



THE BIG PICTURE CREATES A PERFECT STORM, AND A BIG OPPORTUNITY

The big issues are now impacting on the options for a client retiring today, and even more so for a client retiring in the foreseeable future.

These issues begin to intertwine to create a perfect storm, which will last for many years. The big three issues that are now coming together are:

1. Baby Boomers beginning to Retire
2. Life Expectancy Increasing as health improves
3. The Corrosive Impact of Inflation

The Boomers

If you were born between 1946, and 1964 then you are a 'Baby Boomer'.

The first 'Boomers' reached age 60 in 2006. And many more will move into retirement in the next sixteen years. This population shift will have a significant impact on the economy, health services, local authorities and indeed business in the coming years.

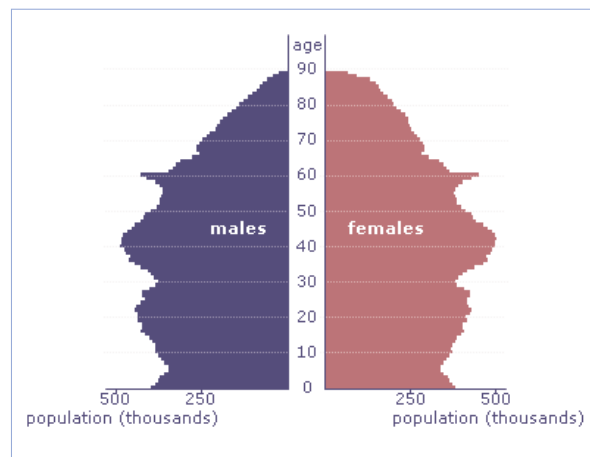
The impact on financial advisers will also be significant. Watson Wyatt have predicted that the 'At Retirement' market will more than double within the next 5 years! This moves it from just below £15 billion today to £30 billion in 2013. In addition to this there are all the other complementary products and services that run alongside the 'At Retirement' needs.

Advisers are now seeing the opportunity in this market space and are developing specialist services for those

ACTIONS THE ADVISER CAN TAKE:

- Profile your existing clients by age
- Examine how you serve the needs of your Boomer Clients
- Design specific services to meet these clients' needs

who are both approaching and in their retirement phase. Boomers offer significant opportunity for the professional adviser.



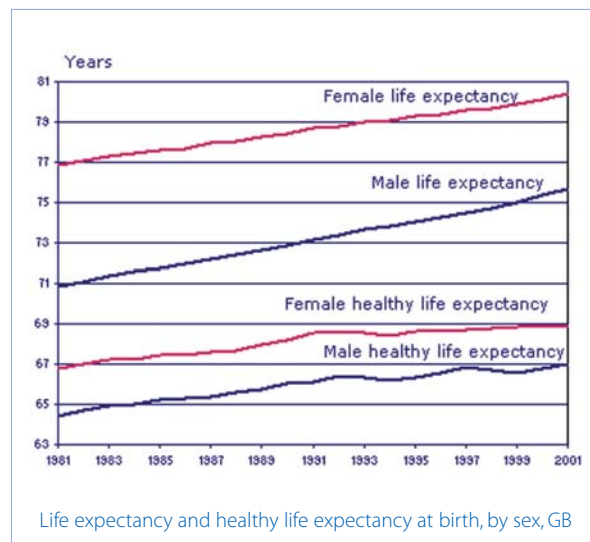
Life Expectancy

There is a very simple message – We are all living longer!

That is the issue – so what are we doing about it?

At the individual level we may be expecting to work longer in our lives and we may be one of the few who is now saving more money for our retirement.

At the adviser level, how has this impacted on the way we advise?





we will live for many years and inflation will corrode the spending power of our income in retirement.

The older you are the higher your rate of inflation. This is evidenced through the Alliance Trust Ltd independent study of age related inflation. The data below shows the 12 months to July 2008.

This is largely down to the level of incomes available and the proportion of spending on life's necessities, such as food, gas and electric. Those under thirty enjoy the highest level of discretionary spending, where prices have actually been falling.

Educating the client on life expectancy is important. Clients will need help in understanding the complex issues of lifestyle and health. It is likely that we will all experience different phases in retirement, and crucially an initial healthy phase, with a later life in ill health, or with disability.

The Office of National Statistics provides excellent data on this, for example:

- Men at 65 can expect to live for 9.9 years free from disability, women 10.7 years
- Men at 65 can expect to live in good, or fairly good health for 12.5 years, and Women 14.5 years
- There are significant regional differences in life expectancy, and Healthy Life Expectancy, (HLE)

Corrosive impact of Inflation

Inflation matters less if we are only going to live a few short years in retirement. The chances are though that

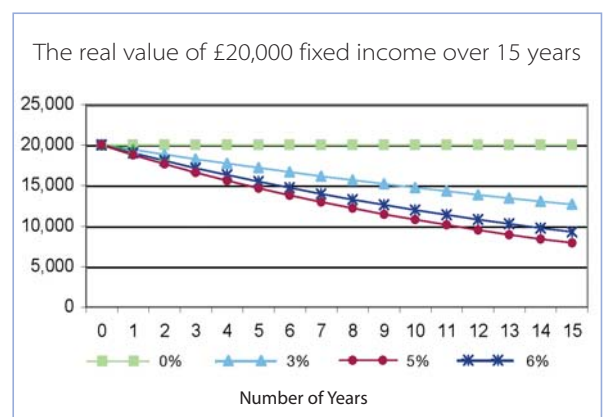
ACTIONS FOR THE IFA:

- Be aware of your regional life expectancy data. It is available from the Office of National Statistics
- Discuss life expectancy, health, and lifestyle with clients. It will impact upon the advice provided.
- Beware the impact for a married couples, especially with only one income source

AGE GROUP	INFLATION RATE
Under 30	4.4%
30-49 Year Olds	5.0%
50-64 Year Olds	5.4%
65-74 Year Olds	5.8%
75 and Over	6.3%

Impact of inflation over 15 years

The real value of a level income over 15 years will be halved if inflation runs at 5%. If the client lives longer the situation will get even worse. Even at just 3% the client can expect a fall in real value of over a third.





ACTIONS FOR THE IFA:

- Beware Inflation and explain the full risk of corroding spending power
- Consider hedging against inflation with alternative investment backed products, or indexed annuities
- Consider life expectancy and inflation risk together

The Call to Action!

The perfect storm is brewing and is likely to be with us for many years to come.

Living a long time on a income that never rises, combined with the corrosive impact of inflation is a pathway to financial ruin in retirement.

The need for advice is ever increasing. The boomers are arriving at retirement and will be travelling through for the next 16 years at least.

The needs of the retiree offer significant opportunity to the professional adviser.

Here is a simple action plan that we can help with (see right).

For more help in developing your business contact;

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THE ADVISER ACTION PLAN

- 1 Profile your clients and place them into the following segments
 - a) Well before retirement
 - b) Just before retirement
 - c) At retirement
 - d) In retirement
- 2 Decide on what you could, can and will do for clients in each of these segments. Identify the benefits for the client, and how you will be rewarded.
- 3 Review your 'At Retirement' Process, and ensure that client objectives are clear, and all options are considered.
- 4 Promote these new services to third parties for new client opportunities

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