



Withdrawal Policy Statement - Scenario 11 - Final optimisation

Prepared by Noel Watson

Total Portfolio



£1,000,000

as at Jul 24th, 2020

Required Income



From age 55 onwards: £40,000

Fees



Retirement account - 1.00% each year

Snapshot

I've done some thorough analysis to test your plan in a wide range of scenarios. I've summarised the results below.

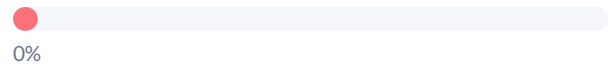
Success Rate



Your plan is likely to stay on track in 99 out of every 100 scenarios. We may need to tweak the plan to achieve your objectives.

Legacy

Legacy



£0

When Samantha is 99, you could have £0 left in your portfolio. That's £1 less than your planned legacy of £1. This is the historical worst-case scenario. This means that the amount could be higher in most scenarios.

Longevity



96 years old

You and your partner expect to live until Samantha's age 99. This portfolio could last until Samantha is 96. That's 3 years short. This is the historical worst-case scenario. This means that your portfolio could last longer in most scenarios.

Lifetime Income



£827.7k

You need a total lifetime income of £1.76m in today's terms. By Samantha's age 99, you'd have been able to take £932.3k less than this. This is the historical worst-case scenario. This means you could afford to take more out of your portfolio in most scenarios.

[Learn more](#)

Disclosure: We don't know what the future holds, so I've analysed extensive historical data that reflects asset class behaviour and inflation. Past performance is no guarantee of future returns, but it gives some insight into how your plan could fare in a wide range of market conditions.

Withdrawal Strategy

Account Name	Value	Assumed Account Tax	Assumed Income Tax *	Fees
Retirement account	£1,000,000	0%	0%	Variable: 1% yr.* Fixed: £0 yr.

* Variable fees are a percentage of the total balance. They are deducted at the end of each month.

* Income Tax is paid on withdrawal

Withdrawal needed

Your gross income (without fees) each year will be:

From age 55 onwards: **£40,000**

Legacy Goal

£1

Inflation adjustment

We adjust your withdrawals for inflation each year except after a negative portfolio return.

Ongoing withdrawal adjustment

To make sure you can sustain your lifestyle and withdrawal objectives over the long-term we recommend the following:

- If your withdrawal rate goes above 20% of your initial rate within the first 15 years of retirement, we reduce your spending by 10%.
- If your withdrawal rate drops lower than 20% of your initial rate within the first 15 years of retirement, we can raise your spending rate by 10%.

Confirmation that you understand and agree

I acknowledge that I have read and understood this Withdrawal Policy Statement. Specifically, I realise that there may be times that I will be advised to freeze or reduce the amount I withdraw and that there is a risk the portfolio could run out of money. The aim is to maintain my portfolio's long-term sustainability.

NAME

SIGNATURE

DATE

PARTNER NAME

SIGNATURE

DATE

Investment Strategy

Retirement account

Asset Allocation

Global Equities 60%

A horizontal progress bar for Global Equities, showing 60% completion. The bar is filled with a purple color.

Global Aggregate Bonds 40%

A horizontal progress bar for Global Aggregate Bonds, showing 40% completion. The bar is filled with a green color.

Rebalance Rule

We'll rebalance your portfolio every year.

Withdrawal Order

We sell assets evenly based on the portfolio allocation.

Guiding Principles

We agreed that the best way to create a retirement investing plan is:

1. Identify your goal
2. Create a plan to achieve the goal
3. Create a portfolio

The objective of the portfolio is to execute the plan.

