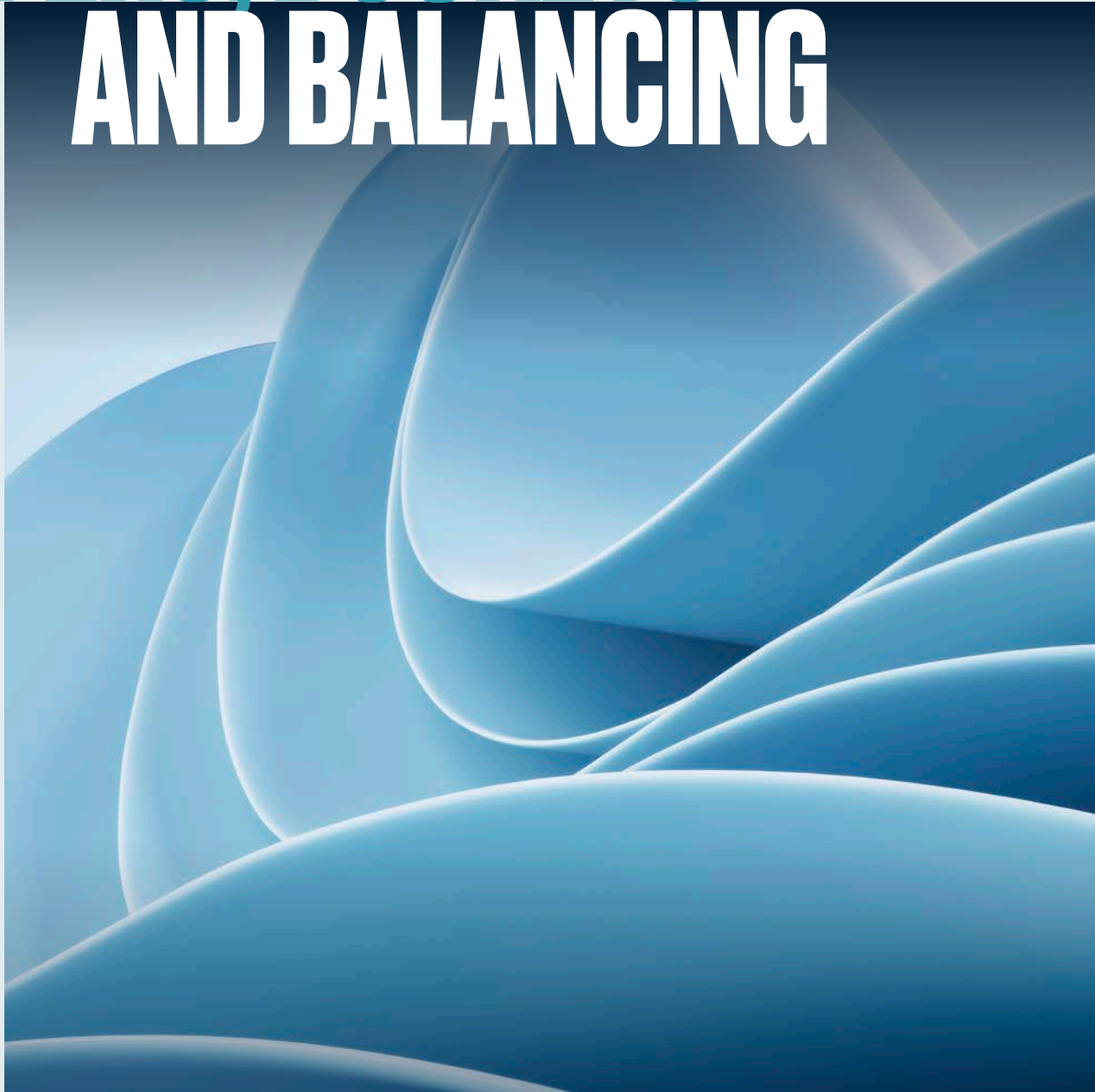


# **BUFFERS, BUCKETS AND BALANCING**

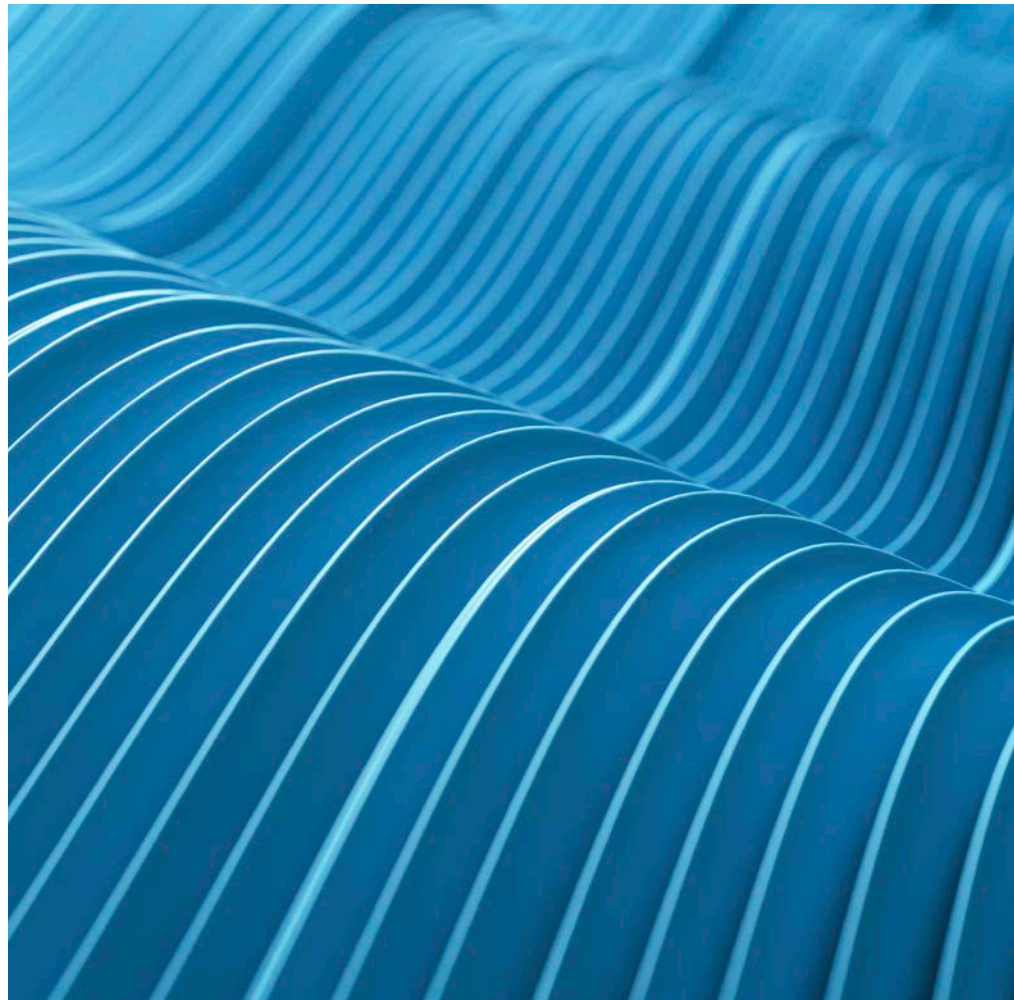




# Structuring investments to support UK retirement income goals

## KEY TAKEAWAYS

1. When generating income through selling assets, sequence of returns risk is a key consideration.
2. While volatility and downside risk are important, we also need to consider “bouncebackability” – how quickly a portfolio can recover after a market fall.
3. Cash buffers and bucketing strategies provide clients with confidence to draw income through times of market stress but can detract from positive investment outcomes.
4. Combining multi-asset investments with more flexible rebalancing rules can help improve investment outcomes while retaining the behavioural benefits of cash buffers and bucketing.



# Introduction: Navigating a sea of uncertainty

The goal of converting a client's retirement savings into a sustainable lifetime income may be simple to articulate but can be fiendishly difficult to achieve. Buying an annuity may be a relatively simple solution for some but many clients will want to retain the flexibility and access to capital that an invested solution can provide.

Investing for retirement income requires us to understand and manage an array of unknowns. Clients may have some idea of the income they are likely to need, but this may change due to inflation or changes in circumstances. Investment markets and the economic environment are inherently uncertain, arguably more so than ever. Furthermore, tax and regulatory changes can have a profound effect on retirement planning. We do not even have certainty over how long we need to generate income for.

## **TO NAVIGATE THIS UNCERTAINTY, ADVISERS MUST GRAPPLE WITH TWO IMPORTANT SETS OF DECISIONS:**

- The withdrawal strategy – how much income is taken, when it is taken and where it is taken from
- How assets are invested to support this.

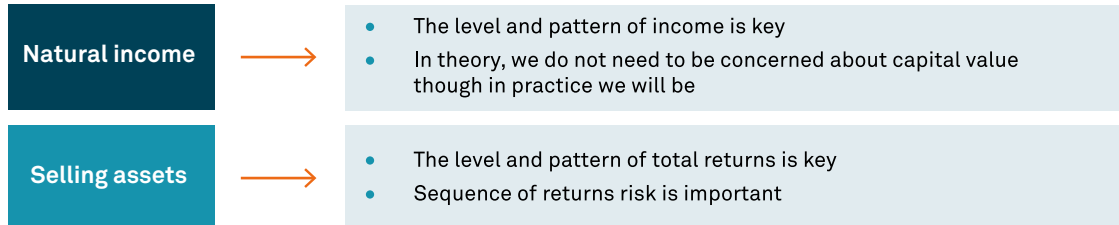
As we will see, these two aspects of retirement advice are closely connected, and their interaction can make or break successful retirement planning. They can interact in surprising ways. Sometimes our efforts to reduce risk to future income can actually reduce income sustainability.

