

Retirement Lifestyle Solutions



The Russell Investments 15/35/50 Retirement Lifestyle Rule

The majority of your working life is spent saving earnings for retirement. But Russell Investments research shows that investors will only save 15% of their investment pot during their working years. Developing an investment plan is therefore crucial to keep your portfolio growing, even after you retire.

Regular savings and market growth are important for building a retirement nest egg. But, continued investment growth after you retire can be crucial in helping you maintain or even improve your funded ratio (the value of your total assets compared to your future spending needs). This has become increasingly more important against today's low interest rate environment and rising life expectancies.

At Russell Investments, we believe that up to 50% of your pension pot can come from post-retirement investment growth.

We follow the 15/35/50 Retirement Lifestyle Rule:

- 15% from money saved during your working years
- 35% from the investment growth realised before you retired
- 50% from investment growth that occurs during your retirement

How?

The key is having the right portfolio asset mix in place at retirement and during retirement — one that balances the general stability of bonds with the continued growth potential of equities.

The Russell Investments 15/35/50 Retirement Lifestyle Rule is all about striking a post-retirement asset mix that offers the potential to generate strong and steady cash flow for the rest of your life. As your unique investment outcome will change during retirement, it is also important to regularly revisit your portfolio asset mix.

Manage risk while planning for growth

When it comes to designing an effective retirement portfolio, there are three primary risks to consider:

1. MARKET VOLATILITY:	2. LONGEVITY RISK:	3. SEQUENTIAL RISK:
If the market declines, the value of your portfolio will be affected. To address this risk, it often makes sense to move into more conservative investments as retirement approaches.	Many people underestimate their true life expectancy. If your portfolio does not continue to grow during retirement, you could run out of money.	The timing of when you move from accumulation to decumulation can be crucial to the long-term health of your investment portfolio due to the importance of the sequence of investment returns. Poor returns early in retirement are much more harmful to an investor's retirement prospects than poor returns later in retirement. The more equity oriented a portfolio, the larger the potential impact of sequential risk.

With the right portfolio asset mix and the skill of professional fund managers, you can reduce the risk of market volatility and still potentially earn the growth and long-lasting income you'll need. The Russell Investments 15/35/50 Retirement Lifestyle Rule can help you understand the various components of your retirement income.

The power of growth after retirement

Example:

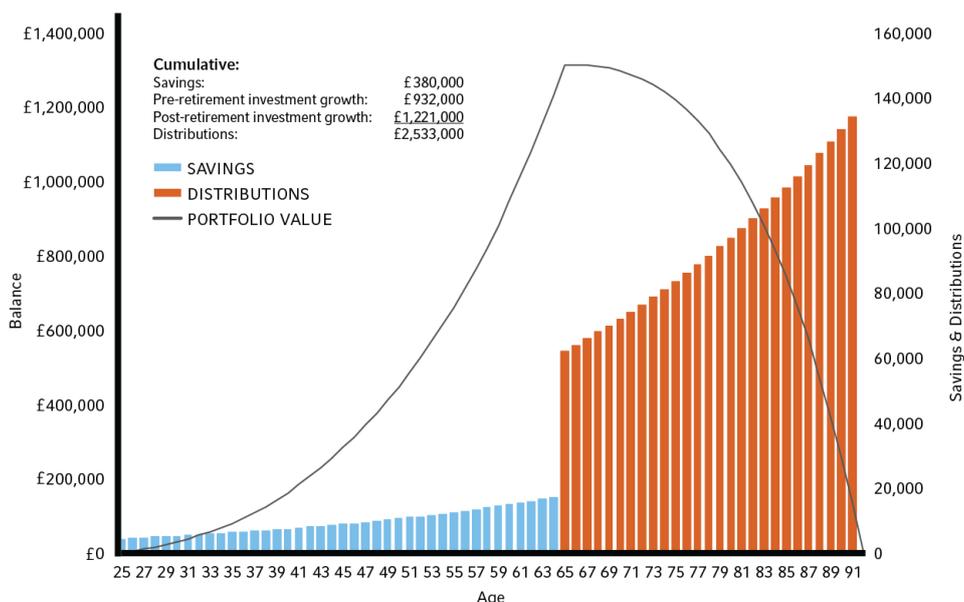
Paul starts saving for retirement at the age of 25 by contributing 6% of his annual £50,000 salary. His company's defined contribution plan provides a 50% match, which means his employer contributes another 3% of his salary. Over the next 40 years, he receives an average 3.5% annual salary increase, and continues to make annual contributions to his plan.

At 65, Paul begins to withdraw from his retirement savings - starting with 4.7% of the portfolio value the first year and increasing this rate by 3% (expected rate of inflation) each year until age 91. Paul is able to withdraw more than £2.5 million during retirement.

Paul's case illustrates the Russell Investments 15/35/50 retirement lifestyle rule in action:

- Only 15% of Paul's total retirement income came from his cumulative contributions of £380,000.

- 35% of Paul's total retirement income came from cumulative investment growth of £932,000 that occurred before he turned 65.
- £1,221,000 – a whopping 50% – of Paul's total retirement income came from cumulative investment growth that occurred after retirement.
- Paul's total distributions between 65 and 91 were £2,533,000.



For Illustrative Purposes Only.

Make your client's money last a lifetime

Regardless of your stage in life, the fundamentals of investing remain the same. Work with a professional investment adviser. Take advantage of market performance. And consider multi-asset investing, which can help diversify your client's portfolio risk.

Ask how the Russell Investments 15/35/50 Retirement Lifestyle Rule can help your client fund their retirement.

All information contained in this report is correct at the time of production, is strictly for illustrative purposes only, and does not constitute investment advice. This report is designed for use by the financial advisor to assist in making a personal recommendation or managing investments for the underlying client.

For more information

Call Russell Investments at **+44 (0) 207024 6000** or visit russellinvestments.com

Important information

For professional clients only.

Unless otherwise specified, Russell Investments is the source of all data. All information contained in this material is current at the time of issue and, to the best of our knowledge, accurate. Any opinion expressed is that of Russell Investments, is not a statement of fact, is subject to change and does not constitute investment advice. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested.

Issued by Russell Investments Limited. Company No. 02086230. Registered in England and Wales with registered office at: Rex House, 10 Regent Street, London SW1Y 4PE. Telephone +44 (0)20 7024 6000. Authorised and regulated by the Financial Conduct Authority, 12 Endeavour Square, London E20 1JN. © 1995-2021 Russell Investments Group, LLC. All rights reserved.

MCR-01038/20-05-2022 EMEA-1808