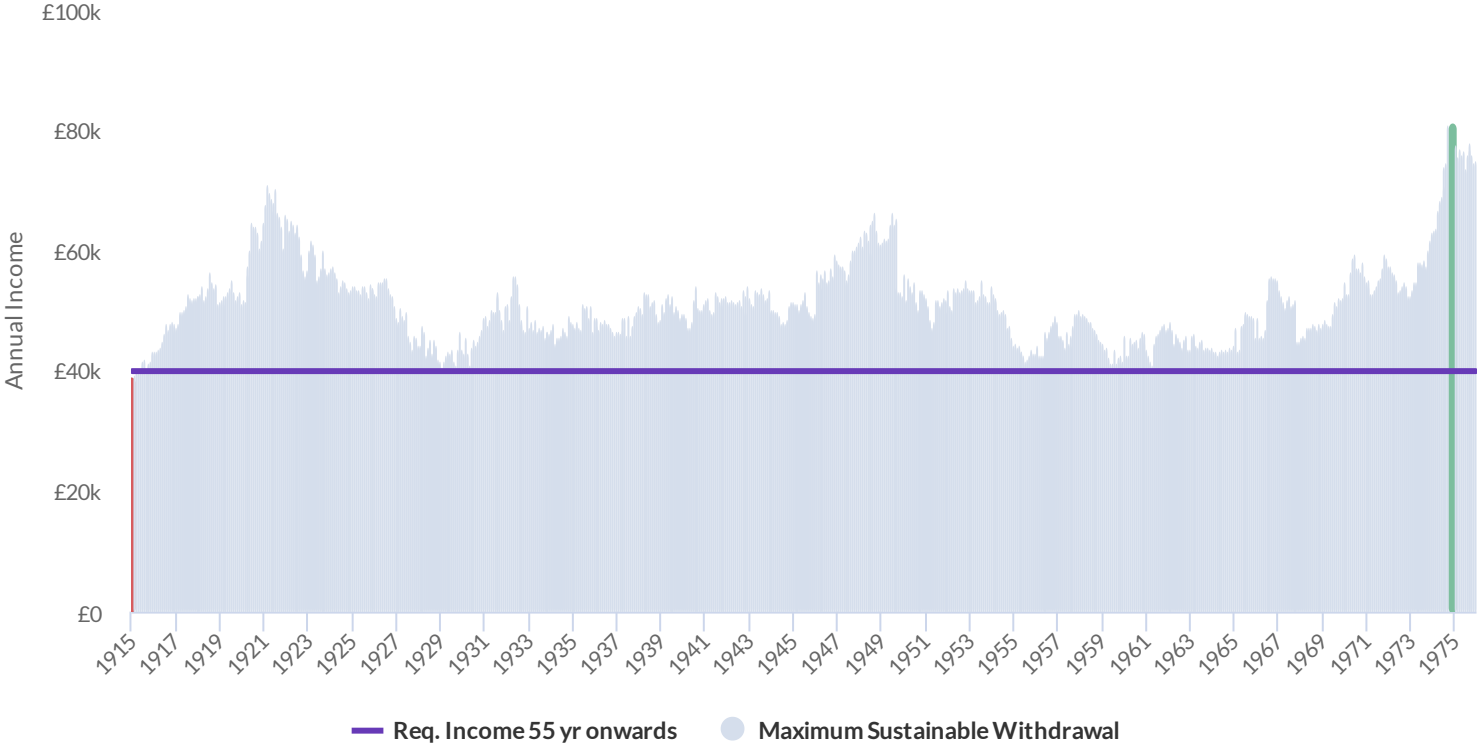
- Our overall philosophy of investment advice is goal-focused and planning-driven. This is different to a market-focused and current-events-driven approach.
- We never forecast the economy, attempt to time the markets, or predict which market sectors will 'outperform' others over the next block of time. We're financial planners not fortune-tellers.
- Our essential principles of portfolio management are as follows:
 1. The performance of a portfolio relative to a benchmark is largely irrelevant to long-term financial success
 2. The only benchmark we should follow is whether you're on track to achieve your financial goals
 3. We measure risk as the probability that you won't achieve your goals
 4. The investing objective is to minimise that risk

We've agreed to review our overall investment and withdrawal strategy regularly. However, as long as your goals don't change in the interim, we don't expect to materially change your portfolio.

Sustainable Withdrawal Illustration

The figure below is the historical maximum sustainable income. This is the highest amount of income you could have taken without running out of money within 44 years of each start date.

