Pru
part of M&G plc

Drawdown Aims and Objectives Checklist

This 'Checklist' is designed to help you with your client conversation when recommending your client's first move to Drawdown and should not be seen as advice. There may be wider holistic requirements you need to consider (including, but not limited to) any DB transfers, guaranteed benefits, your client's aims and objectives, their current personal circumstances. You should also consider whether or not the advice of a pension transfer specialist is also applicable.

Client name:

Adviser name:

Drawdown file:

1. Client concerns about their drawdown investment

Assessment of risk:

Has the client reviewed their attitude to risk (ATR)? Yes ☐ No ☐

Have you explained the concept of risk in a way that your client is likely to understand? Yes ☐ No ☐

Have you assessed risk for the client? Yes ☐ No ☐

Have you described risk to the client and does the client understand the importance of diversification amongst the asset classes? If they do have a preference to invest in a single asset class or non-regulated investment, are they aware of the extra risk this creates? Yes ☐ No ☐

Have you discussed risk with the client and could the client replay these discussions to you to demonstrate their understanding, and have you recorded this? Yes ☐ No ☐

How does the client feel about investment volatility?

What funds has the client invested in, how did volatility in the fund make them feel?

Is the client aware of pound cost averaging during accumulation, and the converse during decumulation?

Is avoidance of capital loss a priority? Yes ☐ No ☐

If the fund drops in value what would they do (other source of income etc)?

Does the client have short term concerns about the markets? Yes ☐ No ☐

Does the client have any longer term concerns?

1. Client concerns about their drawdown investment – continued

Retail conduct risk outlook factors:

Does the client understand:

- ☐ The effect of insufficient fund growth i.e. capital erosion
- ☐ Annuity rates may be less in the future
- ☐ High levels of income might not be sustainable and what happens if the fund falls and money needs to be taken from somewhere?
- ☐ Investment returns maybe less than those shown in the illustration
- ☐ The cost of charges and advice
- ☐ Scam risk
- ☐ Risk of legislative changes
- ☐ The effects of inflation

Has the client considered:

- ☐ Existing and prospective outgoings
- ☐ Tax status now and in the future
- ☐ Death benefit provision
- ☐ Health status and view on longevity including family history
- ☐ Future annuity rates and product design
- ☐ The cost of charges and advice
- ☐ Scam risk
- ☐ Risk of legislative changes
- ☐ The effects of inflation

Additional comments:

2. Client's retirement needs,aims and objectives

What are their retirement needs? Is their essential spend covered and if not does this need to be secured, please outline below.

What are their retirement goals? *(e.g. Holiday of a lifetime/pay off mortgage/support children or grandchildren/new activities or pastimes)*

How much income and tax-free cash is required, why, when and for how long?

Has inflation risk been considered?

Additional comments:

3. Existing pension investments

Name of provider/type of arrangement?	Current value
A.	
B.	
C.	

Are there additional assets or savings that will generate an income? Yes ☐ No ☐

Do the current arrangements provide access to drawdown that matches the client's attitude to risk (ATR) and objectives?* Yes ☐ No ☐

What additional features are important to the client that aren't available on their existing plan?

- ☐ Access to drawdown at no additional cost
- ☐ Access to SIPP investments (if appropriate what is the need to access commercial property)
- ☐ Flexible access to capital and income

Wider fund range including

- ☐ Access to guaranteed funds
- ☐ Access to smoothed funds

*Additional comments:

4. Key advice areas

Have the client's outgoings been assessed? Yes ☐ No ☐

What other relevant factors have been explored?

Can the client's retirement goals be met? Yes ☐ No ☐

If no, what actions can be taken to address the shortfall or can their income or tax free cash requirements be adjusted?

Why was drawdown recommended?

What other options were discounted and explored? What was the clients view on an annuity, even if this is to secure the needs that they have rather than wants. Does the client have any other sources of income and do they need to take this?

Is there evidence on file that:

You have extensively explained the risk associated with Income Drawdown? (see section 1 above) Yes ☐ No ☐

You have explained the importance of reviews the cost of these and that these are voluntary and that the client has agreed to this for x,y and z reasons? Yes ☐ No ☐

Recommendations match the client objectives, ATR and capacity for loss? (see Q2) Yes ☐ No ☐

5. Death Benefits – Client Considerations

Does the client want to pass the fund on to dependants/nominees/use as a legacy?	Yes	☐	No	☐
Is the client clear who their dependants/nominees are?	Yes	☐	No	☐
Is the expression of wish/nomination of beneficiary form up to date and have you checked that this is in line with the scheme rules?	Yes	☐	No	☐
Are potential dependants, nominees, successors, executors and personal representatives aware of the client's expressed intentions?	Yes	☐	No	☐
Has the requirement for spousal by pass trust been explored?	Yes	☐	No	☐

Additional comments:

6. Establishing the clients aims & objectives – Summary

Specific (e.g. To achieve £x for Y years and why?)

Measurable (e.g. Delivery of sustainable income stream and ad hoc withdrawals at appropriate level)

Action related (e.g. Consider switch to provider that offers predictable income stream and volatility reduction)

Realistic (e.g. Adviser to fully assess ATR/Objectives and produce provider shortlisting for further discussion)

Time Related (e.g. The aspirational retirement income should be £x for Y years)

Adviser to check against FCA factsheet on ATR assessment:

fca.org.uk/publication/other/fs019-attitude-to-risk-an-adviser-prompt.pdf pruadviser.co.uk

FRPM10431 06/2021_WEB