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The value of investments can fall. Investors may not get back the amount invested.
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# PUTTING THE PIECES TOGETHER

## Using natural income in retirement

BNY | INVESTMENTS

# KEY TAKEAWAYS

- Regulatory focus, increased inflation risk, and a more volatile market outlook are good reasons for advisers to reconsider how they invest for clients seeking retirement income.
- A natural income approach, where the client's income comes from the income paid by the underlying assets, is well suited to providing a sustainable income but has several challenges.
- The Managed Income approach aims to address these challenges by delivering income and capital growth in a way that meets clients needs and simplifies planning and administration for advisers.
- Managed Income can also be useful for clients' in the run up to retirement, providing income growth and transparency of the income available, further simplifying retirement planning.

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# RETIREMENT INCOME ADVICE IN THE SPOTLIGHT

## Decumulation in retirement, that is, turning retirement savings into lifelong retirement income, has been described as "the nastiest, hardest, problem in finance".[1]

This may be true, but it is also one of the most interesting and important. Retirement assets account for around 60% of assets under advice[2] and are expected to grow further as the next generation of retirees becomes more reliant on invested solutions to support retirement income. With defined contribution pension assets expected to be nearing £1 trillion by 2030,[3] the demand for support in turning those savings to income can only grow.

So how do we generate what clients will need to sustain income in retirement? In this paper, we will explore the method of using the income that flows naturally from investments. But before we get into this, let's look at the context.

In its thematic review of retirement income advice, published in March 2024,[4] insufficient consideration being given to capacity for loss (CFL) was highlighted by the Financial Conduct Authority (FCA) as one of the challenges of current retirement advice models. Capacity for loss is a concept that the FCA first introduced in 2011 in its guidance on assessing risk[5]. It defined it through a footnote, as follows:

*"By 'capacity for loss' we refer to the customer's ability to absorb falls in the value of their investment. If any loss of capital would have a materially detrimental effect on their standard of living, this should be taken into account in assessing the risk that they are able to take."*

It builds on this in the thematic review:

*"In retirement, CFL determines the extent to which consumers could cope with a reduction or change to their income. For example, if there was a fall in the value of pension savings this might reduce the level of income that could be withdrawn sustainably, or a guaranteed or fixed level of income might not keep pace with inflation."*

So, when considering approaches to investing for retirement income, we should look beyond just capital volatility to the effect that has on income, and whether the income is adequately protected against the impact of inflation.

[1] William Sharpe.
[2] "Retirement Advice in the UK: Time for change?" BNY Investments and NextWealth, November 2025.
[3] "Pensions and Growth: A Paper by the PLSA on Supporting Pension Investment in UK Growth", Pensions and Lifetime Savings Association, June 2023.
[4] "TR24/1: Retirement income advice thematic review" Financial Conduct Authority, March 2024.
[5] "Assessing suitability: Establishing the risk a customer is willing and able to take and making a suitable investment selection", Financial Services Authority, March 2011.

## UNDERSTANDING INVESTMENT RISK IN RETIREMENT

It's important to recognise that there are only two ways to generate retirement income from an investment portfolio. The first is to run a total return portfolio and sell units or shares in the underlying portfolio to generate the income. In this circumstance, it's the level and pattern of returns that is key and where the sequence of returns has an important influence on income sustainability. The retiree is typically agnostic as to whether those returns come from capital or income. It's the total return that's important.

The other approach, and the subject of this paper, is the natural income approach. This is where income is provided by the dividends and interest earned on the underlying investments. Under this approach, the level, pattern, and reliability of income are key considerations. While capital value may not be the primary focus, it remains an important factor for two reasons.

First, the client may expect capital growth over time to keep pace with inflation and potentially to mitigate the effect of any taxes on death. Also, sudden and severe falls in capital could lead to a loss of composure and knee-jerk changes in investment decisions. Second, where advisers are taking their fee as a percentage of the capital value of the portfolio, they will want to make sure that the revenue they earn is growing over what could be a relatively long period of retirement for the client.

# A NATURAL CHOICE FOR RETIREMENT INCOME?

Natural income is simply the income that investors receive from investments:

- Dividends on equities,
- Coupons on bonds,
- Interest on deposits and
- Rental income on real estate etc.

When delivered through an investment fund, this income is paid to fund holders in the form of regular income distributions for those holding income shares or automatically reinvested within the fund for those holding the fund's accumulation shares.

There are several benefits of following a natural income approach for those needing a retirement income.

### ALIGNING WITH CLIENT OBJECTIVES

Where clients are seeking regular growing income, using a natural income approach may align more closely with the goal of regular, growing income compared to a total return approach. Where the investment strategy is explicitly managed to support stable and growing income, it helps reduce the risk of a reduction in a client's income, directly addressing the challenge set out by the FCA in its thematic review.

### MAINTAINING CAPITAL

Because taking a natural income does not involve selling investments, in theory the client's capital is maintained to support future income and/or provide benefits on death. However, the true picture depends on the assets held in the portfolio.

Companies with a reputation for reliable and growing dividends make payments to shareholders after considering what portion of profits they should retain to maintain and grow their businesses in the long-term. If a portfolio is constructed from a diversified mix of dividend-paying stocks and complementary assets, there is a stronger case for sustaining natural income distributions without significantly depleting the underlying capital base that drives future income.

However, natural income is rarely guaranteed. Firms can cut or even suspend dividends, as seen in 2020 when Covid hit. Skilled portfolio management is therefore needed to help actively avoid the most vulnerable companies, as well as those paying unsustainably large dividends. Happily, such events have tended to be short-lived. Dividends have historically bounced-back sharply and portfolio diversification has helped stabilise the overall income.

### AVOIDING SEQUENCE OF RETURNS RISK

Sequence of returns risk is where sharp asset price falls combine with encashments to impair the sustainability of future income. This occurs because, if market prices are depressed, the client must sell more of their investments to generate their required income. Under a natural income approach sales of securities are unnecessary, so movements in the market price of assets have little influence on long-term income sustainability.

### MANAGING INFLATION UNCERTAINTY

Recent years have reminded us that inflation can have a profound impact on a client's income needs. While we will hopefully not return to the double-digit inflation we saw in 2022/23 any time soon, it seems the risk of inflation increasing unexpectedly is greater than it was in prior years. One common response to this is to hold a greater proportion of clients' assets in real investments such as equity exposure. However, under the total return approach, increasing equities can lead to heightened volatility so amplifying sequence of returns risk.

Where we are taking income from the dividend yield on equities, income is generated without needing to sell assets, which may help mitigate the impact of market volatility. This can allow us to hold a greater weight in equities and so provide greater inflation protection.

## STAYING FULLY INVESTED

Under the total return approach, advisers will often hold part of the portfolio in cash, known as a cash buffer. This allows income to be drawn from the cash buffer in times of market stress to avoid the need to sell assets at depressed prices. While this can be an effective way of managing downside risk to income, it also has drawbacks.

First, the cash allocation can be a burden on overall portfolio performance. It is not uncommon for the cash buffer to provide for up to four years of income, potentially meaning as much as 20% of the portfolio could be held as cash. This "cash drag" will limit the client's ability to generate the returns they need to achieve their objectives.

Second, cash may be held outside of the adviser's control so complicating planning and administration and reducing the asset base on which fees are earned.