In this paper, we will look at two common approaches to addressing these issues – the use of cash buffers and the use of bucketing strategies. These two approaches can provide clients with much needed peace of mind and confidence when investing for income, but they can also detract from good investment outcomes. We will examine the reasons for this and then suggest how we might adapt these approaches to capture the emotional and behavioural benefits they offer while reducing the potential of adverse investment results.

## Understanding sequence of returns risk

While investing for retirement income can be complex, it is important to remember that there are only two ways of generating income from a portfolio of investments. How we generate income determines what risks we face and how we need to manage them, as shown below.

**FIGURE 1: HOW WE GENERATE INCOME DETERMINES HOW WE MEASURE AND MANAGE RISK**



Source: BNY Investments.

A natural income approach is where the client’s income comes from the income paid by the underlying assets. You can read more about investing for retirement when using the natural income approach in our paper [Putting the pieces together: Using natural income in retirement](#). Our focus here is on the more often-used approach of selling assets to generate income. The returns we earn on those assets are, of course, important but so is the order in which those returns are earned. We refer to this as sequence of returns risk.

Put simply, sequence of returns risk in retirement is the risk that we earn poor returns, especially early in retirement, which reduce the capital value of savings, and this is further compounded by selling assets at depressed prices to fund income. In the worst case, this may result in capital being reduced to the point that future income payments become unsustainable, resulting in the client exhausting their capital earlier than expected or having to reduce future income to ensure that they do not.

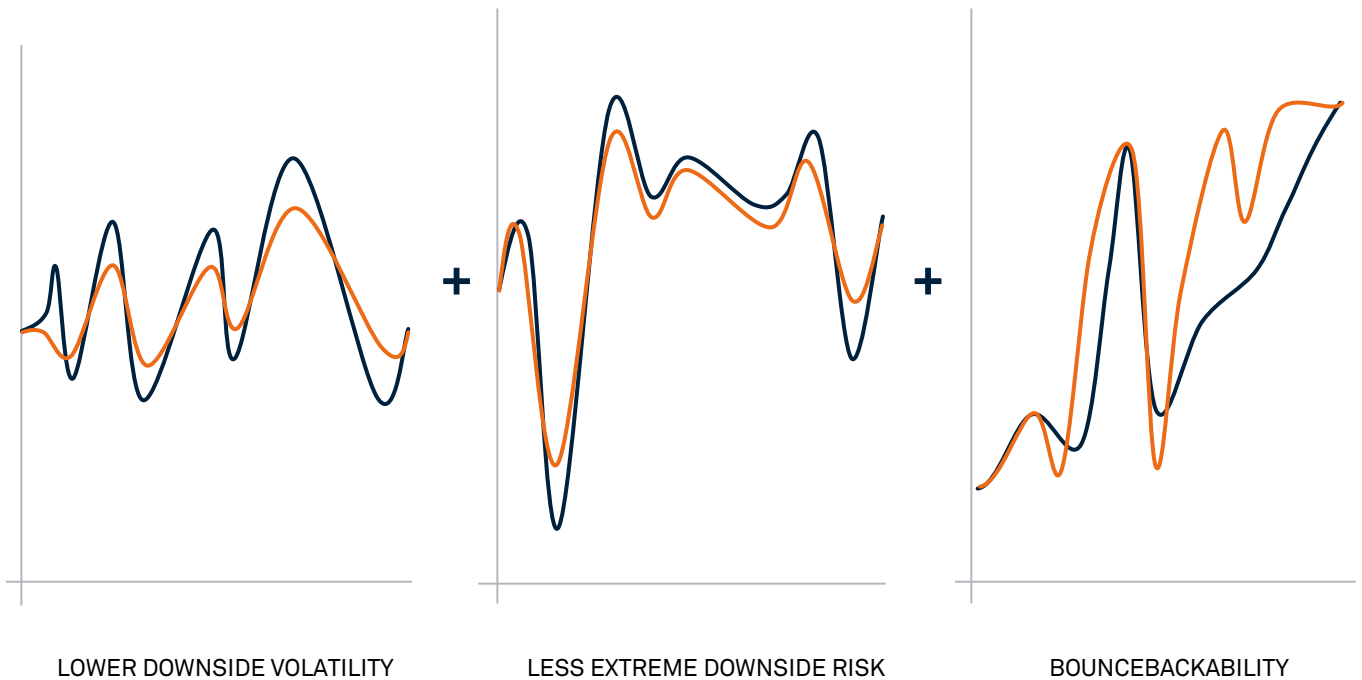
Sequence of returns risk, or sequencing risk for short, was a much-discussed topic when the subject of “pension freedoms” (i.e., freer access to pension savings) was first mooted in 2014. However, markets were generally benign over the next few years, and it became easy to imagine sequencing risk as a theoretical rather than a practical risk. However, we were sharply reminded of its existence in 2022, when equity and bond markets fell sharply while inflation spiked. Clients were suddenly faced with needing to take a higher income from a much-reduced pool of assets.

While 2022 was, by any measure, an unusual year, it did lead firms to consider if and how they might need to adapt their approach to retirement investment. Shortly afterwards, we got the results of the Financial Conduct Authority’s (FCA’s) thematic review which suggested firms needed to do just this. In particular, the regulator suggested firms need to consider risks to income and ensure that they factored this into investment selection for their retirement clients.

But how can we mitigate sequencing risk? We believe there are three characteristics we need to consider.

FIGURE 2: CHARACTERISTICS THAT HELP MITIGATE SEQUENCING RISK

— Orange line denotes more favourable return pattern



Source: BNY Investments. For illustration only.

The first two characteristics point to reducing how far assets might fall. If we can reduce the potential for losses and/or the size of these losses, then we will have to sell a smaller proportion of our total capital to generate income. This results in capital lasting longer.

However, we need to consider not just how far capital values fall, but how long they remain depressed. The longer it takes to recover from a market fall, the longer we spend selling assets at reduced prices to fund income, which will eat further into capital. Assets that have higher downside risk but have better “bouncebackability” – that is, they recover more quickly after a market fall – may be preferable to assets with less downside risk but which recover more slowly.

Building portfolios that capture all these characteristics is not easy. Simply reducing equity exposure to limit volatility and downside risk could be counterproductive as this is likely to reduce the potential for returns and our ability to match inflation over the medium to long term. Instead, we need to build strategies that can deliver the growth clients need while mitigating the risks of having to sell assets during times of market stress. This is the balancing act we are trying to achieve when using cash buffers and bucketing strategies.

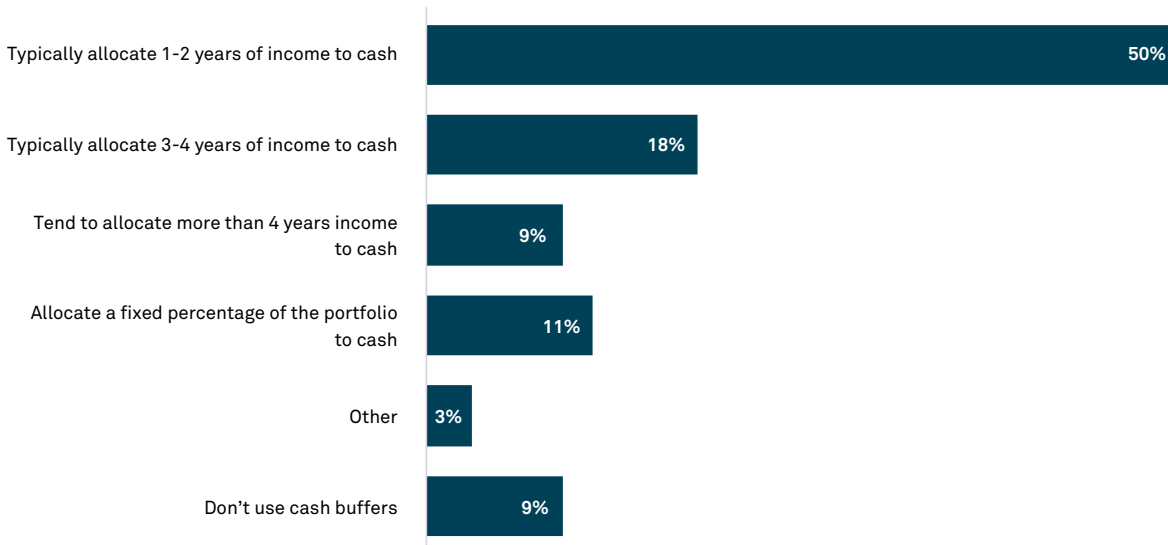
**“WE NEED TO CONSIDER NOT JUST HOW FAR CAPITAL VALUES FALL, BUT HOW LONG THEY REMAIN DEPRESSED.”**

## Buffers and buckets: Matching investments to income needs

Cash buffers, that is allocating part of the client’s portfolio to cash, are very widely used by advisers when investing for retirement income. Typically, the cash buffer is held in conjunction with a growth-oriented portfolio though it may be held alongside an income-generating strategy.

Recent research from BNY suggests that half of UK advisers use a cash buffer of one to two years of income, with only 9% of advisers not using them at all.

