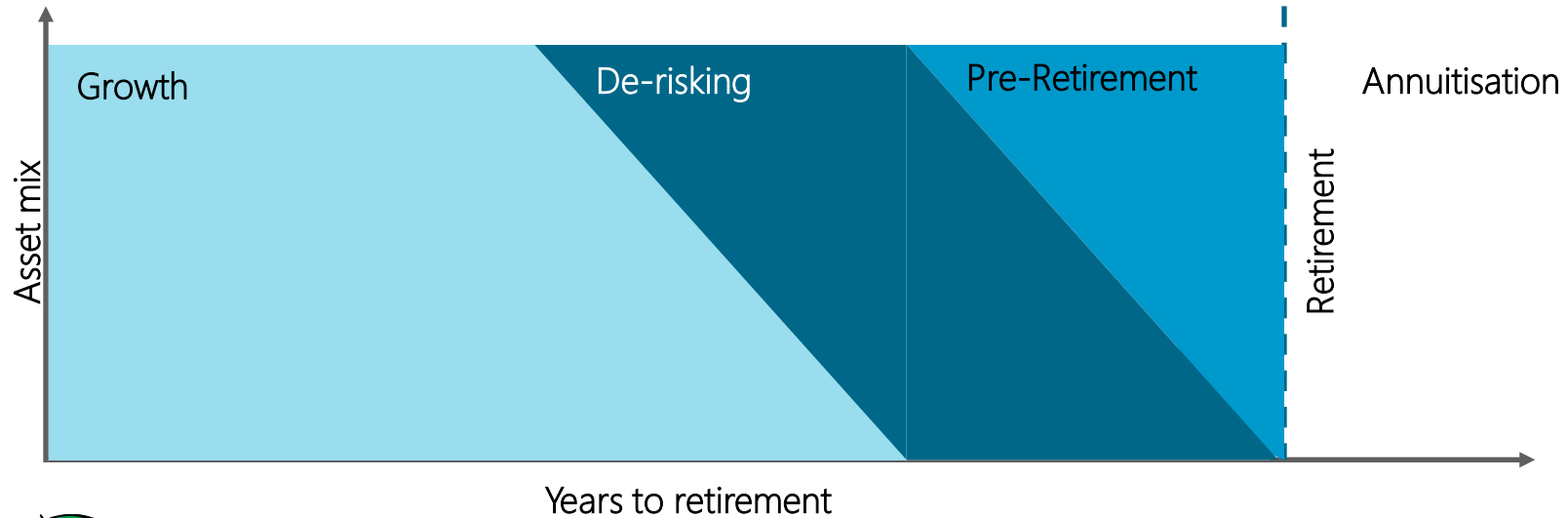


What have people done so far?

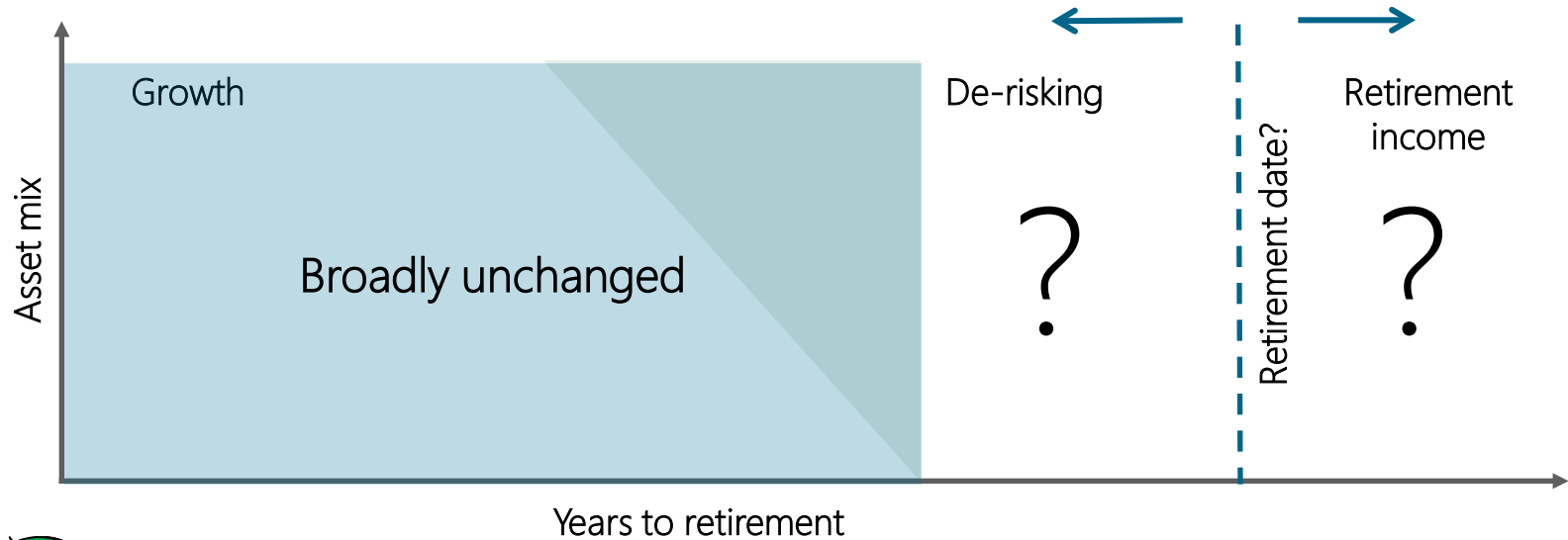
Overwhelming majority took their cash..