While we may need to have some level of cash buffer when using the natural income approach, perhaps to provide for unexpected expenses, it is likely to be much smaller. This means more of the client's assets can be invested to support income.

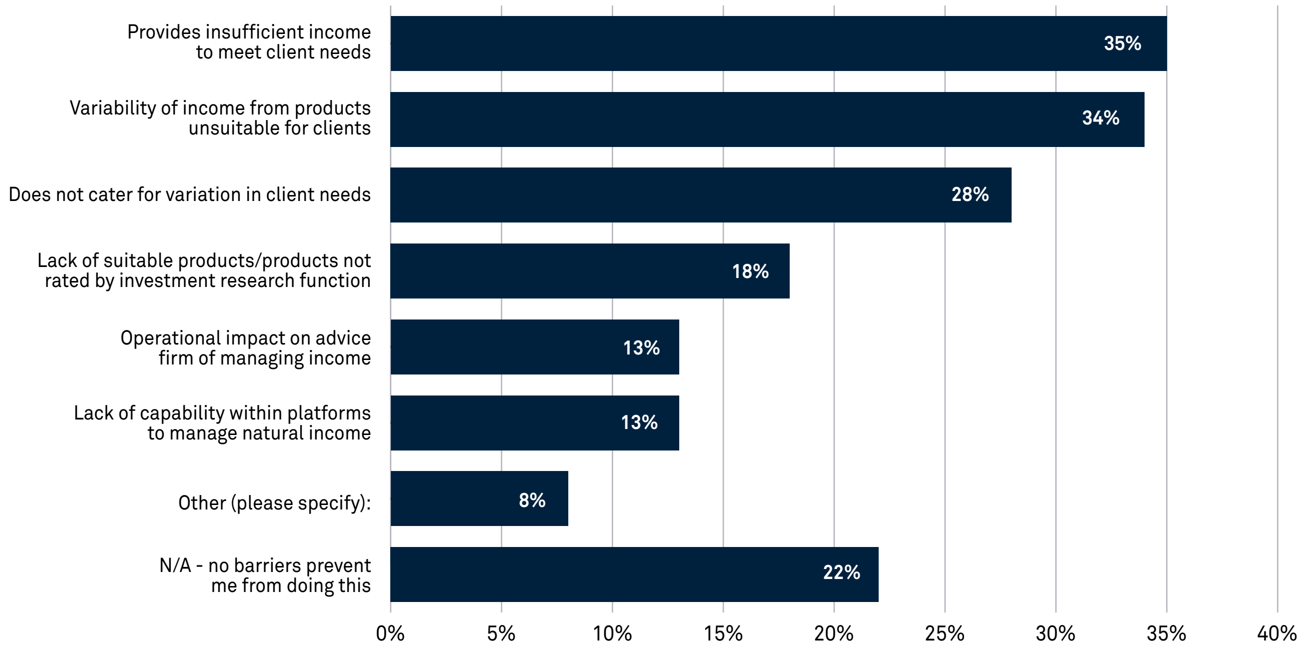
## SUPPORTING CLIENT UNDERSTANDING

The concept of living off the income generated by the client's investments is a relatively simple one for advisers to explain and for clients to understand.

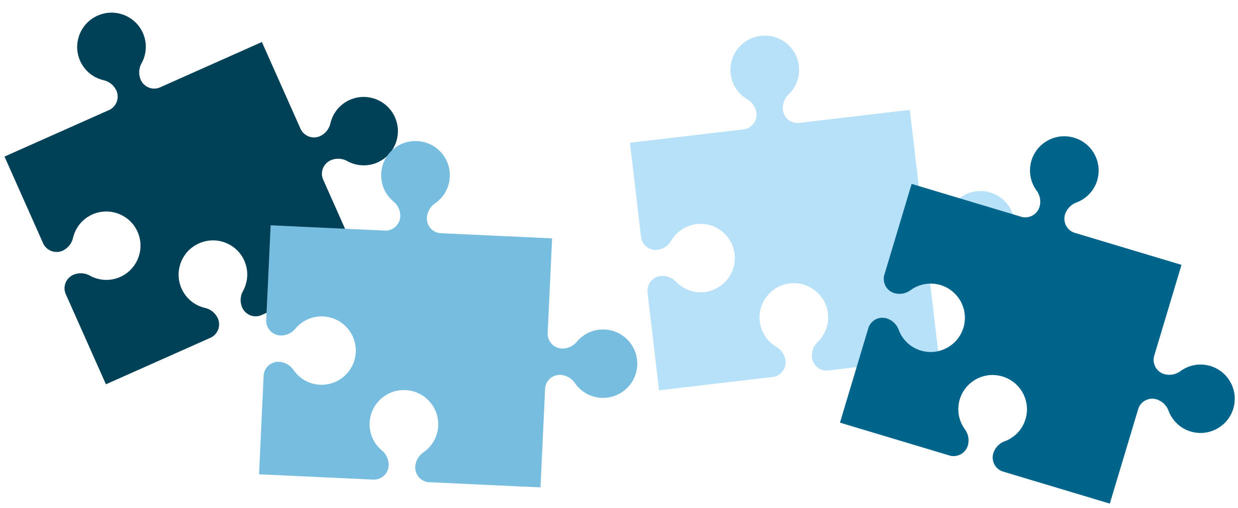
# WHY NATURAL INCOME ISN'T USED MORE OFTEN

Using natural income in retirement is not without its challenges. BNY Investments conducted research with advisers during the second half of 2024 and asked what the main reasons were for not using a natural income approach. Figure 1 illustrates there was a range of answers with the perceived low level and variability of income most cited as reasons for not using the natural income approach more often.

**FIGURE 1: REASONS ADVISERS DON'T USE NATURAL INCOME FOR RETIREMENT**




Source: "Retirement Advice in the UK: Time for change? BNY Investments/NextWealth 2024" n=138.
"Are there any specific barriers preventing you from using an income driven approach to investment portfolio structure more frequently?". Research conducted by NextWealth for BNY Investments, based on responses to surveys with 208 retirement-focused financial advisers and 254 consumers of retirement advice conducted between 9 September 2024 and 21 September 2024.



These are all valid concerns and help us understand what needs to be delivered to enable clients and their advisers to access the benefits of a natural income approach that we listed earlier.