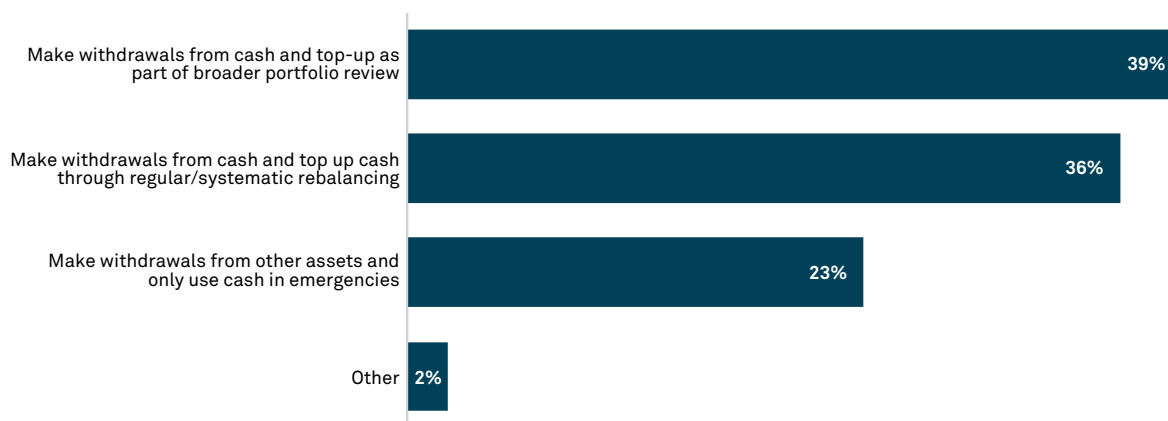
**FIGURE 3: USE OF CASH BUFFERS WHEN INVESTING FOR RETIREMENT INCOME**



Source: BNY Investments/NextWealth 2026. “When investing to support retirement income, to what extent do you use a cash buffer (i.e. allocating part of the portfolio to cash to support income payments)?” 2025 research N = 126 (advisers)

Typically, income is taken from the cash buffer and then the buffer is topped up by selling other investments either systematically or based on market conditions.

**FIGURE 4: HOW CASH BUFFERS ARE USED TO MANAGE CLIENT WITHDRAWALS**

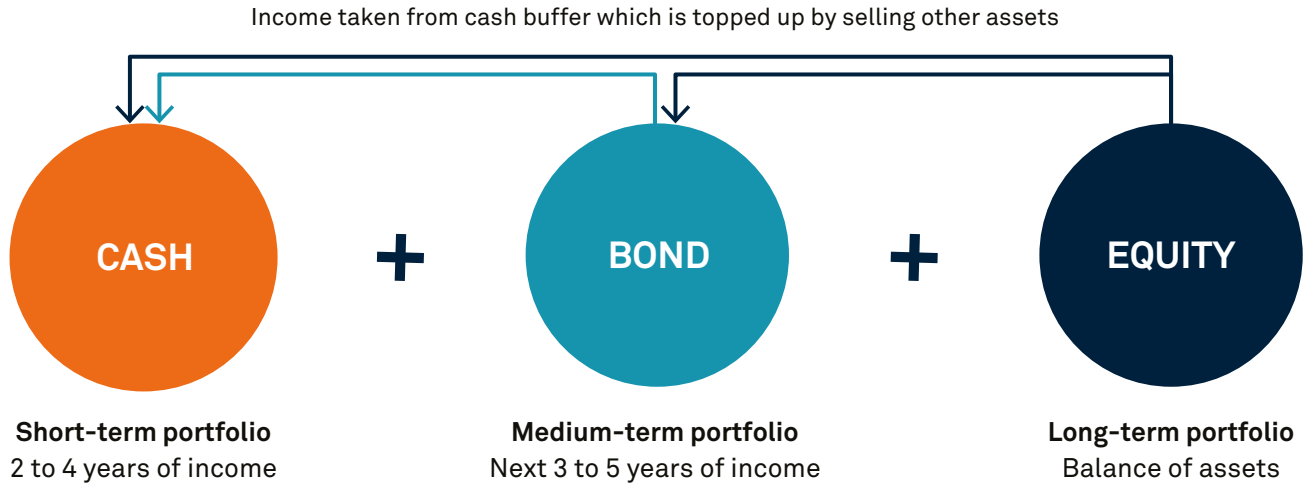


Source: BNY Investments/NextWealth 2026. “How do you use the cash buffer in managing client withdrawals?” 2025 research N = 126 (advisers)

The overall aim of cash buffers is to provide some protection against sequencing risk by allowing income withdrawals to be made without having to sell assets during times of market stress.

Bucketing strategies take this idea a step further by dividing the growth portfolio into two or more “buckets” alongside the cash buffer as shown in figure 5.

FIGURE 5: EXAMPLE OF A BUCKETING STRATEGY

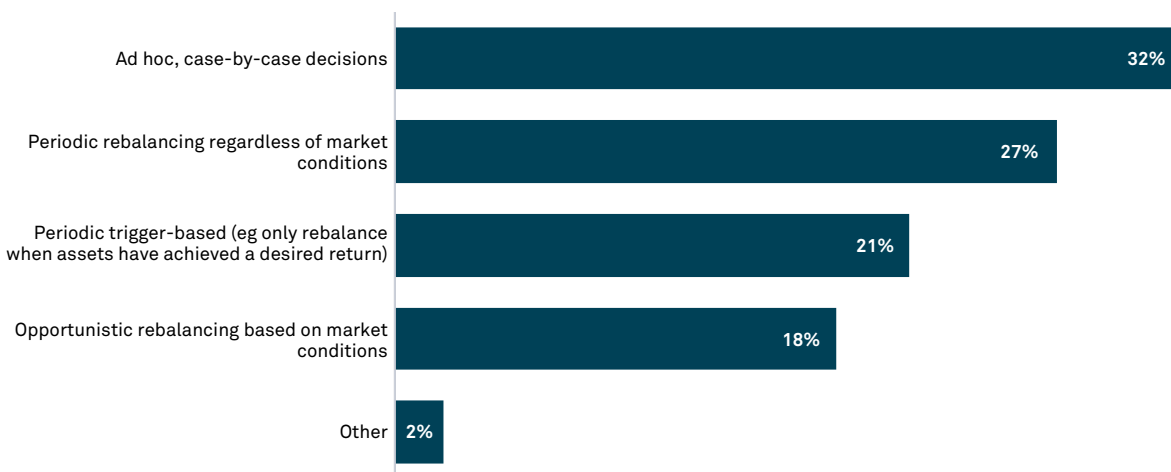


Source: BNY Investments. For illustration only.

Again, the aim is to match a client’s income requirements with investments of appropriate risk given when the income will be taken. Cash is used for income that will be needed in the near term. Bonds, or bond-oriented portfolios, will be used for income that is needed in the medium term. The expectation is that these assets will generate better returns than cash but can reasonably be relied upon to protect capital value over the medium term. Remaining assets are invested in more volatile assets with higher growth potential, to generate returns over the medium to long term.

Income is usually taken from the cash bucket which is then topped up by selling assets in the medium- and long-term portfolios. This topping up of cash may be done automatically, at the client’s annual review, or more frequently, or conditionally, depending on certain conditions such as a certain rate of return having been achieved or overall market conditions

FIGURE 6: APPROACH TO REBALANCING WHEN USING BUCKETING STRATEGIES

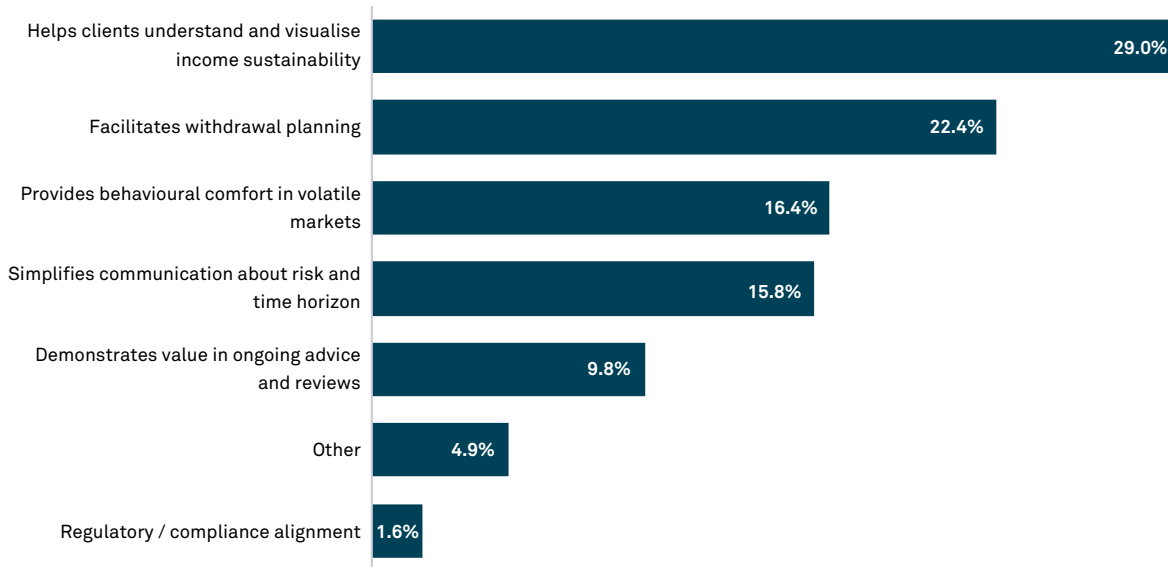


Source: BNY Investments/NextWealth 2026. “When using the ‘bucket’ approach how do you typically manage the process of rebalancing between buckets?” 2025 research N = 126 (advisers)

## Buffers and buckets: Supporting client confidence and understanding

The investment rationale for using cash buffers and bucketing strategies is to counter sequence of returns risk and match asset allocation to client income requirements. But there are some important benefits to be had in terms of giving clients confidence that they can continue to withdraw income in times of market stress and in supporting understanding, a key outcome of the FCA's Consumer Duty.