Once upon a time.....it used to be so simple



So what has changed?



What should the default strategy target?

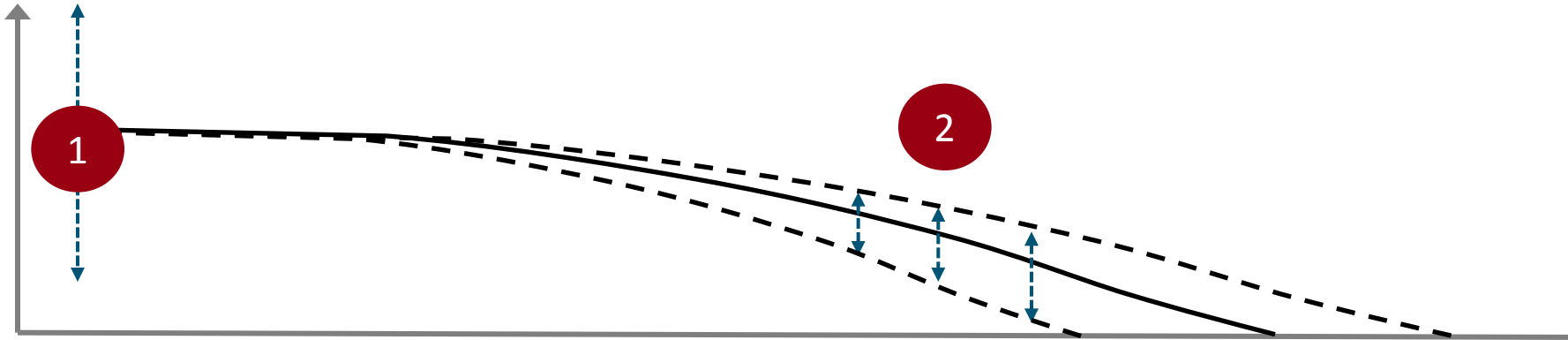
- Cash?
- Income Drawdown?
- Annuity?
- Combination?
- Split by £ size?