We don't know what the future holds, so we use a wide range of historical market conditions to help us decide a withdrawal approach for you that has a high probability of success.



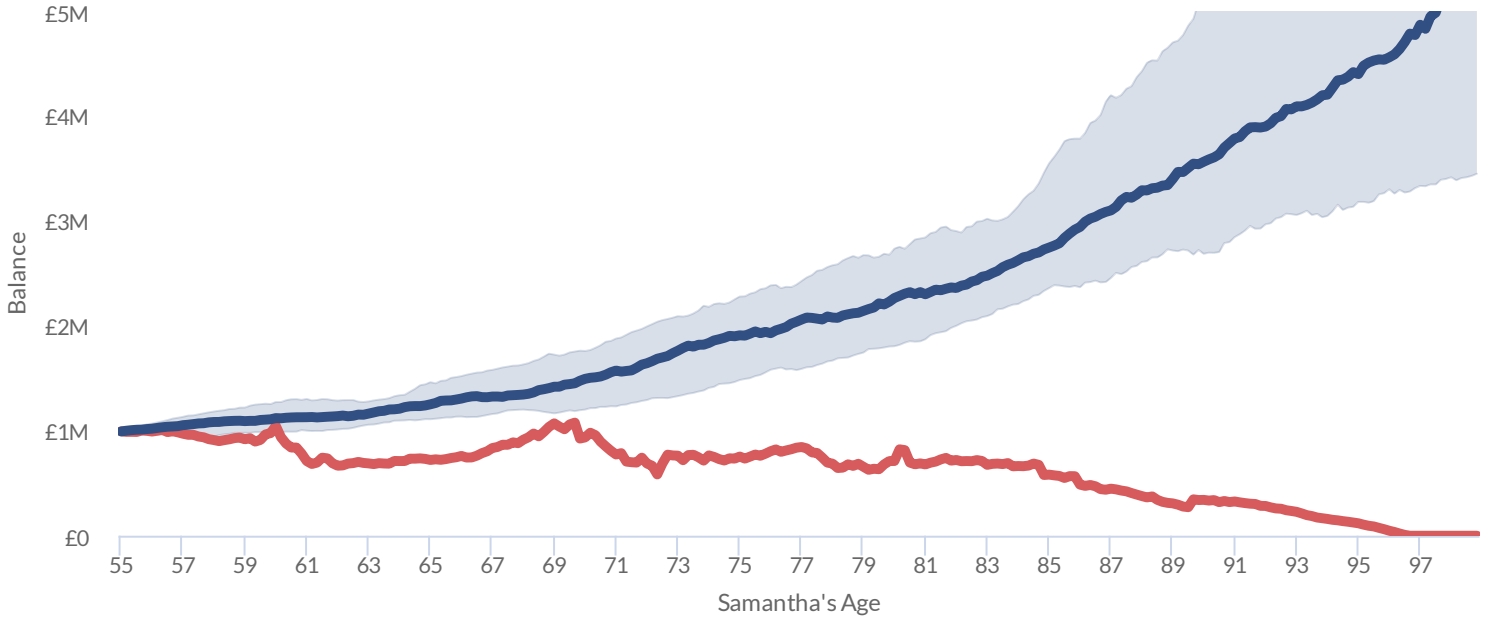
- **Required Income:** The income you want to take from your portfolio.
- **Maximum Sustainable Withdrawal:** This is the highest amount of income you could have taken without running out of money within 44 years, based on the historical scenarios.
- **Best:** This is the best scenario
- **Worst:** This is the worst scenario

