



Retirement Planning Simplified



Growing together, with integrity and respect

Newbury Street Research

White Paper: Delivering Sustainable Retirement Outcomes

Insights from FCA Thematic Review TR24/1
Presented by Money Wise UK for Newbury Street Research

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Executive Summary

The **FCA's Thematic Review TR24/1** highlights key challenges and best practices for financial planners navigating the complexities of retirement planning. This white paper distils the key findings and offers **actionable insights** to help financial planners refine their Centralised Retirement Proposition (CRP). By aligning your processes with regulatory expectations, you can foster sustainable retirement outcomes for your clients while mitigating risks and ensuring compliance.

Introduction

This document has been produced by Money Wise UK® for Newbury Street Research. Money Wise UK is one of the first companies to introduce a Centralised Retirement Proposition that is now being used by a select group of forward-thinking financial planning firms. As the regulatory landscape continues to evolve, understanding and implementing sustainable retirement strategies is crucial.

Context

The FCA's Thematic Review TR24/1 underscores the importance of robust retirement planning during the decumulation phase—a complex yet vital stage for clients. Increasing scrutiny on financial advice practices means that financial planners must adopt structured, client-focused processes that prioritise sustainable income and ensure positive outcomes. The term '**sustainability**' is emphasised throughout the FCA review document in relation to income planning.

As clients transition from the accumulation phase to the decumulation phase, their needs shift from growing wealth to managing withdrawals and ensuring that they do not outlive their assets. Financial planners must be equipped to meet these evolving needs, all while adhering to regulatory standards.

Objective

This white paper provides a roadmap for financial planners to effectively implement the FCA's recommendations. It outlines key findings from the review, explores best practices, and provides actionable strategies to enhance your CRP and meet the regulator's expectations.

Key Findings from TR24/1

The thematic review identifies several challenges that financial planners must address. While these challenges are not exhaustive, a few have emerged as particularly significant:

- **Inconsistent Approaches:** A significant variation in how firms develop and implement decumulation strategies, leading to a lack of standardisation.
- **Limited Use of Cashflow Modelling:** Some firms fail to leverage cashflow modelling tools to create realistic, tailored plans that demonstrate sustainable income.
- **Risk Profiling:** Inadequate assessment of clients' capacity for loss and its impact on income sustainability.
- **Advice Sustainability:** A failure to gather all relevant information to provide suitable ongoing advice, both at the outset and during retirement.
- **Inadequate Vulnerability Assessments:** Insufficient focus on identifying and responding to client vulnerabilities, which is crucial for delivering effective financial advice.
- **Adviser Incentives:** Potential conflicts of interest arising from remuneration structures that disproportionately benefit advisers over clients' best interests.

These challenges reinforce the key expectations from regulators:

- **Clear, documented processes** for retirement planning.
- **Client education and understanding** as central elements of the advice process.
- **Regular reviews and scenario analyses** to ensure the continued relevance and sustainability of retirement plans.

Best Practices for Financial Planners

Many financial planners are confident in the effectiveness of their current processes, yet the review reveals several areas that may have been overlooked. While solution providers are quick to offer products that appear to meet FCA requirements for sustainable income, without a structured proposition, these products may not align with client needs or the broader retirement strategy.

Here are best practices financial planners should adopt to refine their CRPs:

Developing a Robust CRP Process

A well-defined CRP aligns with the FCA's review and ensures consistency and clarity across the advisory process. Key elements include:

- **Retirement Runway:** Firms should engage clients at least 12 months before retirement, ensuring alignment in approach across advisers. Consistency is crucial for achieving the desired outcomes.
- **Risk Profile:** It is essential to assess clients' risk profiles carefully to determine the most suitable drawdown strategy, ensuring alignment with the firm's broader strategy.
- **Comprehensive Advice:** Robust retirement questionnaires aligned with the RIAAT (Retirement Income Advice Assessment Tool) framework should be employed. This approach should address expenditure patterns and the client's attitudes towards income variability, including annuities where appropriate.
- **Adviser Incentives:** Advisory compensation structures should be reviewed to ensure they do not conflict with the best interests of clients. For instance, annuities are typically a one-time payment, while drawdown provides ongoing income. Matching adviser incentives to the client's needs is essential.
- **Cashflow Modelling:** Cashflow modelling should be standard practice for creating detailed, client-specific retirement plans. Financial planners must ensure that the tools they use are in line with FCA expectations and regularly updated to reflect market conditions.
- **Vulnerability Assessments:** Vulnerabilities should be identified early and regularly reviewed to ensure that appropriate action is taken, feeding into both consumer duty reports and adviser KPIs.

Solution Integration

It is important to recognise that no single solution is suitable for all clients. A tailored, diversified approach should be adopted, including:

- **Natural Income Drawdown:** Generating income from client portfolios through yield.
- **Unit Encashment in Drawdown:** Using units from investment products to create income.
- **Annuities:** Offering guaranteed income in retirement.
- **Equity Release:** Considering non-traditional methods like equity release for income generation.

Additionally, the decumulation strategy should encompass all investments that clients have, not just pensions.

Actionable Insights for Financial Planners

To comply with TR24/1 and deliver sustainable retirement outcomes, financial planners should focus on two key areas:

Aligning with TR24/1 Recommendations

- Do you have a CRP (not CIP)? Is it reviewed annually and aligned with the FCA's thematic review?
- Do you have a decumulation questionnaire, both at retirement and during retirement, which incorporates key RIAAT principles?
- Have you reviewed your cashflow modelling tool? How often is this review carried out, and does the tool align with FCA guidance?
- Does your solution or suite of solutions align with your CRP? Do clients fully understand the risks associated with the strategies you offer?

Internal governance

- Is your vulnerability assessment more than a tick-box exercise? Is it actively monitored, and are actions taken recorded? How is this information used in consumer duty reporting and adviser KPIs?
- How do you mitigate conflicts of interest in adviser remuneration? Are your KPIs, training, and file reviews structured to support sustainable client outcomes?

Case Study

Case Study: Mr. Jonny Jones

- **Age:** 60
- **Scenario:** Transitioning into retirement with a mix of guaranteed income (DB pension) and unsecured income (SIPP).
- **Strategy:** A flexible access drawdown strategy aligned with a 4% withdrawal rate, supported by a detailed cashflow model that demonstrates the sustainability of income.
- **Outcome:** Mr. Jones reports positive engagement and confidence in his retirement strategy, with a clear understanding of his income sustainability.

Conclusion

The FCA's Thematic Review TR24/1 provides a valuable framework for enhancing retirement planning processes. By aligning with the FCA's recommendations, integrating structured CRPs, leveraging cashflow modelling, and addressing client vulnerabilities, financial planners can ensure they deliver sustainable, compliant, and effective retirement outcomes.

Next Steps

- Review your CRP and identify any gaps in relation to the TR24/1 recommendations.
- Implement the actionable insights provided in this paper to refine your processes.
- Collaborate with industry peers and groups to share best practices and learn from collective experiences.

How Newbury Street Research Can Help

Newbury Street Research, while not regulated by the FCA, serves as a research and distribution hub for financial planners. In partnership with Money Wise UK®, Newbury Street Research has developed a suite of proprietary CRP documents that incorporate guidance from compliance firms and senior retirement specialists.

These documents are available for a one-off transaction fee and will support your practice in ensuring that your CRP aligns with regulatory requirements. By joining our adviser database, you will gain access to insights and best practices shared by other financial planners in the community.

Helpful Papers:

- [**Thematic Review TR24/1**](#)
- [**Dear CEO Letter Thematic Review**](#)
- [**Cashflow modelling**](#)

Note: Please note we have worked closely with third parties to develop the support material, and this is being used by a select number of financial planners. We recommend that you work closely with your compliance team to ensure the documents respond to your business.