FIGURE 7: REASONS FOR ADVISERS TO PREFER BUCKETING STRATEGIES



Source: BNY Investments/NextWealth 2026. "What are the main reasons you prefer the bucketing approach?" 2025 research N = 126 (advisers)

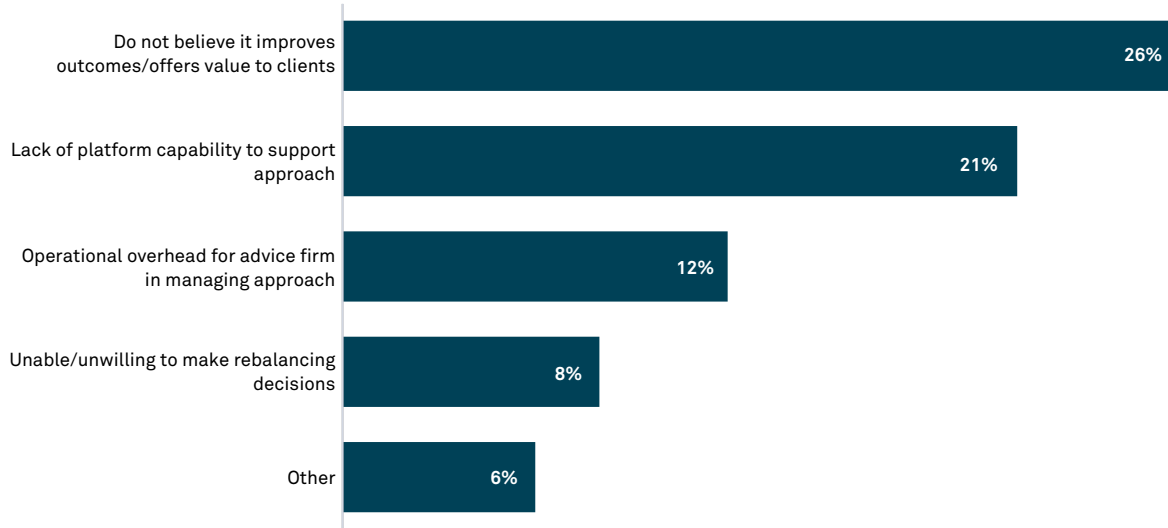
Client confidence in retirement planning is crucial. Much is made of the risk of clients running out of money in retirement, but evidence from around the world suggests that this concern prevents many people from getting to enjoy the retirement for which they have saved. Advisers clearly see benefit in using cash buffers and buckets to underpin this confidence and help clients maintain income through challenging market conditions.

**“CLIENT CONFIDENCE IN RETIREMENT PLANNING IS CRUCIAL.”**

## Buffers and buckets: Some practical challenges

From our discussion so far, it seems that cash buffers and bucketing strategies have a lot to offer clients in retirement. However, there are some barriers to the use of bucketing strategies in terms both their efficiency and their operation.

**FIGURE 8: REASONS WHY ADVISERS DO NOT USE BUCKETING STRATEGIES**



Source: BNY Investments/NextWealth 2026. "Are there any specific barriers preventing you from using a "bucket" approach to investment portfolio structure more frequently?" 2025 research N = 126 (advisers)

Maintaining separate buckets of assets is a challenging task for platforms and advisers, especially where income is being drawn from across multiple tax wrappers. But the main reason for not using a bucketing approach is that it does not improve outcomes for clients. Is this true?

Arguably, the use of buffers and buckets improves client confidence and may allow clients to get more comfortable with taking a level of investment risk that they need to support their retirement goals. However, it is the case that cash buffers and bucketing strategies can deliver worse outcomes than using a multi-asset portfolio with a comparable asset allocation due to how bucketing strategies are constructed and rebalanced.

So, the question we need to address is whether we can capture the emotional and behavioural benefits of using buffers and buckets while limiting the negative effect of these investment challenges. To answer this, we must first understand what these challenges are.



## Investment challenges: Cash drag

The first challenge comes from the effect of holding cash to meet short-term income payments. To illustrate the effect this has we consider how various investment and withdrawal strategies would have fared over the past 50 years.

### FOR THIS ANALYSIS WE ASSUME:

- £1 million initial investment
- 6% initial withdrawal increasing with inflation each year taken from cash buffer each month
- Assets divided between:
  - Cash buffer – 2 x current income
  - Growth portfolio consisting of:
    - 60% global equities and 40% UK bonds; or
    - 70% global equities and 30% UK bonds.
- Annual review of cash buffer when we either:
  - Automatic: Always top up cash buffer; or
  - Conditional: Only top up cash buffer if our growth portfolio has increased in value since the last time we rebalanced.

Using these assumptions, we modelled outcomes for the 300 rolling 25-year periods starting at the end of 1975 and ending at the end of 2025. Each period starts one month later than the previous one, creating 300 overlapping 25-year “retirement journeys”. This allows us to test outcomes across many different market environments, rather than relying on a single start date.

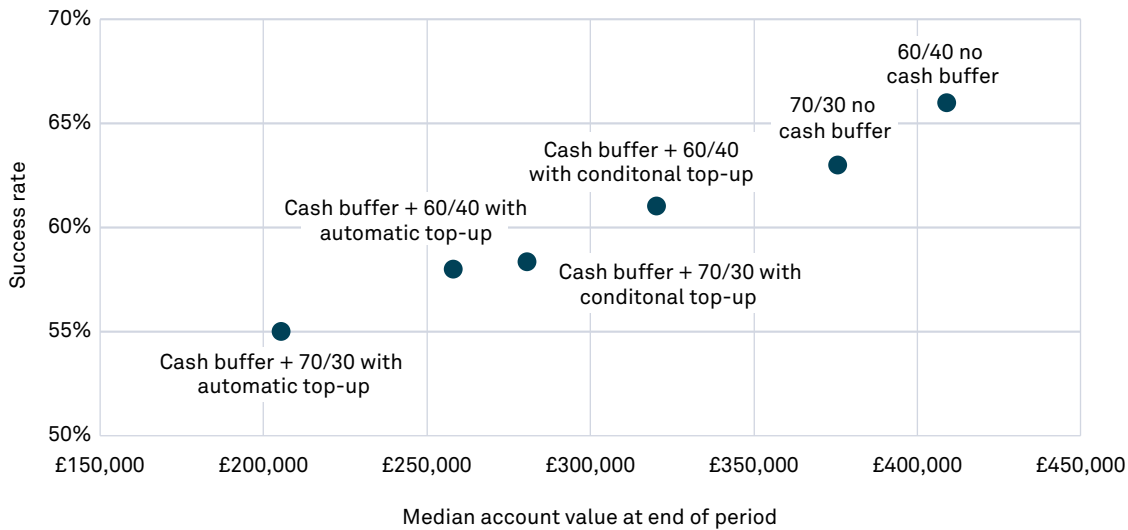
### TO COMPARE APPROACHES, WE CONSIDER TWO MEASURES:

- Median of the investment values at the end of each 25-year period
- Success rate: Proportion of 25-year periods in which we do not run out of money before the end of the period.

The results are shown in the chart on the next page.



FIGURE 9: COMPARISON OF INVESTMENT AND WITHDRAWAL APPROACHES



Source: BNY Investments. Cash returns are UK bank base rate less a 0.75% p.a. deduction to reflect advice and management fees. Growth portfolio returns are a weighted average of MSCI World NR GBP and FTSE Act UK Conventional Gilts All Stocks TR GBP rebalanced quarterly less a 1.25% p.a. deduction to reflect advice and management fees. All figures are in GBP terms. This is for illustrative purposes only and does not take into account other factors that may have a negative impact on an investment.

**THE KEY TAKEAWAYS FROM THESE RESULTS ARE:**

- Where we are using a cash buffer, applying a conditional rule where we only top up cash when our growth assets have delivered a positive return delivers better results than automatically topping up the cash buffer. Although the increase in success rate is relatively small, the median end value is markedly higher as we are limiting how often we sell growth assets after a market fall, so realising a loss.
- Not using a cash buffer delivers better results than using a cash buffer both in terms of the success rate and the average account value at the end of the 25 years. Maintaining the cash buffer during rising markets drags on performance. While the buffer may provide some protection after a market fall, the lower overall returns earned on the client’s cash assets means they are generally less likely to achieve their objectives.
- Increasing equity exposure to compensate for this cash drag delivers a worse outcome. Although we may earn higher overall returns on average, the additional volatility and downside risk from the higher equity exposure leads to us running out of money in more of the scenarios than we did for the 60% equity portfolio.

These results show that holding cash to protect against market falls is counterproductive as the drag on returns is likely to reduce overall growth potential and so the sustainability of income. This effect becomes even more acute if we experience poor returns early on in retirement as a higher proportion of the portfolio will be held in cash further reducing returns.

However, it is not just cash drag that weighs on our results; further challenges can come from how we manage rebalancing.