Balance Illustration

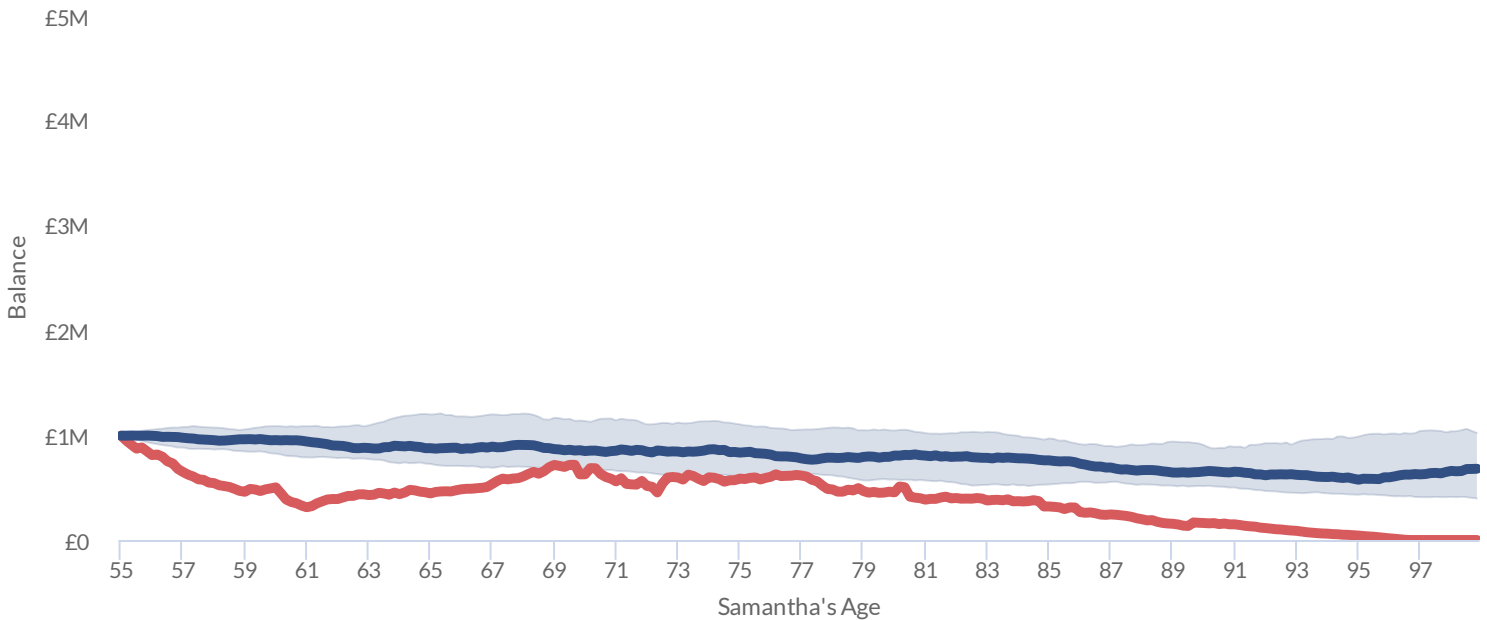
Here are two views of the portfolio balance under various historical market scenarios. The real balance has been adjusted to take account of inflation. The nominal balance has not.

Some market conditions are better than others. Ideally, your plan should be able to survive severe market conditions. We don't know what the future holds, you may need to make changes to your plan along the way