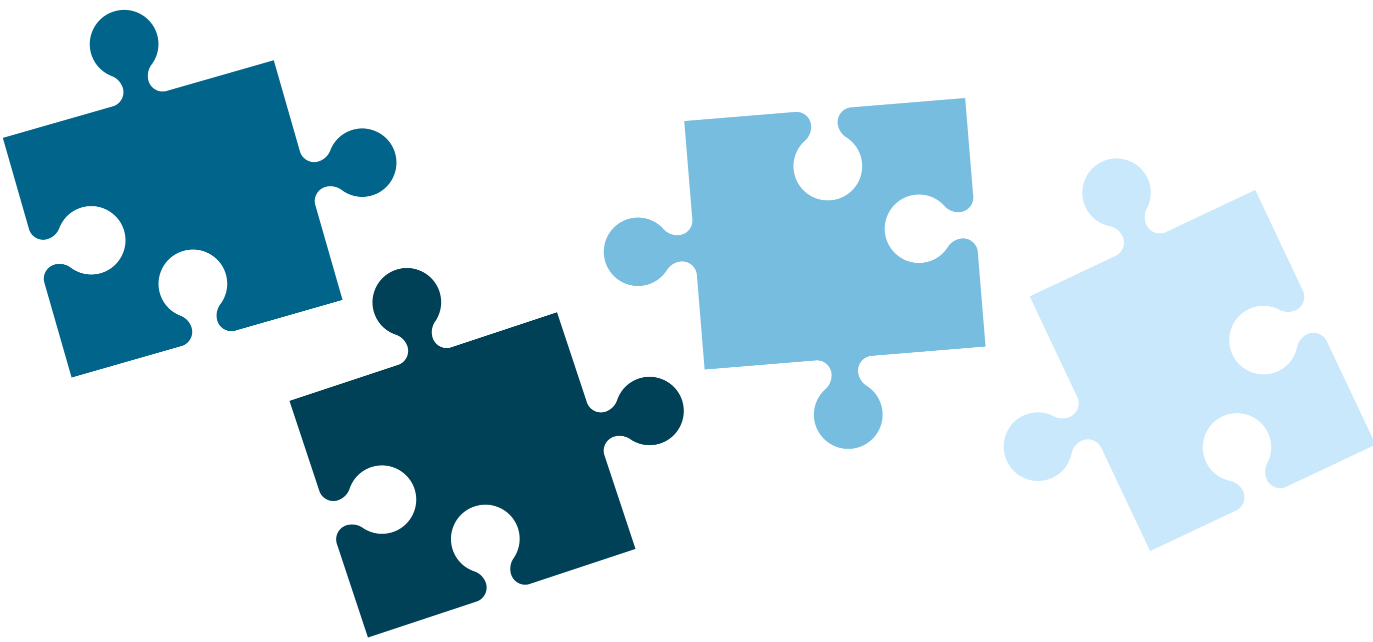
## MAKING NATURAL INCOME WORK IN PRACTICE

There are five characteristics needed to make natural income work in practice:

**FIGURE 2: DESIRABLE CHARACTERISTICS OF A NATURAL INCOME STRATEGY FOR RETIREMENT**

| | |
|---|---|
| Attractive starting yield | We need to make sure that the income level the client receives is sufficient to meet their goals at outset. |
| Stable income | Once the client has invested, yield becomes less important. Rather we need to focus on the income paid in cash terms. We at least want this income to stay reasonably stable from year to year. |
| Growing income | Ideally, the level of income will grow over time to help mitigate the effects of inflation and maintain the client's standard of living. |
| Capital growth | Capital growth helps support growing income and provides some protection against inflation for the client's initial investment. It also supports a growing revenue where advice fees are based on the value of investments. |
| Predictable regular income | Income payments need to be structured to meet the client's need for regular monthly income. Knowing the level and timing of income payments provides certainty for the client and simplifies adviser administration. |

Can these realistically be delivered by a single investment strategy? We believe they can by following an approach we call Managed Income.



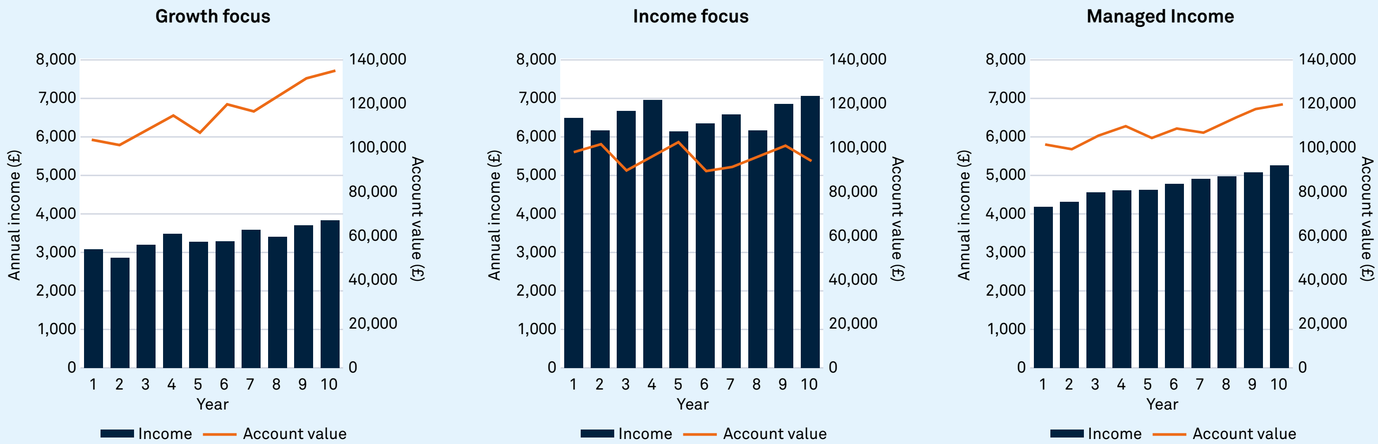
# WHAT IS MANAGED INCOME?

The Managed Income approach involves creating and managing a multi-asset portfolio to deliver a combination of income and capital growth. This is delivered via a fund structure where income is paid out as a stable, regular monthly income with a single variable annual bonus. The remainder of this paper looks at how this can be achieved and how the approach can be used with clients both in retirement and during the run up to retirement.

## BALANCING INCOME AND GROWTH

Many investment strategies focus on either maximising growth or maximising income. As we illustrate below, this can mean compromising on some of the key characteristics clients need.

**FIGURE 3: BALANCING INCOME AND GROWTH CAN DELIVER WHAT CLIENTS NEED IN RETIREMENT**




Source: BNY Investments. The charts illustrate notional income and capital growth from an initial investment of £100,000 assuming income is paid out to the investor. This is a hypothetical example provided for illustrative purposes only.

Funds that focus on growth may also pay income, but often the underlying firms the portfolio invests in tend to reinvest profits for future growth rather than pay large dividends. As a result, the income paid by growth funds is likely to be at a relatively low level. We would expect income to grow over time as the capital value grows but income may be unstable from year to year.

Other strategies may focus on maximising income. They will typically pay income at a much higher level. However, the level of income may not be stable from year to year as market conditions change. These funds can sometimes pursue investments that pay substantial dividends at the cost of insufficient reinvestment in the future of the underlying businesses. Dividends may then be unreliable and be cut. Some funds even use derivatives known as call options to generate additional income by giving up part of the potential upside of their assets in return for an option premium. This can generate additional income but limits the potential for capital growth. Pursuit of higher income may therefore come at the expense of capital growth and stability.

The Managed Income approach seeks to strike a balance between these two extremes, delivering an income that is reasonably stable and growing, while providing scope for capital appreciation over the medium to long term. While this could, in theory, be achieved with a single asset class, the approach works best when delivered through an actively managed multi-asset portfolio. This offers the benefits of diversification and tactical asset allocation in response to yield changes across different asset classes.

## AN ACTIVE MULTI-ASSET APPROACH FOR MANAGED INCOME

Different asset classes tend to have different income and growth characteristics. For example, we might expect fixed income securities to offer a higher income yield than equities, while the latter is more likely to deliver capital growth over the medium to long term. By combining different asset classes, we can seek to generate income while also delivering capital growth. The following example shows how this might work in practice.