## Investment challenges: One-way rebalancing

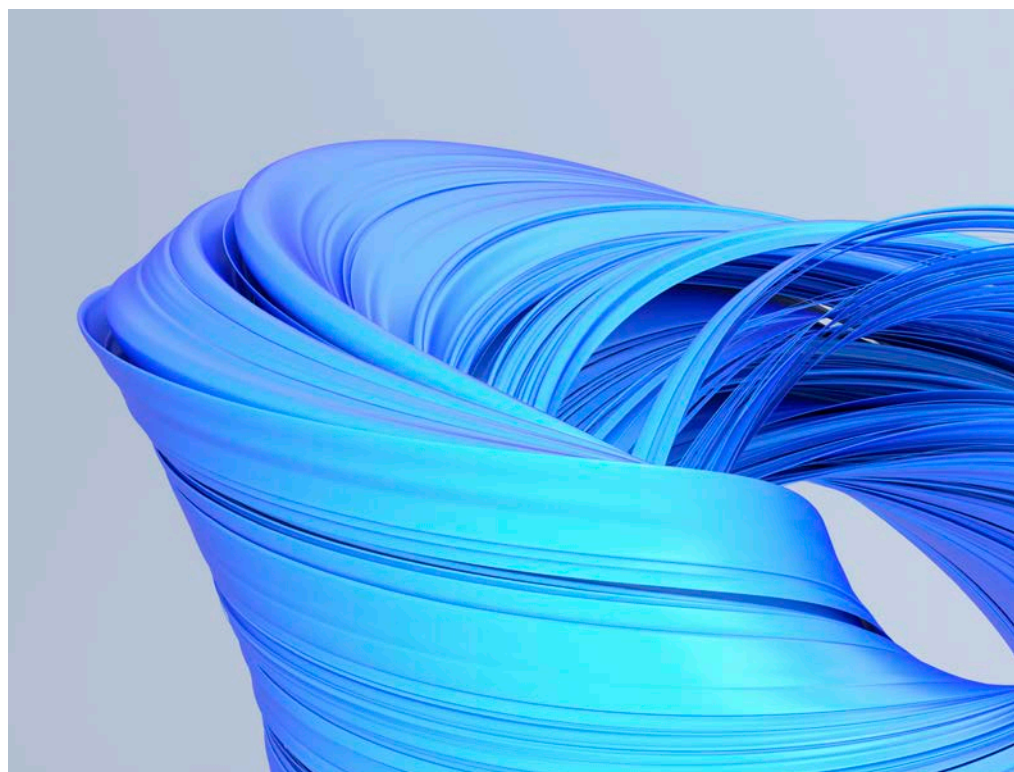
When we use cash buffers and bucketing strategies, we typically only rebalance between the buckets in one direction – from higher-risk growth assets to lower-risk cash assets. However, there may be occasions, particularly after a fall in equity markets, where moving money from lower-risk assets to higher-risk assets makes sense. This allows us to participate in the market recovery improving the “bouncebackability” of our investment strategy.

### TO ILLUSTRATE THIS, WE CAN CONSIDER A SIMPLE BUCKETING STRATEGY AS FOLLOWS:

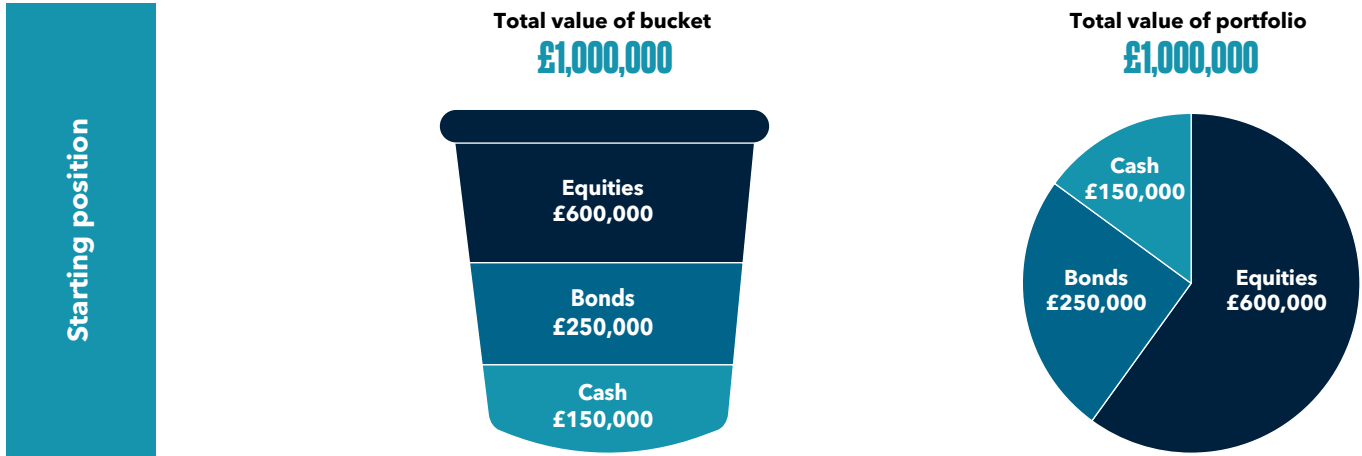
- £1 million initial investment
- Bucket approach:
  - 3 years’ income = £150,000 in cash
  - 5 years’ income = £250,000 in bonds
  - Remainder = £600,000 in equities
- £50,000 withdrawal at end of year 1 from cash buffer
- At end of year 1, top up cash first, then bonds, but only to the extent investments have added value

We compare this to using a portfolio with the same starting asset allocation – 60% equities, 25% bonds, 15% cash – which we rebalance at the end of the year. We assume asset returns are:

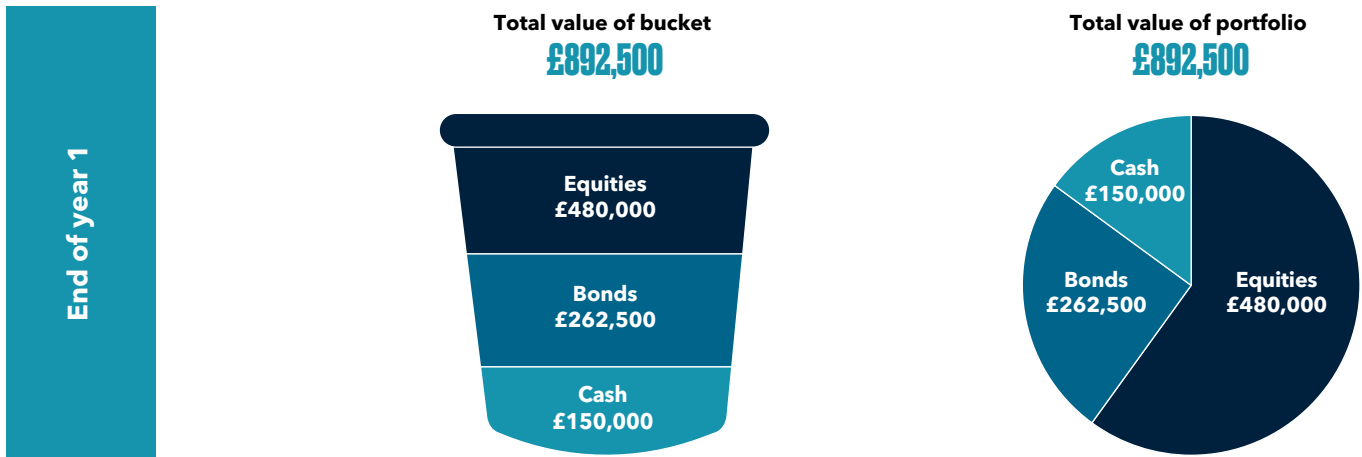
- Year 1: Equities **-20%**, Bonds **+5%**, Cash 0%
- Year 2: Equities **+25%**, Bonds **+5%**, Cash 0%.



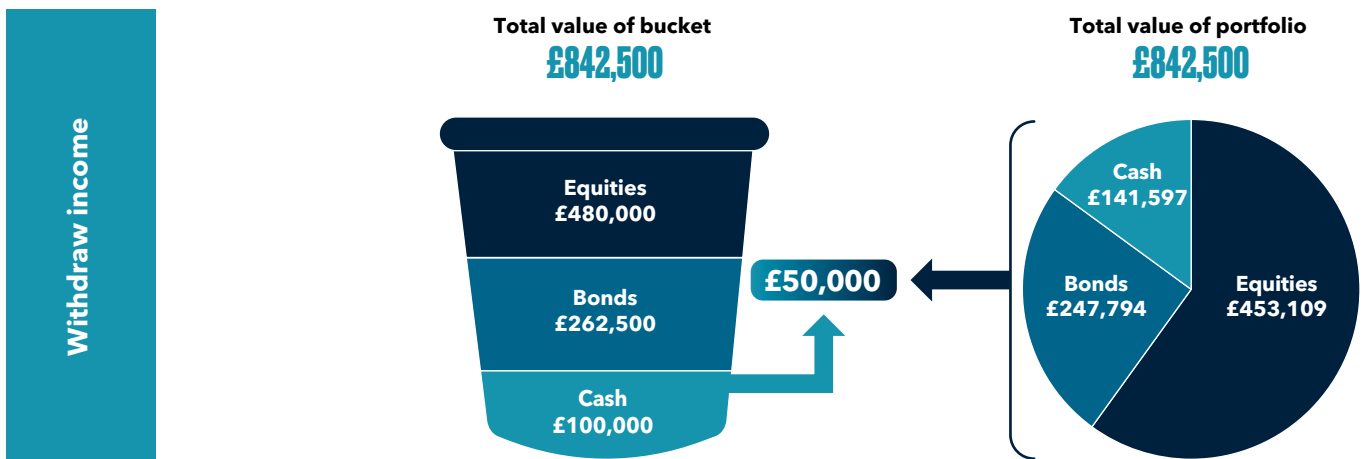
This is how things look at the start:



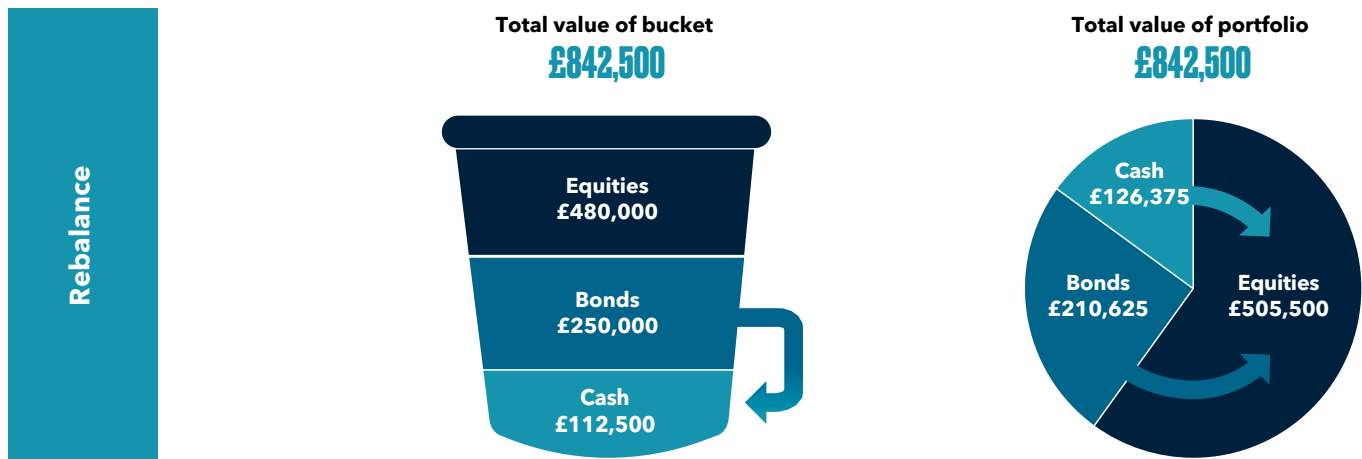
At the end of year 1, both approaches have seen their equity holdings fall in value.



We then take our £50,000 income. Under the bucket approach this is taken from the cash bucket. Under the portfolio approach we take it in proportion to the value of assets held.

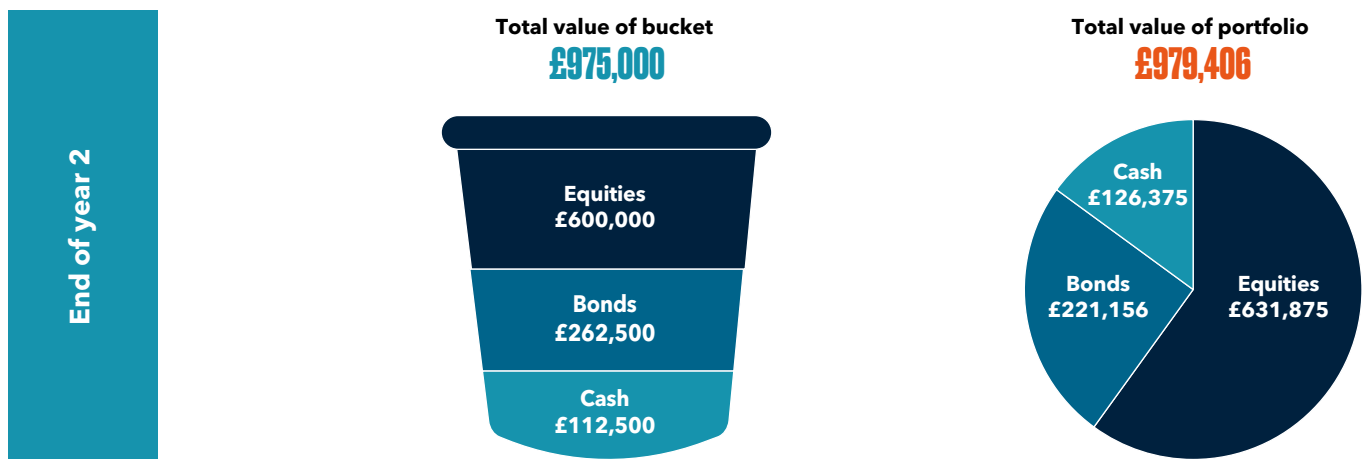


Under the portfolio approach we have notionally sold equities to fund income which may seem counterintuitive given they have lost value. But in the next step we rebalance each approach.



In our portfolio approach, we have taken money from cash and bonds to top our equity holdings back up to 60% of the portfolio. This more than compensates for the earlier sale of equities for income.

For our bucketing strategy, we can take the £12,500 we have earned on our bonds to top up the cash bucket, but this is all we can do. As our equity holdings have not gained value, we cannot use them to top up cash.



At the end of year 2 we find that the portfolio approach is worth more than the bucketing strategy. As we had a higher exposure to equities under the portfolio approach, we benefited more from the recovery. The portfolio approach had better bouncebackability.

Under the bucketing approach, our one-way rebalancing rule prevented us from following what would normally be regarded as effective portfolio management – taking money from those asset classes that had performed relatively well and reinvesting in those that had done relatively poorly.

While the difference in value is small, the effect of this one-way rebalancing can accumulate over time and be a drag on returns. When returns are poor, our cash allocation rises as a proportion of the overall portfolio and so increases cash drag while our one-way rebalancing rule stops us from fully benefiting from any market recovery.

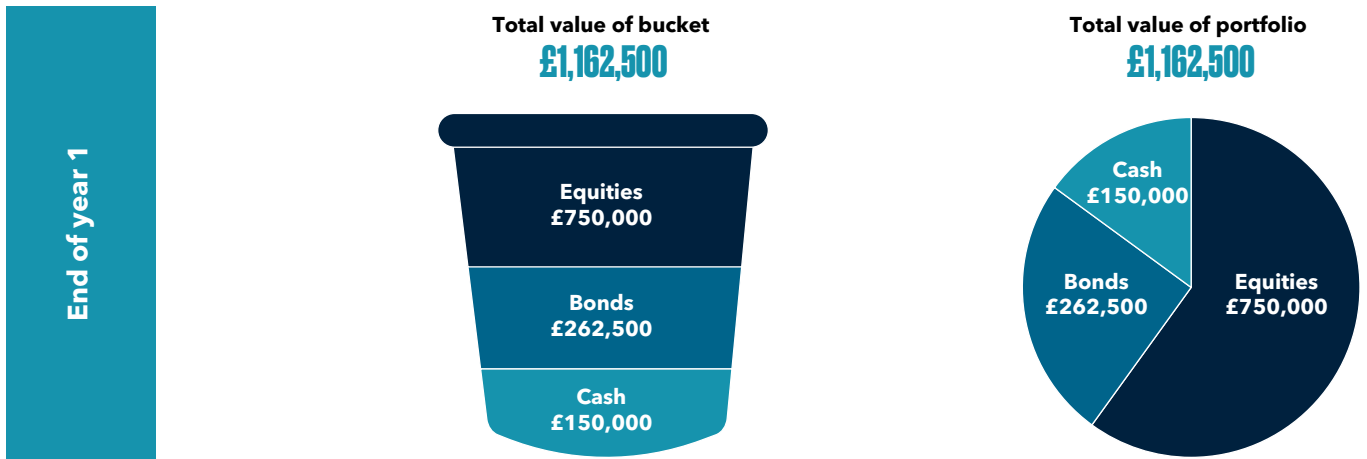
## Investment challenges: portfolio drift

A further rebalancing challenge can arise from us limiting the size of the cash and bond buckets. In rising equity markets this can mean we see our overall equity weighting increase which can cause issues if the market falls.

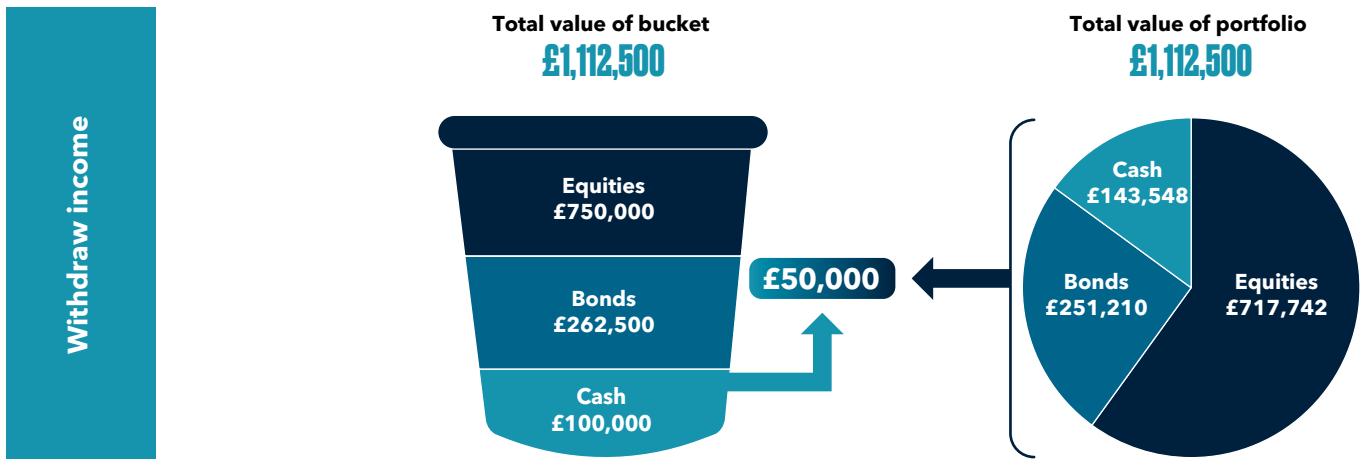
We can illustrate this using the same analysis as above but with returns now as:

- Year 1: Equities +20%, Bonds +5%, Cash 0%
- Year 2: Equities -25%, Bonds +5%, Cash 0%.