Nominal



Real



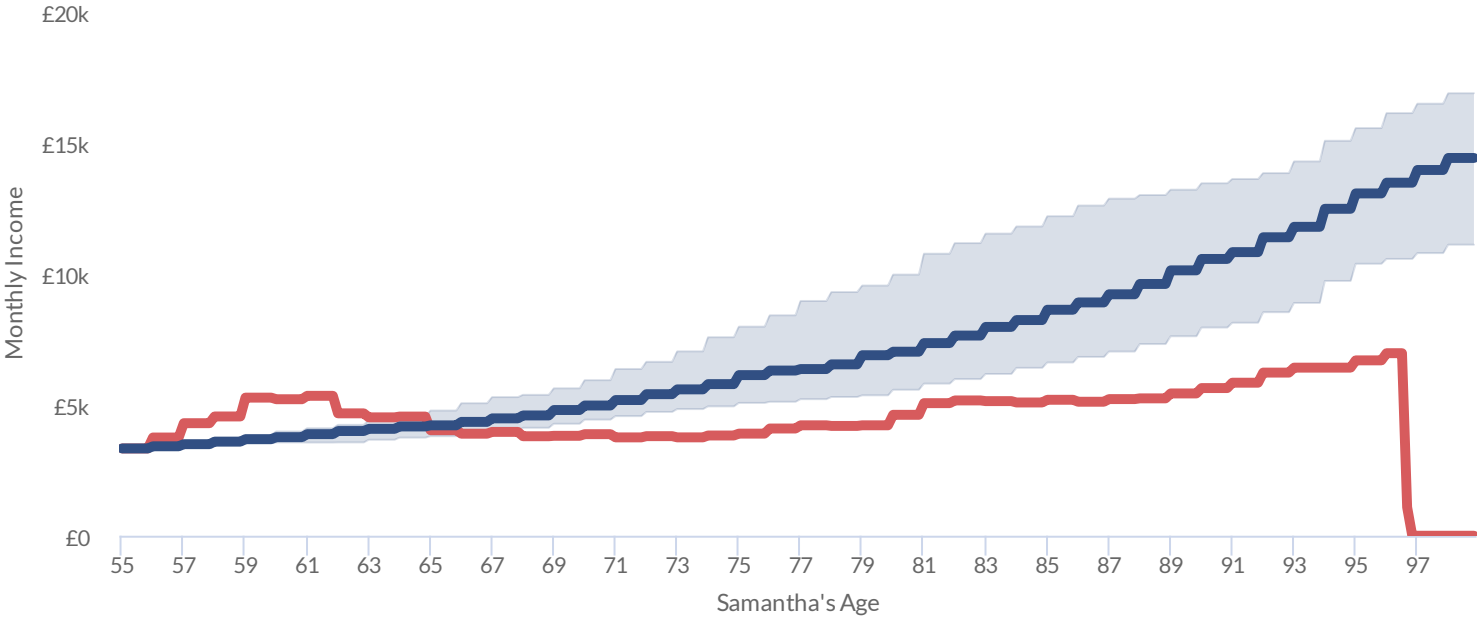
- **Median:** This is the 50th percentile or median scenario, with relatively modest inflation and good sequence of return.
- **Worst:** This is the worst scenario.
- **Likely:** This range of outcomes represent the 30th to 70th percentile scenarios.

Income Illustration

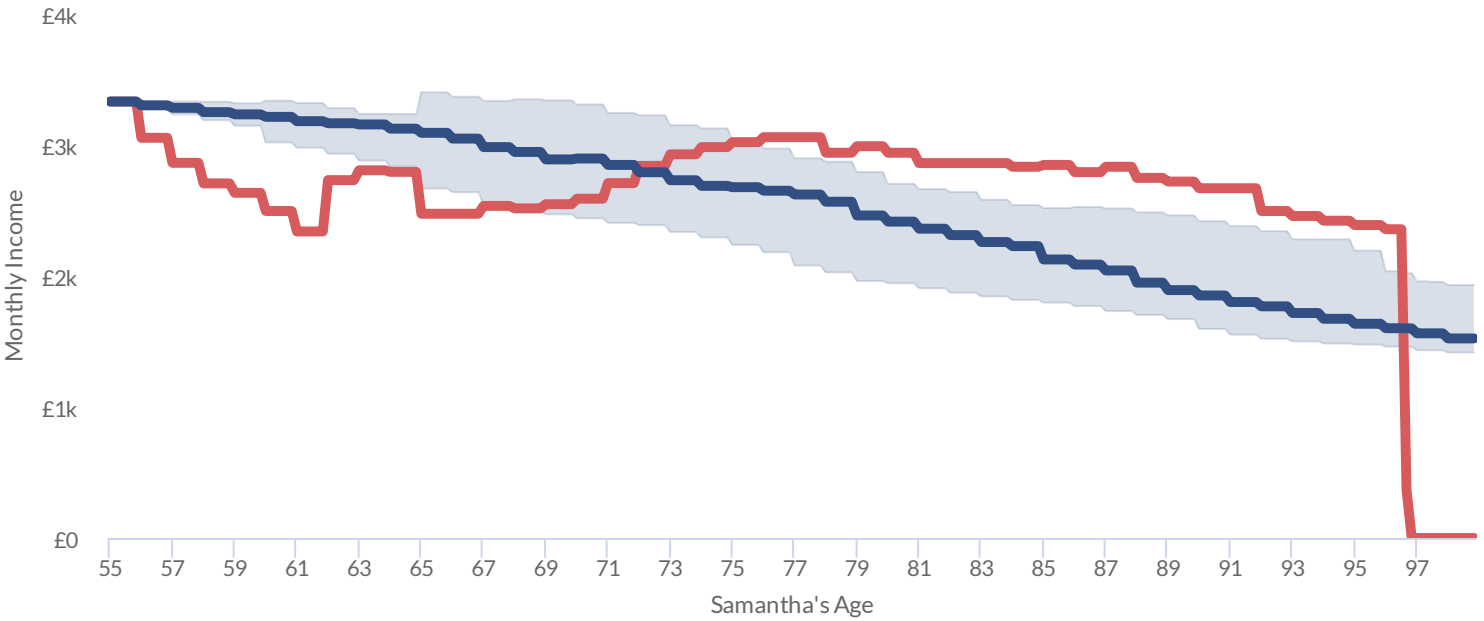
Here are two views of the annual income you could have taken under various historical market scenarios. The real income has been adjusted to take account of inflation. The nominal income has not.

