Most advice practices have a centralised investment proposition, but as a growing band of clients demand a hands-on approach to managing their retirement assets do advisers need more than one CIP? We spoke to two advisers on each side of the debate

ISSUE 17

YES

ALAN SOLOMONS

ALPHA INVESTMENTS AND FINANCIAL PLANNING

Alan Solomons, a director of Alpha Investments and Financial Planning in London, believes advisers need a retirement CIP for clients in drawdown given that their requirements are different to those accumulating wealth.

'The latter can benefit from pound cost averaging in respect of their regular contributions – in effect, buying units at less than the average price over a year,' he says.

'For a client requiring income, the reverse is true. The effect is value destruction as you effectively sell at less than the average price over a year. To avoid this, you want to generate income that is not reinvested back into the funds, but added to a cash account where the monthly income comes from.

'In addition, when certain funds are looking expensive rather than reinvesting the proceeds when you sell you may want some or all the money released to top up the cash account.

'If in the accumulation phase the pension pot is on a platform with no cash account, you would need to move to a platform that has one.'

The other typical requirement for someone in drawdown is a lower-risk portfolio and, in the belief that the 30-year bond bull market is over, Alan uses ground rents as a portfolio de-risker.

'Interest rates have been falling, thus increasing fixed interest security values, but now we're entering a period where the reverse is true,' he says. 'Some [advisers] are opting to replace fixed interest funds with targeted absolute return funds, but many have a chequered performance history.'

Since early 2014, he has used the Time Freehold Income Authorised fund. 'It has one of the lowest volatilities in the fund universe and has returned over 5% per annum, about half in income,' he says. '85% of holdings has inflation-linked rent reviews and most have leases of more than 100 years.'