### FIGURE 4: COMBINING ASSET CLASSES TO BALANCE INCOME AND GROWTH

| Asset class | Income yield | Asset allocation | Income contribution | % of total income |
|---|---|---|---|---|
| EQUITIES | 3.6% | 54% | 1.9% | 39% |
| BONDS | 5.4% | 22% | 1.2% | 24% |
| ALTERNATIVES | 8.3% | 21% | 1.7% | 35% |
| CASH | 4.4% | 3% | 0.1% | 3% |
| | | Overall gross yield | 5.0% | |

Source: BNY Investments. This is a hypothetical example provided for illustrative purposes only. Columns may not add due to rounding.

The example shows that each of the asset classes has a different income yield. Alternative assets and bonds are generating a higher yield than equities. By allocating capital across these asset classes, each contributes to the overall income yield of the portfolio. For example, the 54% of the portfolio invested in equities contributes 1.9% to the overall gross portfolio yield of 5%.

But when we look at the contribution each asset class makes to the overall income, we see this is different from its weight in the portfolio. The higher yielding alternative assets make up just 21% of the portfolio but generate over a third of the income.

Similarly, the bonds account for 22% of the assets but generate 24% of the income. By allocating to higher yielding asset classes, we can use these to generate the bulk of the income while freeing up capital to invest in growth-oriented assets like equities. This approach helps balance income generation with long-term growth potential, while active management ensures the portfolio can adapt as market conditions change.

## By combining different asset classes, we can seek to generate income while also delivering capital growth.

Of course, income yields can and do change over time. For the 10 years from 2012, the income yields on global corporate bonds were broadly the same as that on global equities. Since 2022, fixed income has tended to offer higher yields than equities, reversing the pattern seen over much of the previous decade. Using an active multi-asset investment approach allows us to adjust the portfolio weightings to ensure we maintain the right balance between income generation and capital growth. Within asset classes, an active approach also helps, allowing us to make sure we choose assets that contribute to each, or both, of our income and growth objectives.

It is also helpful for this multi-asset approach to be managed as a single portfolio of directly held securities. Using a fund of funds approach, particularly one where the underlying funds are not managed by the same entity, makes it difficult for the portfolio manager to have sufficient visibility, flexibility, and control of income. For example, an investment in a specific company might alter between buying the company's shares or its debt as the prices of each change differently across the cycle. This can be managed in a directly held portfolio but could be missed in one where equities and bonds are managed separately.

## DELIVERING PREDICTABLE INCOME

While working, clients will likely have been used to receiving a regular monthly salary with a more variable annual bonus. The monthly salary is typically used to meet day-to-day expenditure with bonus payments used to fund discretionary spending such as holidays or one-off purchases. Why shouldn't clients be able to enjoy this same pattern of income in their life beyond work?

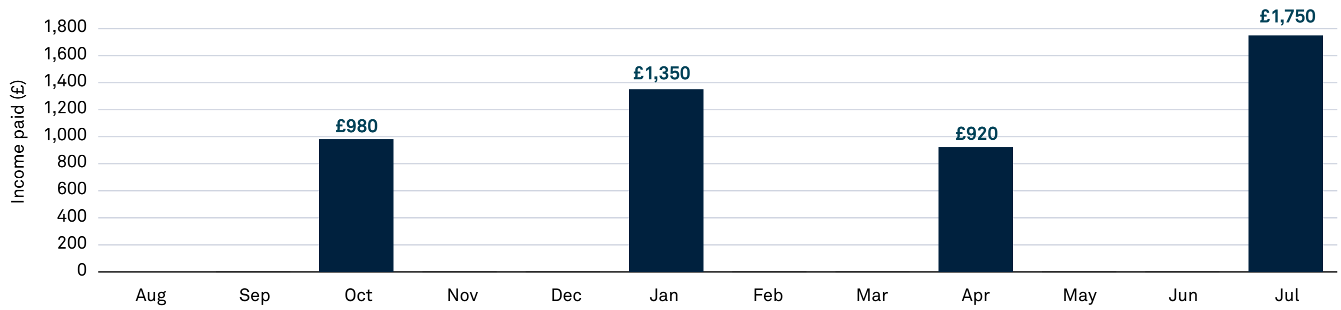
The first obstacle to this is that the income share classes of many funds don't distribute income monthly, with most distributing half-yearly or quarterly at best. The second is that income distributions during a fund year tend to be irregular. We know when the income payment will be made but not how much it will be. This is not only at odds with the objective of providing the client with a regular monthly income but also complicates planning and adviser administration.

Under HM Treasury regulations, all income earned during a fund's accounting year must be distributed (less any taxes and expenses). As a result, most funds will distribute income as it arises leading to an irregular income pattern during the year as shown in the chart below.

For a client wanting to use natural income to provide for their retirement, this irregular pattern introduces complexity for the adviser. It may make it difficult to set up automatic regular withdrawals from tax wrappers if we are not certain what income will be paid.

Withdrawals will either be done manually or, if automated, may need to be set at a lower level to reduce the risk that they exceed the cash available. At best, we may have excess cash sitting on the tax wrapper cash account to ensure future withdrawals can be met.

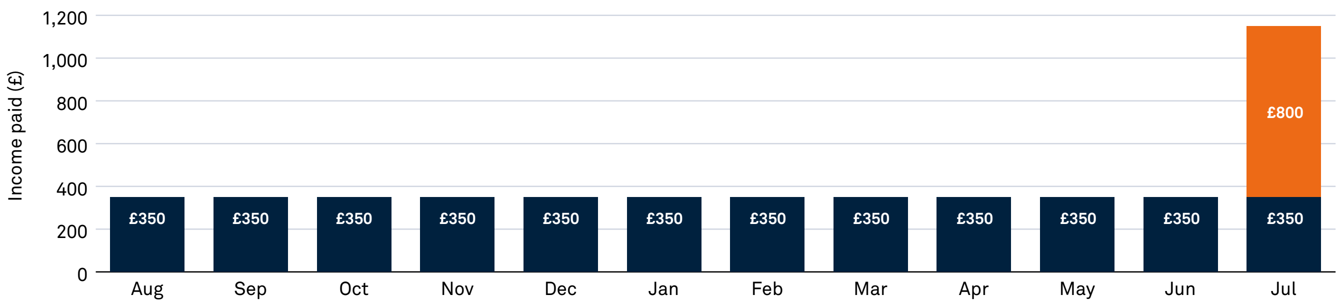
**FIGURE 5: EXAMPLE DISTRIBUTION PROFILE OF £5,000 ANNUAL INCOME[1]**




Source: BNY Investments. This is a hypothetical example provided for illustrative purposes only. [1]Assumes £100,000 in a fund paying 5% per annum.

While rules require all income to be distributed during a fund's accounting year, they do not stipulate how that income is paid other than a requirement that the fund does not overdistribute. That is, pay more income than it has earned or is expecting to earn. This allows income distributions to be restructured in a way that is more useful for the client and easier to administer for the adviser as shown below.

**FIGURE 6: INCOME OF £5,000 STRUCTURED TO PROVIDE A REGULAR "SALARY" AND AN ANNUAL "BONUS"[1]**




Source: BNY Investments. This is a hypothetical example provided for illustrative purposes only. [1]Assumes £100,000 in a fund paying 5% per annum.

