Atkins Bland

Investments • Pensions • Financial Planning

Client Decumulation Risk Suitability Questionnaire

Introduction

The reason for using this questionnaire and some simple questions

Decumulation refers to selling down assets rather than “accumulating”, which is building them up.

In the context of financial planning, it generally relates to using capital resources, rather than just the income they produce, to spend in retirement.

As a decision to do this usually leads to diminishing assets, it creates a risk of spending being forced down over time, as assets are eroded.

Many people are attracted to spending more in early retirement than would be sustainable over the longer term, enjoying the benefit of what they have accumulated while they are more able to, than might be the case in later retirement, as they become less active.

However, unless the capital they are spending is entirely for non-essential (discretionary) purposes which they could comfortably go without, and there are other resources which can be relied upon to provide an acceptable level of income without risk of erosion, a decision to “live now” can lead to future problems.

Atkins Bland has developed this questionnaire to help us assess a client’s willingness to accept the potential negative consequences of decumulating rather than just spending available income.

We use it only where we believe the lost income from the capital being spent might cause income later in retirement to fall beneath the level they are happy with.

We do not normally require the completion of this questionnaire where decumulation is in one of the categories below:

Spending capital that neither our client or any dependent is ever expected to need for income generation and that, if fully spent, other resources will provide income at a level they will be comfortable with.

- Spending capital on a temporary basis to bridge a gap before other income starts, such as a company pension or the State Pension, and able to move to just spending the income the capital generates well before the remaining capital is too low to support their spending needs.
- Spending or giving away capital on an ad hoc basis where the capital will never be required for income as other resources cover income needs.

We have passed you this questionnaire as we do not believe you are in any of the categories above but, if you feel our assessment is incorrect and you would like us to review this, please do let us know.

Decumulation suitability

Please note that our work on the suitability of a decumulation strategy is based on spending expectations at the time it is carried out. Unless someone is already receiving care or the need for care is known to be approaching, we do not include the potential cost of care in our assessment of what resources might be required in the future.

We take this approach because:

- Very few people can afford care from available income so the need for care will nearly always result in assets eroding at a pace that cannot be sustained indefinitely.
- Government proposals to cap care fees spending, due to come into force in 2026, should remove the problem of funding long term care for most people.

Atkins Bland will not recommend an arrangement where the outcome might be inadequate resources to meet essential spending needs in the future as we consider that an intolerable risk.

However, where someone has the financial capacity to erode their capital and wishes to spend some of their capital each year rather than just the income it generates, we are happy to work with this preference provided we are comfortable that:

- There is no tangible risk to their basic financial security or that of any dependents.
- They and their dependents are fully aware of the potential future downsides caused by reduced resources and prefer to accept those than to limit shorter term spending and live within available income.
- Responses on this questionnaire do not display any red flags that suggest a decumulation strategy is unsuitable.

Although the purpose of this questionnaire is purely to look at willingness to accept risk of capital resources running out, we do also provide a guide to help clients estimate how much they can take from capital without creating a significant risk of that outcome. This is called our ***Guide to Sustainable Income and Capital Drawdown in Retirement*** and is available on request .

The questionnaire

Personal Details:

	Self	Partner
Name		
Date of birth		
Details of anyone financially dependent on you or state *“none”*		

Please confirm your current and expected future sources of income.

Already in payment:

Source of income	Who’s income? (Self or partner)	Gross £ per year	Net £ per year	Does it rise to combat inflation?	Notes

The questionnaire

Yet to start:

Source of income	Who's income? (Self or partner)	Estimated gross £ per year	Expected start date	Will it rise to combat inflation?	Notes

Please confirm, in today's terms, your current spending needs in these three categories:

Category	Description	Joint current		If applicable, estimated total if only <u>one</u> of you were surviving	
		Annual	Monthly	Annual	Monthly
Essential	Life would be intolerable with less than this	£	£	£	£
Lifestyle	Extra needed to be comfortable and content	£	£	£	£
Luxury	Nice to have but would be fine without it	£	£	£	£
Totals		**£**	**£**	**£**	**£**

The questionnaire

Potential additional capital resources that may become available to you:

Nature	Estimated value	Notes
Capital released through downsizing		
Inheritance		
Other (please specify)		

Your willingness to compromise longer term spending capacity in exchange for more spending in the shorter term :

Level of yearly spending you are willing to accept as an eventual consequence of eroding capital, in today's terms		What is the earliest age you are willing to accept the above outcome	
Jointly	If applicable, if only one of you were surviving	Self	Partner

The questionnaire

The reason you wish to risk a compromised spending capacity in future years

Please summarise your thoughts and motives behind your preference in the box below:

Declaration

As a decumulation strategy carries risks that could be avoided by spending less, it is important that we have your signed confirmation that we have recommended you limit your expenditure to natural income and avoid eroding your assets, and that you have chosen to go against that advice .

	Client	Partner
I confirm that I am aware that Atkins Bland advises against taking the risks associated with eroding my capital, but I prefer to accept the risks and going against this advice		
Date:		

Important notes

Any opinions expressed on the merits or disadvantages of any options are intended as a general comment only and not as specific advice to the reader.

This document is intended as a supplement to full independent advice and not as a replacement for it and should be read in conjunction with any personalised recommendations provided by Atkins Bland Ltd and with any product brochures supplied.

The value of investments will fall as well as rise, as can any income generated or produced. An investor may, therefore, get back less than invested.

Inflation can reduce the real value of capital and the income it generates.

Past investment performance is not a reliable guide to the future

Any reference to taxation, regulation or legislation is based on our current understanding and details should be checked before any reliance is placed upon its accuracy.

The impact of taxation and tax planning depends on individual circumstances and may be subject to change, which can be retrospective.

Errors and omission excepted

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Atkins Bland

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