As above, both approaches start with the same allocation and are in equivalent positions at the end of year 1. Both have seen a significant increase in the value of their equity holdings.

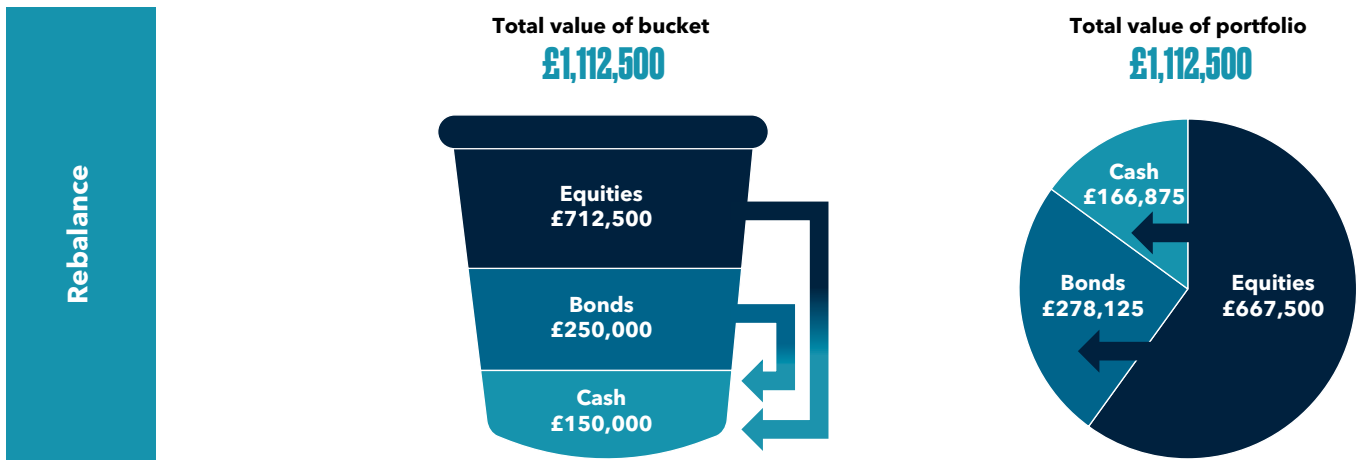


We then take our £50,000 income. Again, this comes from the cash bucket under our bucketing strategy but in proportion to the value of holdings for the portfolio approach.

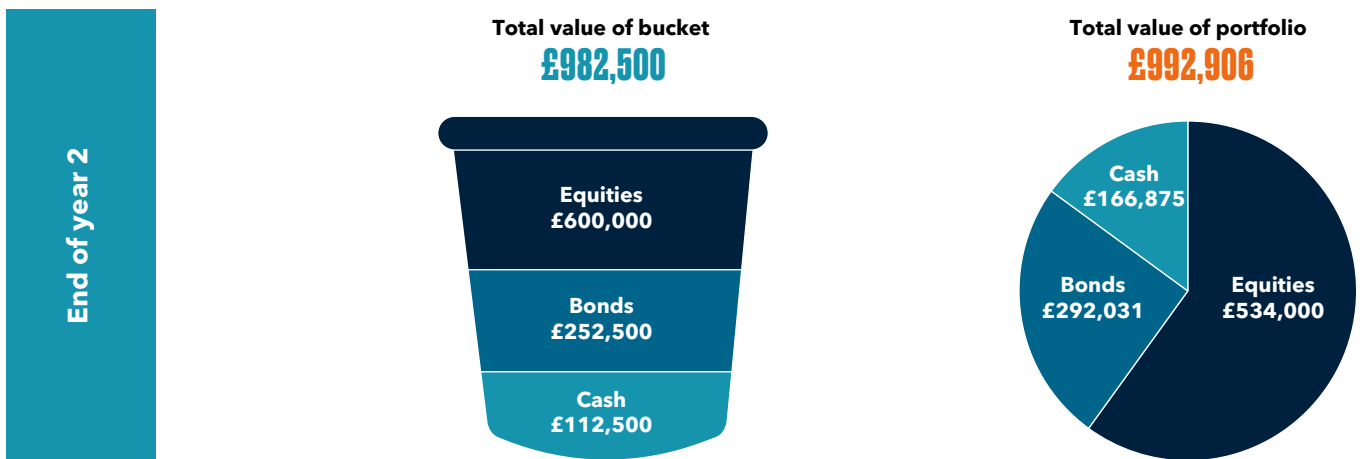


We then rebalance. The portfolio approach returns to its starting asset allocation, selling equities and buying bonds and cash. Under our bucketing strategy we can use the £12,500 we earned on bonds to top up our cash as before. But we can now top up our cash to our

£150,000 target as we have made gains on our equities. We move £37,500 from equities to cash. Note though that we still have a higher equity exposure than under the portfolio approach. We have experienced portfolio drift.



Equity markets then fall. Our higher exposure to equities under the bucketing strategy means we suffer a greater overall loss and again this approach delivers a worse outcome than the portfolio approach.



Of course, under a scenario where equity markets keep rising, we will have been better off maintaining this higher equity exposure. However, our overall risk would have increased leaving our client more exposed to an eventual market downturn.

Again, the bucketing strategy has got in the way of effective portfolio management – selling outperforming assets and reinvesting in those that have done less well. This time, the limits on the size of buckets prevented us from harvesting as much of the equity gain as we would otherwise have done.

## Building better bucketing strategies

Given the analysis above, one might reasonably conclude that using buffers and bucketing strategies is an unnecessary complication for retirement planning. However, this ignores the emotional and behavioural benefits discussed earlier. Giving clients the confidence that they can continue to draw income during times of market stress is hugely important and advisers clearly see benefits to using buffers and buckets to do this.

The concept of bucketing can still be used to frame asset allocation discussions even when assets are not rigidly allocated to buckets as described above. Moreover, for those who see value in maintaining separate buckets, the analysis above can help us understand how to implement these strategies more effectively to limit the investment challenges discussed.

## Using buckets to frame asset allocation

The concept of matching future income needs with assets that are highly likely to match that income is a perfectly valid approach and one that is used extensively by investors around the world. For clients that are seeking to generate sustainable income in retirement, the goal is to at least ensure their assets generate returns in excess of inflation to help them maintain their standard of living.

**FIGURE 10: HOW OFTEN HAVE CASH, BONDS AND EQUITIES BEATEN INFLATION?**

Asset class	Rolling year periods				
	1	3	5	7	10
Cash	66%	64%	64%	66%	65%
UK government bonds	66%	82%	87%	91%	90%
Global equities	68%	74%	80%	87%	91%

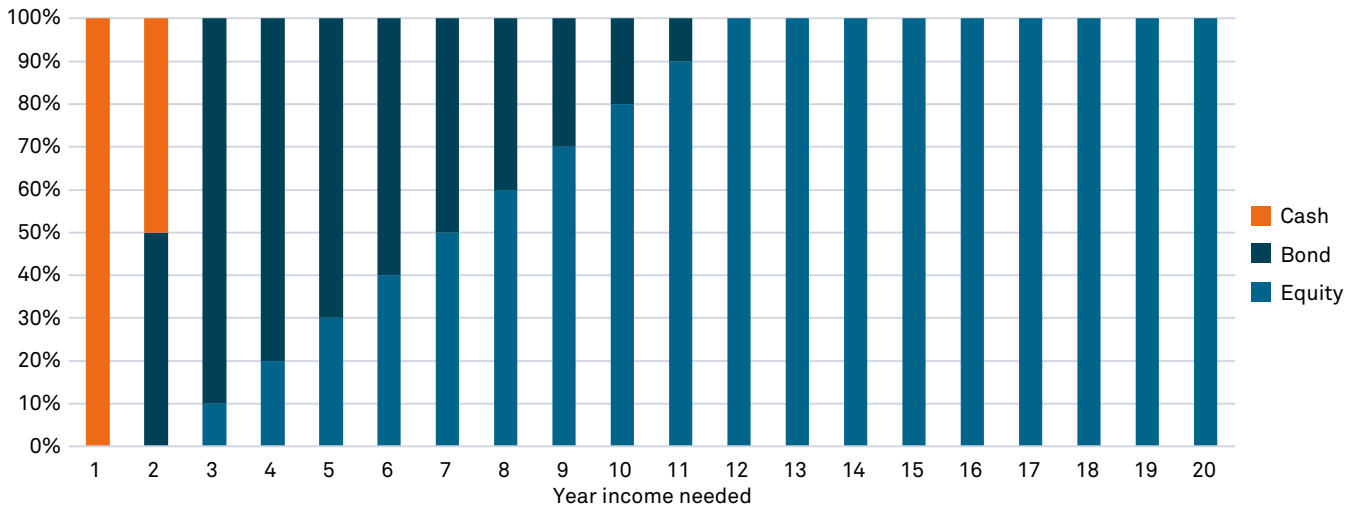
Source: BNY Investments. For illustrative purposes only. Table shows the proportion of rolling periods between 31 December 1975 and 30 September 2025 that each asset class has delivered a return in excess of the increase in the UK Retail Prices Index over the same period. Cash returns are UK bank base rate. Global equity returns are derived from the MSCI World NR GBP index. UK bond returns are derived from the FTSE Actuaries UK Conventional Gilts All Stocks TR GBP index. All figures are in GBP terms. The impact of an initial charge (currently not applied) can be material on the performance of your investment.