Here, the fund pays a constant regular monthly income of £350 with an additional balancing payment of £800 at the year end. This approach gives the client their income in a way that they will recognise – as a regular monthly income with variable annual bonus – and simplifies administration for the adviser.

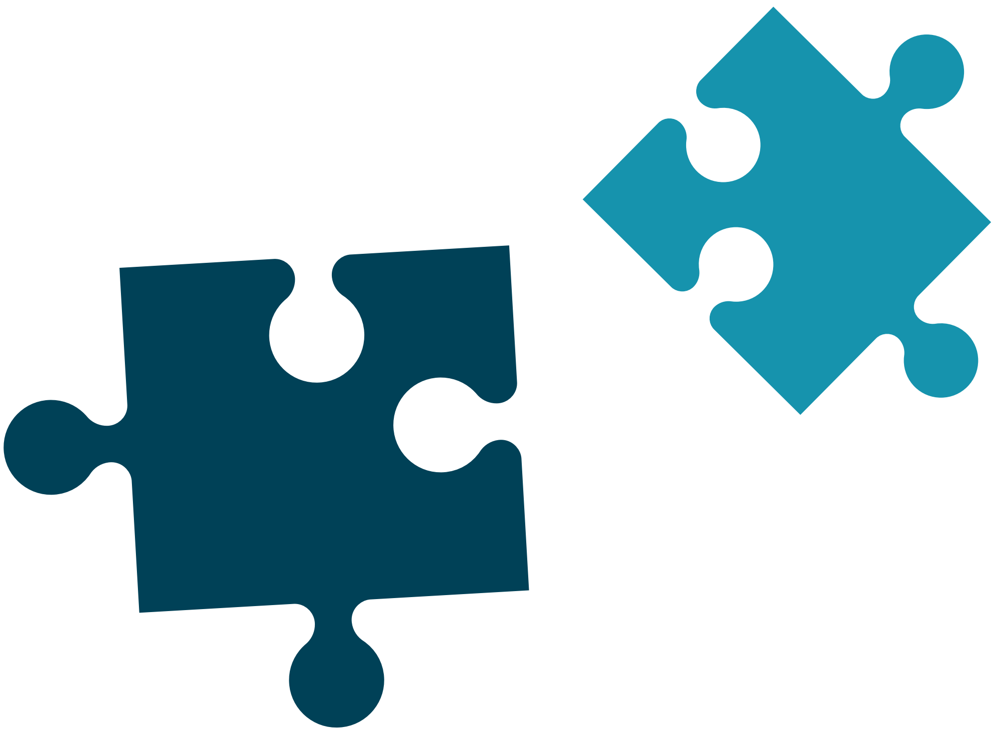
Knowing what income the fund will be generating each month allows withdrawals from tax wrappers to be set at that level knowing the income will be available to fund those withdrawals.

Stable payments from month to month are a great way to give confidence. However, they also need to progress steadily from one year to the next. To do this takes long-term management of income and raises the contrast between portfolio yield versus income paid.

## PORTFOLIO YIELD VERSUS INCOME PAID

The quoted yield on a portfolio is an indication of the income that might be generated in the coming year for an investment that is made today. For example, a 4% yield on £100,000 might be expected to deliver roughly £4,000 in total. It is typically based on the historic dividends and coupons on the securities currently held in the fund. However, as stock prices vary, the fund manager alters holdings and stock dividends change, so the portfolio yield alters.

Once invested however, portfolio yield is of little relevance to a client. What they are interested in is what they receive by way of income in cash terms. Namely, the pence-per-share dividend that gets paid regularly on their fund holding. It is the stability and growth of these pence-per-share payments that give clients confidence in the sustainability of income and visibility of what they might expect to receive in future. The Managed Income approach focuses on delivering this rather than simply focusing on portfolio yield.



# UNDERSTANDING THE RISKS OF THE MANAGED INCOME APPROACH

Like any other investment approach, delivering Managed Income carries some risk. It is subject to market risk and so results cannot be guaranteed.

In particular, the ability of the approach to grow total income from year-to-year depends on there being attractively priced securities that can generate that income. The use of a variable balancing payment does provide some scope to increase regular income payments even if total portfolio income is challenged. However, events such as a sudden shock to yields similar to that seen in March 2020 may make it difficult to grow or even maintain income.

Performance of Managed Income approaches can and has been very different from portfolios with a similar asset allocation. For example, the focus on generating income will tend to result in equity holdings being weighted very differently from the market index. In addition, the asset allocation of the approach can vary significantly through economic and market cycles. This may result in a change of the risk rating of the approach which is generally determined by reference to potential capital volatility rather than the stability and sustainability of income.

# USING MANAGED INCOME IN PRACTICE

## THE BNY MELLON MULTI-ASSET INCOME FUND

Following the announcement of pension freedom and choice by the then Chancellor George Osborne in March 2014, BNY Investments and its investment affiliate Newton Investment Management set about designing a fund that would allow clients to maintain control of their capital while paying a regular income. This resulted in the launch of the BNY Mellon Multi-Asset Income Fund (MAIF) on 4 February 2015.

MAIF follows a Managed Income approach as described above. It is actively managed and directly invested giving the Newton investment team full flexibility in choosing assets to achieve the Fund's income and growth objectives. It can, and has, varied asset allocation as we have progressed through a variety of market conditions, including the low-interest rate era, the shock of the Covid pandemic, and the high inflation and rising interest rate environment that followed.

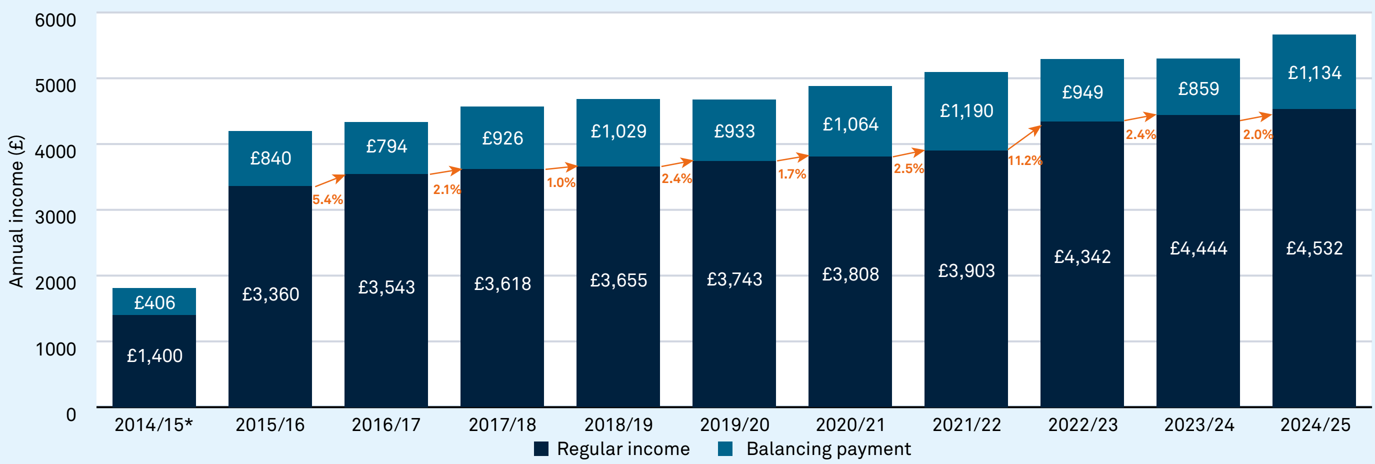
The Fund's accounting year runs from 1 July to 30 June and it pays monthly distributions. Distributions are declared at the end of each month and paid at the end of the following month. These consist of 12 equal monthly payments with the final payment of the fund year, made at the end of July, including a balancing payment of the remaining distributable income for that accounting year.

