DBL asset management

Benchmark

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Toby Flood

The ~~Eagle~~ Falcon has landed

Autumn 2020

a fresh approach to a **financially independent lifestyle**

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Introduction

At the time of writing the introduction to the Summer edition of Benchmark we were just getting to the end of the national lockdown, due to the COVID-19 pandemic. At the time of writing this introduction to our Autumn edition we are heading back into a local version of lockdown, with our own Cheshire East authority falling into tier two of the recently announced grading system.

More restrictions seem inevitable and, as with the last lockdown, let me start by saying that I wish you and your families the very best. We are here to answer any questions for you at this time.

Our job, as financial planners, can be summarised in many short ways. At its core, our job is to help you to plan for the future. In this edition of Benchmark you will find an interview with Toby Flood, amongst our usual collection of insight. Toby is a long-term client, who plays rugby for Newcastle Falcons. Certainly some people will have felt the greater impact of COVID, possibly very close to home, but at a minimum, as Toby says very well, it has altered our short-term views of the future.

In Toby's case that is his next step after rugby. For others amongst you, it could be your first actions in retirement, or how you wish to spend investment income, which does not need to be saved, over the coming months. The options are fewer. You may not be able to take that dream trip abroad you had always planned at the current time.

I hope though that, in our role of helping you to plan for the future, we are able to continue to help you to see what is further over the horizon and adjust your practical and financial plans, if needs be. There is still a lot to look forward to, it just may take us all slightly longer to get to those events. Financial planning is an ongoing process. Whenever the time is right to resume business as usual, we are here to make sure that you are ready, whatever it is that you have planned for your future.

If you have questions of this nature or any questions at all regarding your financial planning or wider finances, please do not hesitate to get in touch. Your future remains our primary focus. We are here to help.

Once again, I wish you and your families all the best.

With kind regards,

Dacre Staines

Common considerations, pitfalls and FAQs about drawdown in retirement

Pension drawdown is the process of using part of your pension savings to produce a regular income in retirement. You drawdown an income from the portion of your pension savings that you place into a suitable drawdown fund. Many of you may already be familiar with this process and you may be actively considering it as part of your financial plan in later years.

Drawdown is a useful option for income flexibility in retirement. But there are common 'dos and do nots' to consider, when it comes to approaching drawdown. We will of course discuss these with you when the time is right for your individual plan. In the meantime, it may help your planning to begin to consider how to approach drawdown. The following are amongst the most important points.

Drawdown means that your pension remains invested

The portion of your pension placed into drawdown remains invested, which means that the value of your pension is able to continue to go up or down, depending on how the market and your individual funds perform. In the event that your investments were to fall in value, this could impact your available income. In turn, this could impact your overall financial plan and your cashflow forecast. It is important to recognise that, with the flexibility of drawdown, there remains an element of investment risk.

Mitigating investment risk in retirement

Whilst each individual will be different, typically we like to take less risk later in life. In our earlier years we are in a process of saving capital for our future. In later years this turns to decumlation. There is less requirement for capital growth and more requirement for the security of the capital we have saved. Risk is still able to be managed in drawdown by reducing the exposure to investments, which are associated with having higher volatility. This helps to mitigate the risk described above, when your drawdown income is still invested and exposed to the markets.

Managing income for your entire retirement

The flexibility of drawdown is one of its major advantages. However, that flexibility presents a risk to the security and length of your retirement. Depending on the drawdown structure in which your funds are placed, you may have the ability to withdraw variable amounts. If a big purchase is on the horizon you could, therefore, use funds in income drawdown to complete that purchase. The danger is that, during a long retirement, you drawdown too much and exhaust your funds. Of course, careful planning for the income you need in retirement, including unexpected significant income requirements, is a key tool to help mitigate this risk.

Flexibility and other options

Whilst drawdown remains a very attractive option for many, it is worth remembering that other options often suit different needs and situations. As well as drawdown you of course have the chance to take Uncrystallised Fund Pension Lump Sums (UFPLS), up to 25%, or an initial whole 25% of your pension fund tax free.

We will, of course, discuss drawdown and all of your options with you throughout your financial planning and as you approach your retirement.

Toby Flood: The ~~Eagle~~ Falcon has landed

Toby Flood started his rugby career with Newcastle Falcons in 2004 and went on to achieve 60 caps for England. A DBL client since 2006, Toby returned to his first club in 2017, after a six-year spell at Leicester Tigers and three years of playing in France. Toby sat down with Benchmark to reflect on his journey so far, how the COVID-19 pandemic may have impacted approaches to finances and how retirement, when it arrives, will still be difficult, no matter how much planning you may have completed.

"I do not think you can ever be completely prepared, mentally, to stop doing something you love. We are so lucky to be getting paid for something we enjoy and when that comes to an end it will be difficult, no matter how prepared you are."

Retirement is not really actively on Toby Flood's radar. Earlier in 2020 he signed a contract extension to play for Newcastle Falcons until at least 2022. But, then again, the end of a rugby playing career will come one day. It is something that Toby recognises and for which he has started to make plans.