Some market conditions are better than others. Ideally your plan should be able to survive severe market conditions. We may need to adjust your income, depending on future market conditions and inflation. But, we'll aim to keep changes to a minimum

Nominal (Gross)



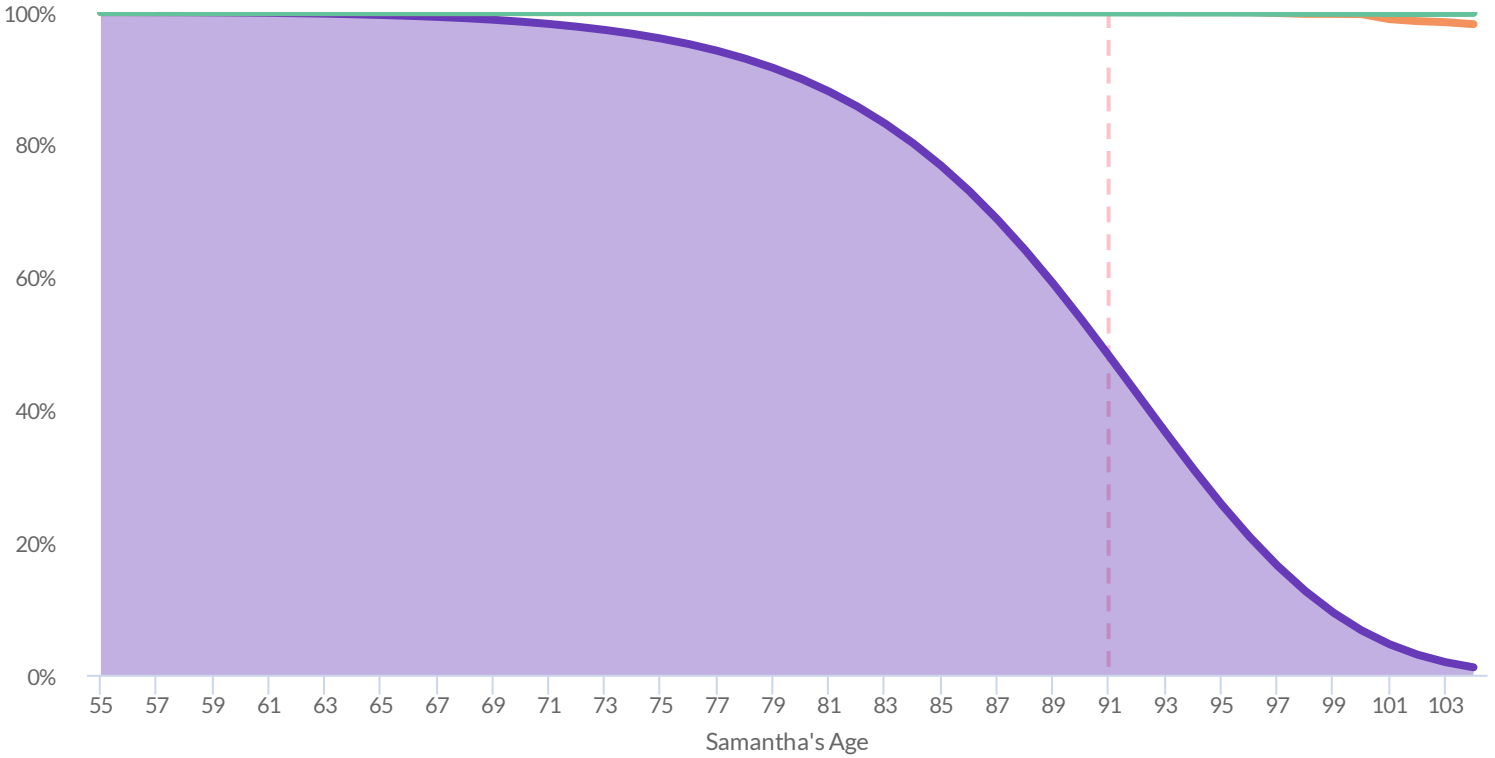
Real (Gross)



