



FINANCIAL PLANNING TIPS FROM HEB WEALTH & EMPLOYEE BENEFITS



Tip 4 — Pension Drawdown Don't be a forced seller of shares when markets have just fallen.

Before looking at the detail....

When is a loss actually a loss? Many years ago one of our clients said very astutely,

" it's only a paper loss.... it's not a real loss until I need to sell the shares and spend the money!"

The COVID 19 pandemic has caused global stock markets to fall sharply and this can cause added financial stress to pension drawdown clients who, since they are taking a regular income from their pension drawdown pot, are in effect forced sellers of shares at a time when values are depressed.

The HEB "3 pot solution" goes a long way to reducing this financial stress.

With our 3 pot solution we:

- Place 2 years planned income in cash – use this pot first for income,
- Place the next 3 years income in a fund that has a risk level 1 notch lower than your long term preferred risk level - use this pot second for income,
- Place the rest in a longer term fund at your full preferred risk level

With the 3 pots it can be up to 5 years before you are selling assets to meet income from funds invested at your highest risk level and 2 years before any funds at all are being sold.

Does it make a difference?

If history in financial markets repeats itself then the sharp falls of early 2020 will be followed by a recovery period of above average returns- we just don't know by how much and when.

A simple example – if my income is £20,000pa from a £400,000 drawdown pot and I take it now I am accessing £20,000 of shares that just a month ago were worth £25,000. So to quote my old client I have turned a paper loss into a real loss and I will never get back that £5,000. But if I have £20,000 of cash in my plan I can access that cash at no loss. I still have £380,000 in my pot that one month earlier was worth £475,000 but when the market does recover I can start reducing my paper loss and one day take a real profit.

Want to find out more? Call 0113 2223311 or contact us on enquiries@heb.uk.com

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"I never attempt to make money on the stock market. I buy on the assumption that they could close the market in the next day and not reopen it for ten years"
Warren Buffet



Would you like to ensure your investment strategy is "just right"?
Contact us and one of our specialist advisers will be happy to provide a review