"I have been using the last four to five years to look at the inevitable. Mentally the answer is 'no'. But injury is always around the corner. We are not too stressed about the end and we are prepared financially. But that does not mean it will not be a mental shock when it happens."

Toby's journey of paying close attention to his financial situation and planning for his future started with someone he calls "the superstar of our generation".

"Matthew Tait was playing for England when he was eighteen. He realised he wanted some help with his finances and there was a group of us that thought it was a good idea. The sportsman's pension was about about to end and we needed someone who was going to look after our best interests. We had to scramble together £250 or £300 to pay for it, I think. It was an obscene amount of money at the time! When you are eighteen or nineteen you do not think about being thirty-five. You think about the finances you have then. But it was a good start."

The mindset of being young and planning for your future is something that Toby thinks has improved within the game, though the help available could go further.

"At the time no one talked about being financially prepared for the future and if they had, at nineteen, I would not have been part of that conversation anyway. Now people do mention it. Sudden retirement through injury is more of a topic. It is better, but it is still a challenge for the younger generation."

"The top players will have help but the guys who are just coming in, may not be looking at being England professionals, nor do they have enough by way of advice. If you are a young lad on, say, £1,000 net and you are asked to put £250 of that away for your future, I think most would still find it quite hard. At twenty or twenty-one, you seem to have endless time left in the game."

The impact of the COVID-19 pandemic may have jolted some professionals to reconsider their financial picture. Premiership rugby was initially suspended on the 16th March this year. Since that time both domestic club and international bodies have addressed salaries and match fee reductions with players.

"COVID in my case has perhaps impacted my future pathway out of the game and the dynamic of planning considerations, because things are just a little less certain. If you are young and still in the game it may have changed your approach to a certain extent, but you will still be getting a percentage of whatever you are on. It may not be enough to make people think more about putting some money away. There needs to be more people at clubs talking to young players even to say 'you should maximise your ISA'."

Even though retirement is some way off, it has not stopped Toby from weighing up his options and looking at future careers. But for the immediate future, the focus is clear.

"I have had work experience in the city and passed the IMC Level 2 (Investment Management Certificate). It intrigues me. I need to spend more time looking and reading about the options. At the moment our planning conversations are a little softer, mainly because of the uncertainty COVID has created. The definitives are not all sorted, but I have time. I am looking forward to at least another two years of rugby first."

Insight update: DocuSign®

As we continue to evaluate how to best use technology and add to our Insight app, we have recently introduced DocuSign as both a tool to use with you to manage your finances and as a feature in Insight.

DocuSign is an online service which, allows you to securely sign documents remotely. Now we will send documents to you online through this highly secure service, allowing you to then safely sign and date the document, without visiting our offices. In the current times this is an added COVID-safe measure, whilst in the future it will give you more flexible options, should you wish to save yourself the trip to see us.

DocuSign and Insight

If you use Insight, our online client platform, you are able to access DocuSign documents through the portal. This keeps everything in one place, meaning you will not have documents stored in different places.

More on DocuSign

We adopted DocuSign primarily because it is the most secure option available. Online fraud is an increasing concern for all of us. The new email reporting service, set up by the National Cyber Security Centre, has already received 1.7 million reports. This is especially concerning, since the centre was only opened to the public in April this year.

DocuSign offers bank grade security, so it is hardly surprising that it has become the 'go-to' choice in financial services. At the moment, 10 of the top 15 U.S. financial services companies use Docusign. The platform is highly secure, due to its cloud-based, customer-controlled data encryption.

Leading analysts rank DocuSign as the number one digital transaction management company, due to its large investment in research and development and strong customer focus. As a company that is clearly focused on continual improvement, DocuSign very much resonates with the DBL mentality.

Furthermore, the system has a specialised structure, which means there is never maintenance downtime, ensuring the highest level of availability. You will never be left in the lurch and unable to sign an important document, as the system is updating.

Reliability and reputation of our critical systems matter. For this reason, we decided to use the platform that is the leader in customer facing digital transactions for loan documents, account openings, wire transfers, account openings, account change forms, regulated disclosures and legal agreements.

If you would like to know more about using DocuSign, the Insight portal, or the DocuSign features in Insight, please get in touch with one of our team.

The Results are in...

Thank you to those of you who completed our annual client survey recently. It remains extremely important to us to get your feedback, particularly where we are able to take action to improve things, as we did with the introduction of Insight, following your comments on the client portal.

We have included some of the highlights from this year's survey here. If you provided specific comment on something, which we could improve upon, then please rest assured that we are taking all of these onboard and looking at our options across the business.

We asked our clients to give us a star rating based on what they thought of the following aspects of our service. Here are the averages:

Knowledge and expertise	4.8
Understanding our clients' needs	4.8
Achieving their financial goals	4.8
Keeping them informed through technology	4.6
Adapting to their changing circumstances	4.6
Information about market disruption	4.6
Communicating through times of uncertainty	4.6

Our improvements...