The remainder of this paper looks at how a Managed Income approach can be used in practice, drawing on the experience of MAIF over the past decade.

## A DECADE OF GROWING INCOME

The Managed Income approach is particularly useful where a client is looking to generate income while continuing to maintain and grow their capital. Since its launch, the "salary" element of distributions has grown, as shown in Figure 7 which assumes an initial investment of £100,000 at the Fund's launch in February 2015. Historically, the Fund has increased its regular payments in every year since its inception helping to mitigate the effects of inflation and maintain the client's standard of living.

**FIGURE 7: BNY MELLON MULTI-ASSET INCOME FUND INCOME FROM £100,000 INVESTED AT INCEPTION ON 4 FEBRUARY 2015**




*The Fund was launched on 4 February 2015 so the income for 2014/15 represents only 5 months of payments.

**The fund can invest more than 35% of net assets in different Transferable Securities and Money Market Instruments issued or guaranteed by any EEA State, its local authorities, a third country or public international bodies of which one or more EEA States are members.**

Source: BNY Investments. For illustrative purposes only. Income paid on an initial investment of £100,000 in the BNY Mellon Multi-Asset Income Fund Institutional W Income share class at inception on 4 February 2015 for 12-month periods ending on 30 June of each year shown. Income split between regular monthly payments and balancing payments paid at end of fund year. All figures are in GBP terms. The impact of an initial charge (currently not applied) can be material on the performance of your investment. Further information is available upon request. This is for illustrative purposes only and does not take into account effects of inflation or other factors that may have a negative impact on an investment.

On top of this, clients have received a balancing payment at the end of each fund year, akin to the bonus they may have received when working. This has been more variable, just as bonuses at work vary from year to year. However, bar a decline of around 0.2% in the 12 months to 30 June 2020, which included the market shock from Covid, we have been able to grow the total income paid to the client in each fund year since inception.

While we do not, and cannot, guarantee to increase total income every year, this record has been achieved through a range of market and economic environments – from the low-interest rate environment of the late 2010s, through the Covid pandemic market fall, to the inflation spike and increasing interest rate environment we saw in 2022 to 2024. By balancing the objectives of income and capital growth, the Fund has historically achieved growing income while increasing the capital value of the original investment over the medium term. We set the regular monthly income rate to be consistent with the overall income we expect to be able to generate during the fund year and with a motive to broadly keep pace with inflation. Again, we do not guarantee this can always be achieved, but because the final payment is variable, we do have some latitude to grow the regular income even if this comes at the cost of a lower final bonus payment.

By balancing the objectives of income and capital growth, the Fund has historically achieved growing income while increasing the capital value of the original investment over the medium term.

## USING MANAGED INCOME IN RETIREMENT

The construction of the Fund's income as 12 monthly payments with a final balancing payment is not only useful for clients wanting a regular income, but it also provides transparency and simplicity in planning.

The table below shows the regular monthly income payments and annual bonus payments per share for each of the fund accounting years since inception.

**FIGURE 8: BNY MELLON MULTI-ASSET INCOME FUND PAYMENTS BY FUND ACCOUNTING YEAR**

| Year (12 months ending 31 July) | Monthly income payment (£ per share) | Balancing payment (£ per share) | Total income paid (£ per share) | Balancing payment as % of monthly income |
|---|---|---|---|---|
| 2015* | 0.002799999 | 0.004063934 | 0.020863928 | 145% |
| 2016 | 0.002800000 | 0.008403031 | 0.042003031 | 300% |
| 2017 | 0.002952400 | 0.007940297 | 0.043369097 | 269% |
| 2018 | 0.003015387 | 0.009256087 | 0.045440731 | 307% |
| 2019 | 0.003045920 | 0.010294152 | 0.046845192 | 338% |
| 2020 | 0.003118861 | 0.009331190 | 0.046757522 | 299% |
| 2021 | 0.003173426 | 0.010644914 | 0.048726026 | 335% |
| 2022 | 0.003252762 | 0.011895539 | 0.050928683 | 366% |
| 2023 | 0.003618022 | 0.009490368 | 0.052906632 | 262% |
| 2024 | 0.003703314 | 0.008593745 | 0.053033513 | 232% |
| 2025 | 0.003776806 | 0.011340020 | 0.056661692 | 300% |
| 2026 | 0.003913056 | N/A | N/A | N/A |

Source: BNY Investments. Monthly income paid per share in the BNY Mellon Multi-Asset Income Fund Institutional W Income share class. Balancing payment is paid in addition to the final month's income payment in each fund accounting year. The Fund's accounting year runs from 1 July to 30 June. Distributions are declared at the end of each month and paid at the end of the following month. All figures are in GBP terms.

Because we know the expected monthly income per share, we can quickly solve the main questions that might be asked by clients.

## CASE STUDY 1: HOW MUCH INCOME MIGHT I RECEIVE?

Jenny had £200,000 in her flexible drawdown account from which she wanted to generate an income from 1 October 2021. How much income might she receive?

The price of the Fund's income share class on 1 October 2021 was £1.2203.

$$\text{Number of shares purchased} = \frac{\text{Amount invested}}{\text{Share price}} = \frac{200000}{1.2203} = 163{,}894$$

$$\begin{aligned}\text{Regular monthy income} &= \text{Number of shares} * \text{Monthly income per share}\\ &= 163894 * 0.003252762 = £533\end{aligned}$$

Jenny would have received this amount each month from the end of November 2021 and received an additional "bonus" payment of £1,950 at the end of July 2022. She would then have seen her income rise to £593 a month from the payment at the end of August 2022, an increase of 11.2%.

## CASE STUDY 2: HOW MUCH DO I NEED TO INVEST?

Brian retired on 1 December 2022 and was looking for a regular monthly income of £2,000 from his ISA investments. How much would he need to invest in MAIF to achieve this?

The price of the Fund's income share class on 1 December 2022 was £1.2344.

$$\text{Number of shares} = \frac{\text{Required monthly income}}{\text{Monthly income per share}} = \frac{2000}{0.003618022} = 552{,}788$$

$$\begin{aligned}\text{Required investment} &= \text{Number of shares} * \text{share price}\\ &= 552{,}788 * £1.2344 = £682{,}362\end{aligned}$$

Brian would have generated the required £2,000 per month from the end of January 2023 and received an additional "bonus" payment of £5,246 at the end of July 2023. He would then have seen his income rise to just over £2,047 a month from the payment at the end of August 2023, an increase of 2.4%.