- **Median:** This is the 50th percentile or median scenario, with relatively modest inflation and good sequence of return.
- **Worst:** This is the worst scenario.
- **Likely:** This range of outcomes represent the 30th to 70th percentile scenarios.

Longevity Illustration

This analysis shows your chances of living until a given age, and the odds of your portfolio lasting that long! Your portfolio would have lasted at least until your 99th birthday in 99% of historical market scenarios.



- **Portfolio Success Rate:** This estimates the percentage of historical scenarios in which the portfolio lasted for a given number of years.
- **Longevity-Adjusted Success Rate:** This shows the chances of the portfolio lasting until a given age, given your chances of living that long.

Risk Warnings

This report is not intended as a forecast. The future is unknown. Rather, the report explores how a retirement income strategy fares under various market conditions. This report is for illustrative purposes only. The value of investments and the income from them can go down as well as up. You may get back less than you invest. Past performance is not a guide to what might happen in the future. Transaction costs, taxes and inflation reduce investment returns.

Capital Market Return and Inflation Data: Timeline uses data from the following reputable sources:

Stocks, Bonds, Bills, and Inflation (S&P 500): This is the industry standard performance data reference, with comprehensive records of US stocks, long-term government bonds, long-term corporate bonds, Treasury bills, and the Consumer Price Index dating back to 1926.

Global Financial Data: GFP provides data going back 200 years. The dataset includes annual and monthly returns of the major asset classes, inflation, and currency, as well as other metrics such as bond yield, equity yields and PE ratios.

Bank of England OBRA Dataset: A millennium of macroeconomic data v3.1 (2016): Originally called Three Centuries of Macroeconomic Data, but has now been renamed to reflect its broader coverage. The dataset contains a broad set of macroeconomic and financial data for the UK, stretching back in some cases to the 13th century.

Ken French Data Library: The library is compiled by Professor Kenneth French, the Roth Family Distinguished Professor of Finance at the Tuck School of Business at Dartmouth College. This library consists of extensive return data on factor-based equity portfolios.

Longevity Data: Timeline uses ONS Cohort Life Tables 2014 (Projected) for the longevity analysis. The cohort life table is based on age-specific probabilities of death which are calculated using observed deaths (mortality) data from the cohort. A cohort life table uses a combination of observed mortality rates for past years and projections about mortality rates for the cohort in future years. It is important to understand that these are projections and not forecasts. As we do not know what the future will hold, the ONS makes assumptions about how mortality rates will change in the future. Information on how mortality rates have changed in the past is used to estimate the current rate of mortality improvement by age and sex and to make assumptions about improvements in mortality in the future.



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