Key risks for income drawdown

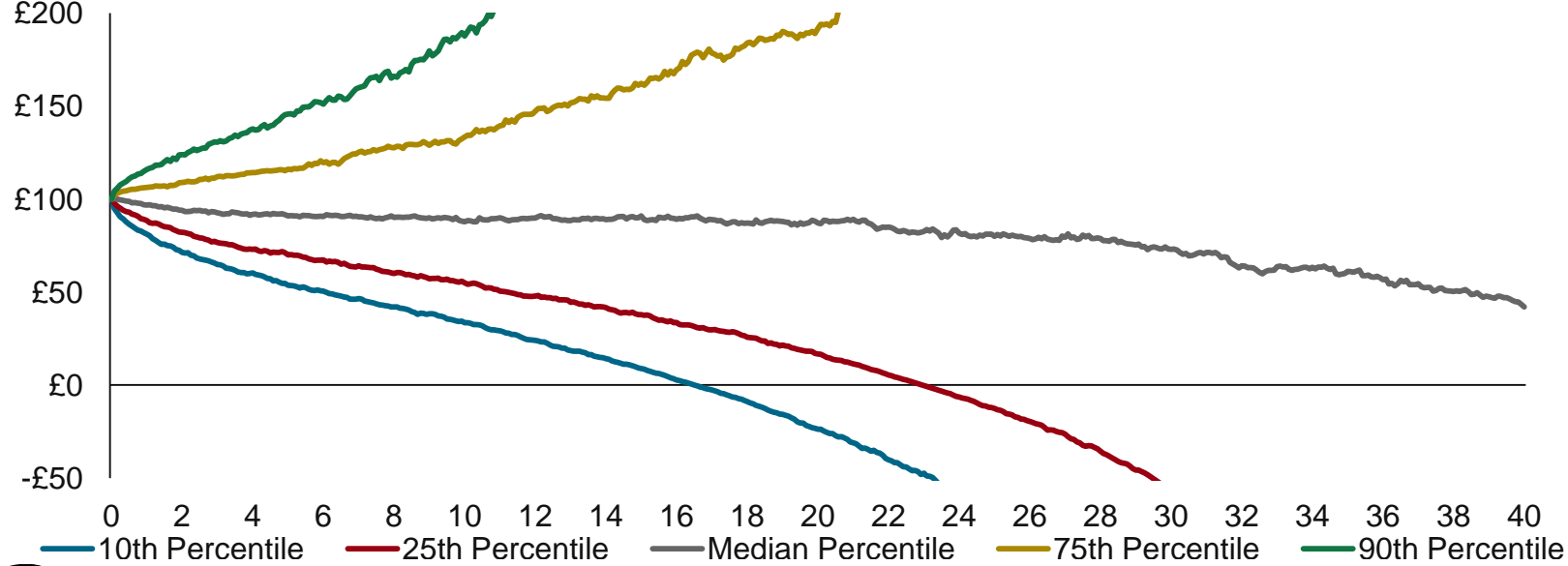
1. Fund value risk

2. Retirement outcome risk



Trying to live off the dividend yield is too risky

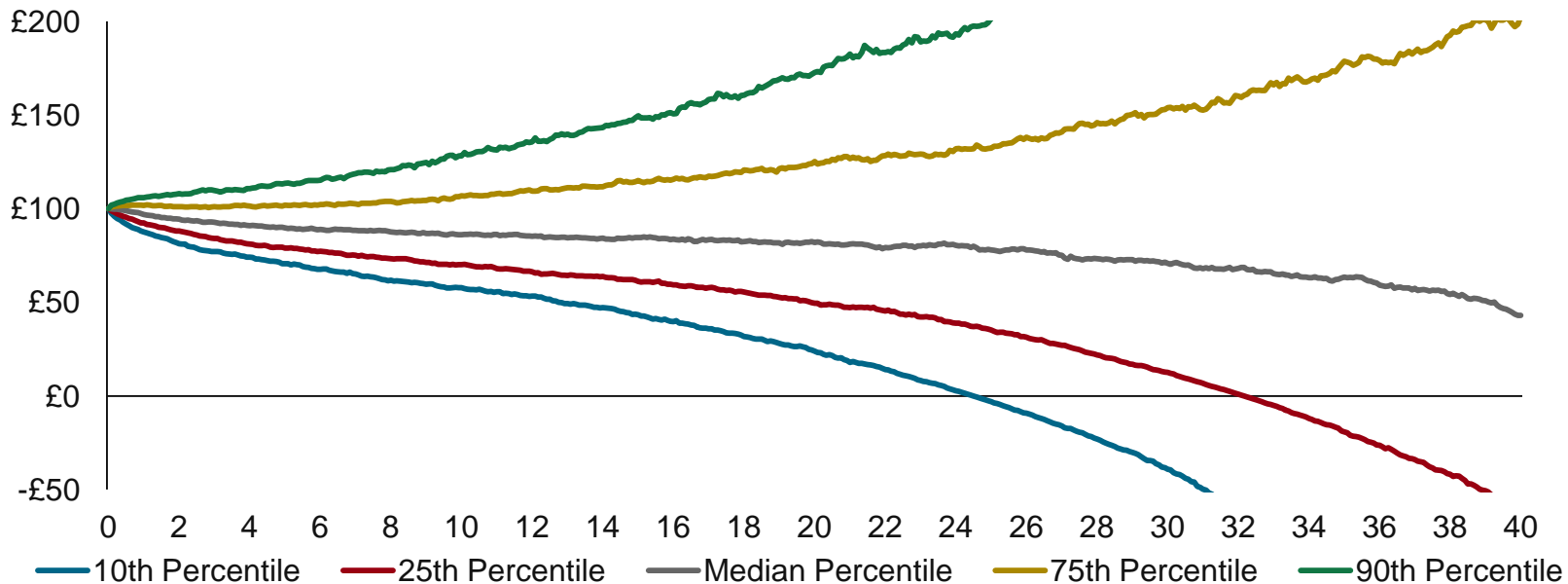
Illustrative dispersion of outcomes £100 invested in 100% UK equities – 40 years projection



Source: LGIM Calculations. Assumptions: Monthly drawdown at a rate of £6 p.a. Fees 0.5% p.a. Median returns for each asset class are based on the assumption that investment markets are in broad equilibrium and close to "fair value". We estimate the distribution of potential outcomes for each asset class, around the median outcome, based on our analysis of the historic performance history for these asset classes. In some cases we "calibrate" the distributions of historic data with the aim of making our estimate of the distribution of future returns more realistic in light of current market conditions. Past performance is no guide to the future.

Multi asset income fund

Illustrative dispersion of outcomes £100 Invested in Multi-asset income fund - 40 years projection



What's important?

- Adequacy and sustainability of income
- Will the money last?
- What is the sensitivity to different withdrawal rates?
- Limiting downside risk
- Fees

The 'White Linen on a Beach' Years



The TV Years



The 'Care Home' Years



Combination Product – Idea 1

- Income drawdown with longevity insurance



Set aside £25,000 at 65



£6,700 p.a. for life from 85

Combination Product – Idea 2

- Income drawdown with longevity insurance



Set aside £25,000 at 65



£55,000 lump sum at 85