## CASE STUDY 3: HOW MUCH INCOME AM I EARNING?

Sally invested £150,000 in the income share class of MAIF on 1 February 2017 which bought her 138,007 shares. Having just received her annual "bonus" at the end of July 2024 she wants to know what her future monthly income will be. The revised level of income is declared at the end of July each year and so we can calculate the revised income, payable from August 2024, as follows.

$$\begin{aligned}\text{Regular monthly income} &= \text{Number of shares} * \text{Monthly income per share}\\ &= 138{,}007 * 0.003776806 = £521\end{aligned}$$

Her monthly income has increased by nearly 28% since she first invested and her original investment of £150,000 would have grown to £171,101 by 1 August 2024.

## USING MANAGED INCOME BEFORE RETIREMENT

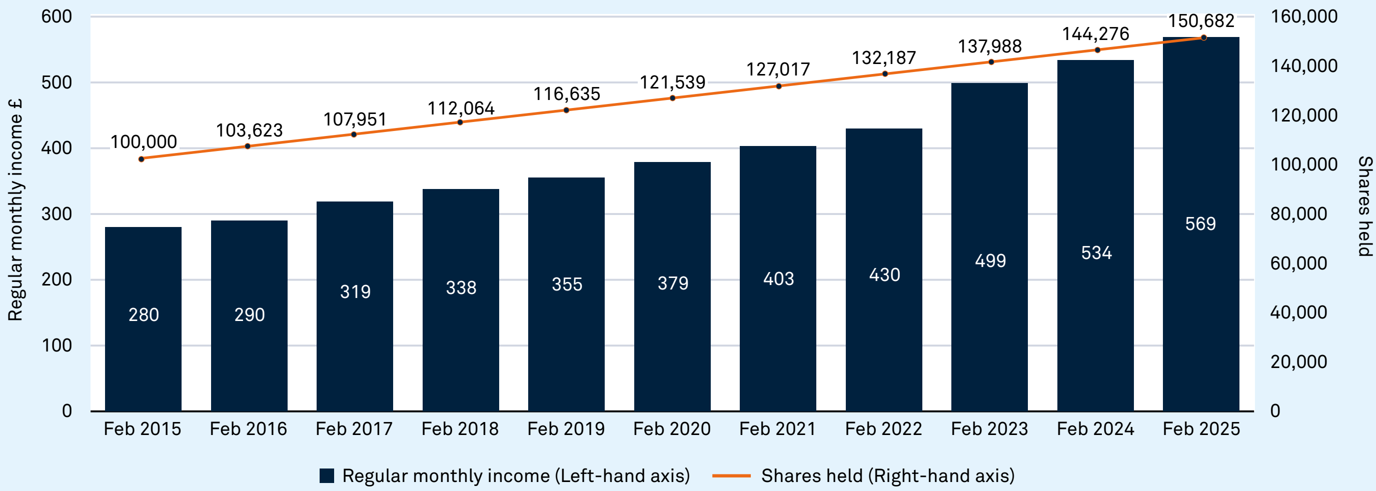
Of course, the Managed Income approach can be useful at any time of life where a client is looking to generate a predictable income stream from investments. But it can also be useful when there is no immediate need for income, particularly in the run up to retirement. By reinvesting the income paid, clients can not only grow their holding in the Fund, and so the overall capital value, but also the income being paid. Having visibility of the income being generated can help with future retirement planning by building familiarity with the level and progression of sustainable income the client's investment can potentially deliver.

Consider a client who invested £100,000 in MAIF at inception on 4 February 2015. This would have bought them 100,000 shares in the Fund generating a regular monthly income of £280. If this income was reinvested in the Fund the day after payment date to buy additional shares, the following month's income would be slightly higher. These additional shares would themselves generate income which is reinvested to buy more shares and so on. Over time, this reinvestment of income has a profound effect on both the income generated and the capital value of the investment as shown in Figure 9.

The compounding effect of reinvesting income is further boosted by the level of regular income per share increasing each year as we showed in Figure 7. By 4 February 2025, 10 years after the initial investment was made, the client's holding in MAIF would be generating a regular monthly income of £569, double that when the investment was first made. Moreover, the client would now hold 150,682 shares in the fund which would have been worth £184,104 at 4 February 2025.

Throughout this period, the level of monthly income will have been visible to the client and, at any point during the period, the income reinvestment could be switched off and the client could start taking the income as a regular monthly payment with, of course, the additional "bonus" payment in July each year. We believe this visibility of income can be useful for advisers as they help clients prepare for retirement. In addition, if income reinvestment is administratively complex the same outcome can be achieved using the accumulation share class while observing the annual income that would be generated by conversion to the income share class.