Of course, the primary motivation for asking our clients about our service is to improve it. Continual improvement is central to our business mindset. We have taken on board any specific comments and suggestions our clients made, with the aim to make DBL the best it possibly can be.

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In our clients' words…

We asked our clients which words they thought reflected their experience with DBL.
Here are the five most popular choices:

Professional **Efficient**
Friendly
Trustworthy **Helpful**

Your comments…

We were delighted to hear the following as part of your feedback responses. Thank you for taking the time to pass this feedback on.

"The financial news was very worrying, especially during the first 6-8 weeks of the pandemic, so it was reassuring to read your own views. It certainly helped to end with a smile at whatever amusing anecdote or fact you could find."

"Great service. I've been a happy client for well over 20 years and am always happy to recommend you."

"You offer a first class service."

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Should your long term plan involve property?

It is likely that property plays a part in the vast majority of any given individuals' financial plan.

At a basic level you may have a mortgage on your primary residence which, over time, you will pay off. In the future, you may wish to take advantage of that stored wealth, releasing funds for later life and your retirement.

Many of us will go one stage further. Perhaps you have a second or third property, under a buy-to-let arrangement. Maybe you invest in property on a more proactive basis, or have some of your investments with us placed into a property fund.

The question then is probably less whether your plan should involve property, because that will be a given for most people, in some way. Rather what is important around property is to understand each investment and exposure, the pros and cons and how they can have an impact on your long term planning.

If you hold some buy-to-let properties, for example, then you will probably be aware that they often offer attractive returns. As long as your buy-to-lets are rented then your mortgage is essentially paid by someone else and you have an asset, which is potentially a large asset, for the future.

The negative side is taxation and liquidity. Selling a house is not a quick process and government policy over the last few years has steadily increased taxation on those owning more than one property.

The alternative is investing money into a property fund, with the fund itself owning a range of property. Your returns will likely be less on a percentage basis than with a buy-to-let property, but you have added security and diversification to your investment portfolio and the liquidity and taxation issues do not apply.

Property funds recently made headline news with some high profile offerings temporarily suspending withdrawals. This is not a new occurrence. Property funds in particular need to temporarily protect against money being suddenly ripped out of the assets. In the case of a property fund the end outcome of this action could, for example, be a £50 million commercial property being sold off for £35 million, crystallising a loss for everyone in the fund.

However, property funds may not prove sophisticated enough, if you are a deliberate property investor. For example, you may see property investment as a retirement career or have built up a portfolio from a very young age, which you now want to spend more time growing.

In such a scenario you probably already appreciate the pros and cons of investing in property in this way. But it is again worth considering these pros and cons, as part of your long term plan.

Different types and values of properties often present different tax implications. For example, large deals, either by the size of property or amount of properties, are more prone to encounter greater risk and timeline uncertainty. If you plan on selling properties to fund your retirement and these sales take years longer than expected or occur at a discount, for whatever reason, what impact could this have on your long term plan?

Property is, in general, an attractive asset class, which most of us could and possibly should hold. The key, as with most assets, is in appreciating the wider impact on your plan of the property you hold, should its pros or cons impact on you more than you initially expected.

Taking a values based approach to managing your finances

As part of the financial planning process, we often talk about goals.

Your goals are where you want to be, what you want to achieve and, often, what you want to own. They are fiercely individual.

For example, many of the sports professionals with whom we work often tell us that a goal of theirs is to enter into an enjoyable, rewarding second profession, at the age of thirty-five or forty years. The business owners, professionals and entrepreneurs we work with may not have that as a goal, when they retire at sixty years of age.

Goals though are different to values and values often shape your financial planning process, as much as your goals. Goals are often easy to set. They are defined places in life, which we wish to reach. Values may be much harder to identify, live by and plan. They are the ways in which we act, the concepts with which we identify and the causes we support.

In thinking about your goals and values it may be useful to carry out a couple of simple cod-psychographic exercises. Contemplating your own mortality, for example, has been shown to have an impact on how we view our finances. So, if you were to pass on tomorrow, what significant achievement or experience would you like your obituary to mention? If that is a little too morbid for you to consider today, then try instead to think of a 'this is your life'-style interview. What moments would you be asked about and what would your highlight reel be?

Considering such questions could help to uncover and reveal your values. Maybe you have a passion for helping your local community or specific animal conservation activity in a specific geographical area. Maybe training and bringing through the next generation of professionals, giving everyone a chance, has been part of your life's work.

Pursuing these values, through your financial plan, is often as rewarding as pursuing your personal goals, in some cases more so. Goals include doing things or owning things. Values can include the same, but also include making a difference and leaving a legacy. To some, those are important financial planning factors.

The old rule applies 'you cannot take it with you'. It is not uncommon for those, who encounter financial planning later in life, to realise that they have saved a substantial amount and have a level of security. If this is the case for you, then a value-based approach could end up being a fulfilling part of your later life.

Maybe it could be as simple as this. Goal-based planning is what we all do and what we will remember doing. Value-based planning is what we will be remembered for.


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