**FIGURE 9: REINVESTING INCOME COMPOUNDS UNDERLYING INCOME GROWTH**

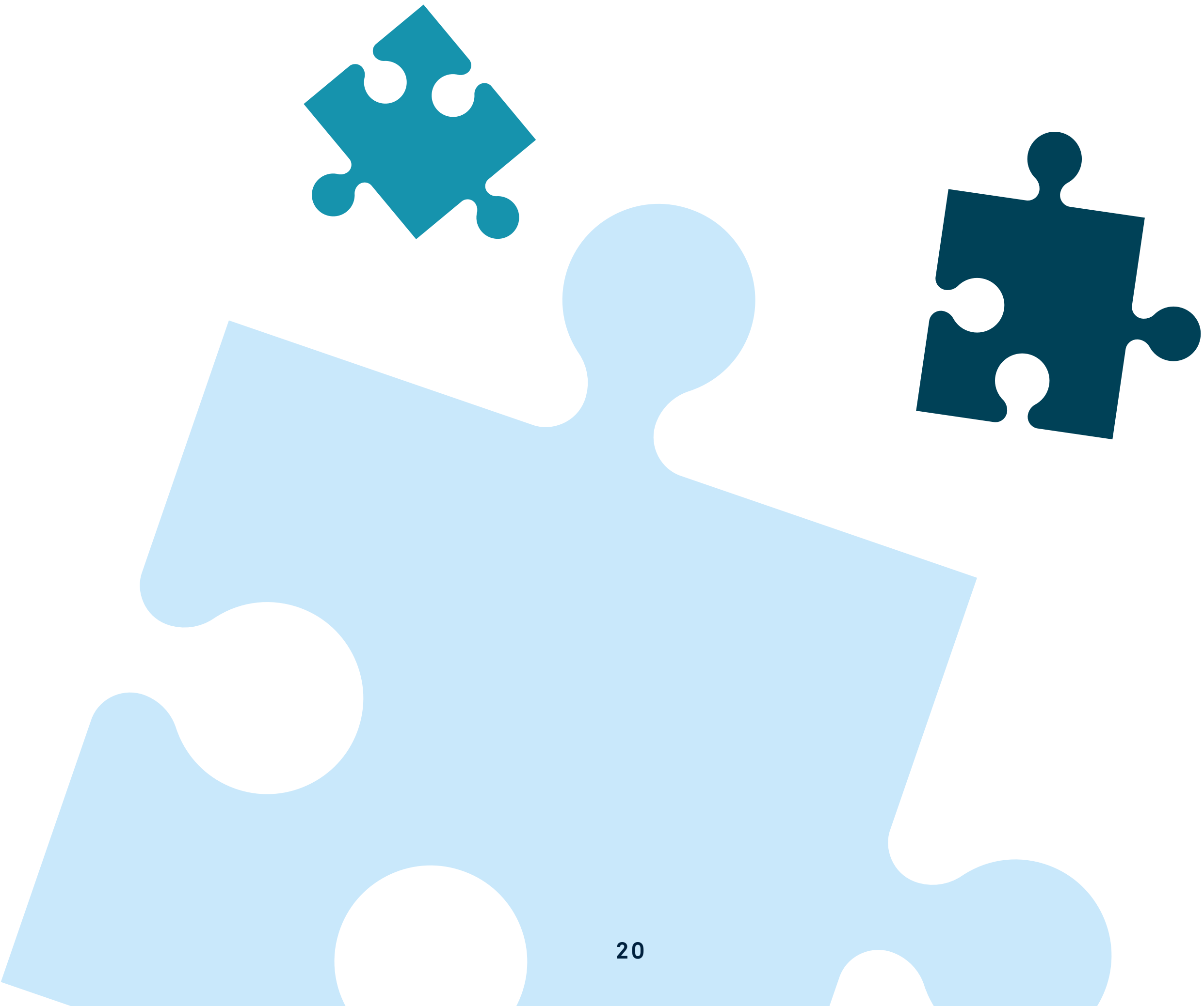



Source: BNY Investments. Income paid on an initial investment of £100,000 in the BNY Mellon Multi-Asset Income Fund Institutional W Income share class at inception on 4 February 2015 for 12-month periods ending on 30 June of each year shown. Income reinvested on day after payment date. All figures are in GBP terms. The impact of an initial charge (currently not applied) can be material on the performance of your investment. Further information is available upon request. This is for illustrative purposes only and does not take into account effects of inflation or other factors that may have a negative impact on an investment.

# IS IT TIME FOR YOU TO CONSIDER MANAGED INCOME?

Managed Income has several benefits where clients are looking for income in retirement. It can offer an investment approach that is more directly aligned with a client's objectives and may allow them to have more of their assets invested and under advice. The structured income approach means that clients can receive a stable monthly income through the year which simplifies planning and administration for advisers.

With over a decade of experience in delivering Managed Income for clients through some extreme economic and market cycles, BNY Investments has a proven track record of meeting clients' objectives. In an environment of increased political, economic and regulatory uncertainty, might your clients benefit from our tried and tested approach?



**PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE.**

**THE VALUE OF INVESTMENTS CAN FALL. INVESTORS MAY NOT GET BACK THE AMOUNT INVESTED. INCOME FROM INVESTMENTS MAY VARY AND IS NOT GUARANTEED.**

**BNY MELLON MULTI-ASSET INCOME FUND**

## INVESTMENT OBJECTIVE

The Fund aims to achieve income together with the potential for capital growth over the long term (5 years or more).

## PERFORMANCE BENCHMARK

The Fund will measure its performance against a composite index, comprising 60% MSCI AC World NR Index and 40% ICE Bank of America Global Broad Market GBP Hedged TR Index, as a comparator benchmark (the "Benchmark"). The Fund will use the Benchmark as an appropriate comparator because the Investment Manager utilises this index when measuring the Fund's income yield.

The Fund is actively managed, which means the Investment Manager has absolute discretion to invest outside the Benchmark subject to the investment objective and policies disclosed in the Prospectus. While the Fund's holdings may include constituents of the Benchmark, the selection of investments and their weightings in the portfolio are not influenced by the Benchmark. The investment strategy does not restrict the extent to which the Investment Manager may deviate from the Benchmark.

**The fund can invest more than 35% of net assets in different Transferable Securities and Money Market Instruments issued or guaranteed by any EEA State, its local authorities, a third country or public international bodies of which one or more EEA States are members.**

**PERFORMANCE – 12-MONTH RETURNS (%)**

| Period | Jun 2020 to Jun 2021 | Jun 2021 to Jun 2022 | Jun 2022 to Jun 2023 | Jun 2023 to Jun 2024 | Jun 2024 to Jun 2025 |
|---|---|---|---|---|---|
| Fund | 20.59 | 2.95 | 3.31 | 7.56 | 7.05 |
| Benchmark | 14.14 | -6.46 | 5.88 | 13.05 | 6.65 |

**CALENDAR PERFORMANCE (%)**

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Fund | 4.07 | 11.53 | 0.63 | 3.30 | 4.54 |
| Performance Benchmark | 10.53 | 10.73 | -10.21 | 11.39 | 12.44 |

Source: Lipper as at 30 June 2025. Fund performance Institutional Shares W (Accumulation) calculated as total return, including reinvested income net of applicable UK tax and charges, based on net asset value. All figures are in GBP terms.

## KEY RISKS ASSOCIATED WITH THIS FUND

**Objective/Performance Risk:** There is no guarantee that the Fund will achieve its objectives.

**Performance Aim Risk:** The performance aim is not a guarantee, may not be achieved and a capital loss may occur. Funds which have a higher performance aim generally take more risk to achieve this and so have a greater potential for returns to vary significantly.

**Derivatives Risk:** Derivatives are highly sensitive to changes in the value of the asset from which their value is derived. A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. This can increase the sizes of losses and gains, causing the value of your investment to fluctuate. When using derivatives, the Fund can lose significantly more than the amount it has invested in derivatives.

**Changes in Interest Rates & Inflation Risk:** Investments in bonds/ money market securities are affected by interest rates and inflation trends which may negatively affect the value of the Fund.

**Credit Risk:** The issuer of a security held by the Fund may not pay income or repay capital to the Fund when due.

**Counterparty Risk:** The insolvency of any institutions providing services such as custody of assets or acting as a counterparty to derivatives or other contractual arrangements, may expose the Fund to financial loss.

**Currency Risk:** This Fund invests in international markets which means it is exposed to changes in currency rates which could affect the value of the Fund.

**Credit Ratings and Unrated Securities Risk:** Bonds with a low credit rating or unrated bonds have a greater risk of default. These investments may negatively affect the value of the Fund.

**Emerging Markets Risk:** Emerging Markets have additional risks due to less-developed market practices.

**Charges to Capital:** The Fund takes its charges from the capital of the Fund. Investors should be aware that this has the effect of lowering the capital value of your investment and limiting the potential for future capital growth. On redemption, you may not receive back the full amount you initially invested.

**Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect ("Stock Connect") Risk:** The Fund may invest in China A shares through Stock Connect programmes. These may be subject to regulatory changes and quota limitations. An operational constraint such as a suspension in trading could negatively affect the Fund's ability to achieve its investment objective.

**China Interbank Bond Market and Bond Connect Risk:** The Fund may invest in China interbank bond market through connection between the related Mainland and Hong Kong financial infrastructure institutions. These may be subject to regulatory changes, settlement risk and quota limitations. An operational constraint such as a suspension in trading could negatively affect the Fund's ability to achieve its investment objective.

**CoCo's Risk:** Contingent Convertible Securities (CoCo's) convert from debt to equity when the issuer's capital drops below a pre-defined level. This may result in the security converting into equities at a discounted share price, the value of the security being written down, temporarily or permanently, and/or coupon payments ceasing or being deferred.

**Investment in Infrastructure Companies Risk:** The value of investments in Infrastructure Companies may be negatively impacted by changes in the regulatory, economic or political environment in which they operate.

**High Yield companies Risk:** Companies with high-dividend rates are at a greater risk of not being able to meet these payments and are more sensitive to interest rate risk.

**A complete description of risk factors is set out in the Prospectus in the section entitled "Risk Factors".**