The table above shows what proportion of rolling year periods each asset class has delivered a return greater than the increase in the Retail Prices Index (RPI). While cash can protect nominal value, it is an unreliable hedge against inflation, never bettering price growth in more than two out of three time periods, regardless of their length.

UK bonds and equities show similar results over one-year periods but, as we look at longer terms, we see their record in beating inflation improves markedly. Looking beyond inflation, we expect equities to deliver the best long-term returns and so give clients the greatest chance of achieving or exceeding their goals.

We can use the idea of bucketing to consider each year of income as a separate bucket and assess what might be the best match for that income given how far in the future we will be taking it. The analysis above suggests that while we want to keep income needed in early years invested largely in cash, we should be looking to move into bonds to improve inflation protection for income we need in the medium term and then using equities to match income that we will need far into the future. The result is an asset allocation map for each year of income that might look like this.

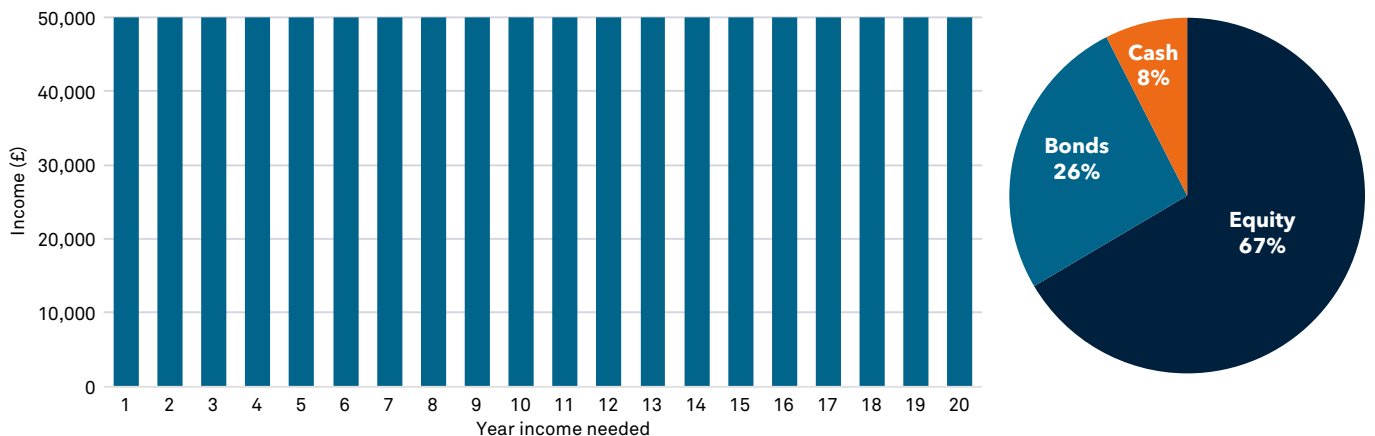
**FIGURE 11: ILLUSTRATIVE ASSET ALLOCATION BY YEAR INCOME IS NEEDED**



Source: BNY Investments. The chart shows a possible asset allocation to be applied to support income payable in each future year. This is for illustrative purposes only and is not intended as a recommendation to follow any particular investment strategy.

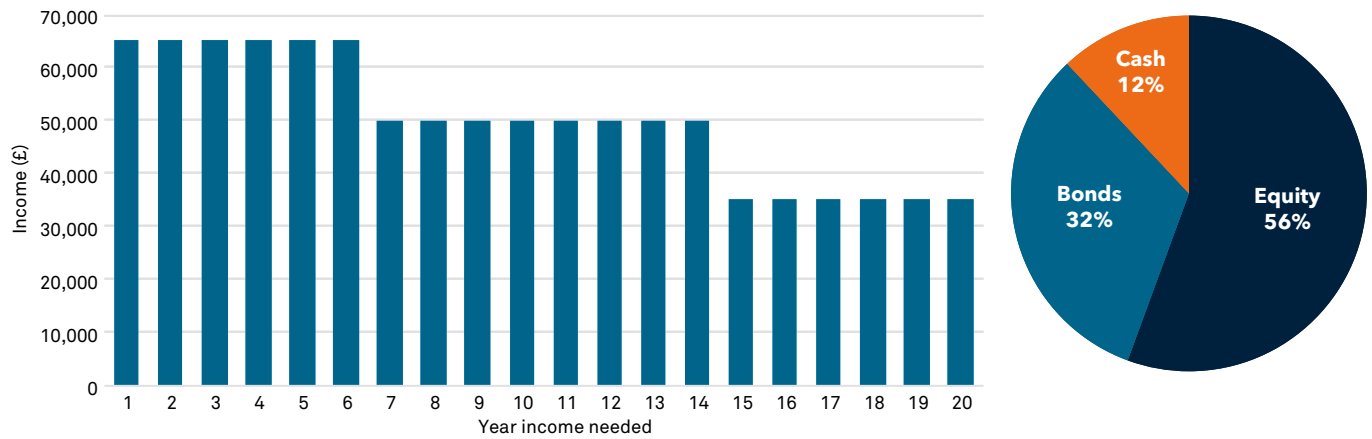
Of course, it makes no sense to try and run a separate bucket for each year of income, but we can use this asset allocation map to work out what a reasonable overall asset allocation might be for a client. By weighting each year’s income requirement by its corresponding asset allocation, we get an overall target allocation that reflects the client’s cash-flow requirements.

**FIGURE 12: EXAMPLE ASSET ALLOCATIONS BASED ON CLIENT INCOME NEEDS**  
**LEVEL INCOME REQUIREMENT THROUGHOUT RETIREMENT**



Source: BNY Investments. For illustration only.

**HIGHER INCOME REQUIREMENT IN EARLY YEARS OF RETIREMENT**



Source: BNY Investments. For illustration only.

From the examples we can see how asset allocation changes to reflect client needs. The client who has a higher income requirement in the early years has a higher weighting towards bonds and cash reflecting the need to provide greater security for the higher near-term income.

This approach can ensure asset allocation is tailored consistently according to client needs. It can also be used to explain to clients how the overall asset allocation has been arrived at with cash providing a match for short-term income, bonds for medium-term income and equities for the longer term.

**Improving implementation of bucketing strategies**

From our earlier analysis we can identify some design rules for implementing bucketing strategies:

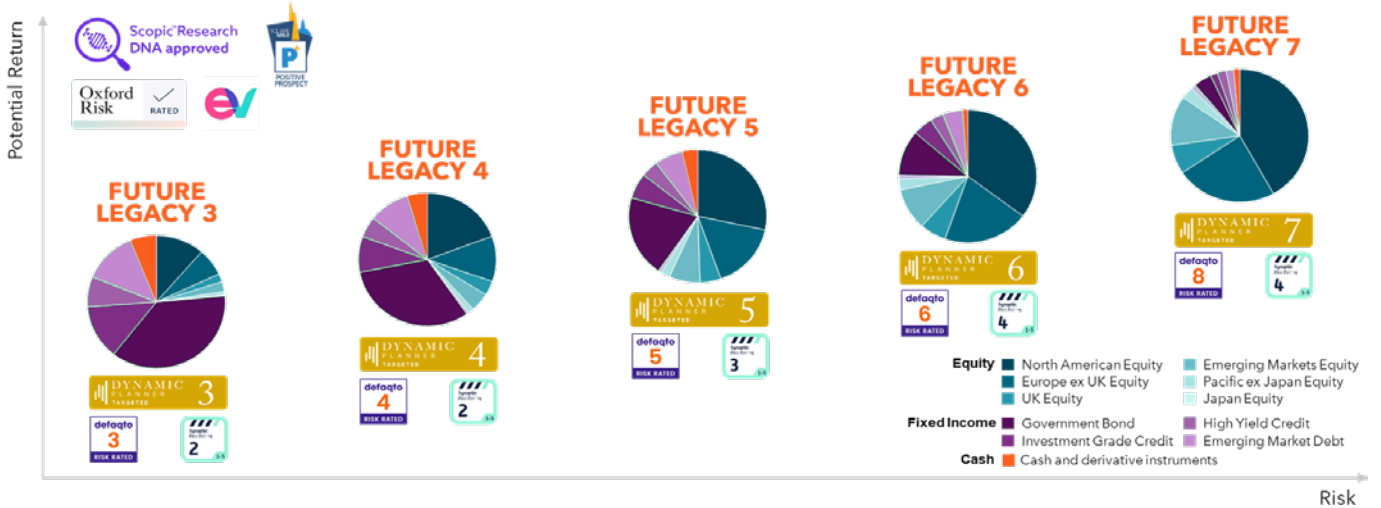
- Overall asset allocation should be set to reflect the client’s income needs.
- Cash buffer should be kept to a minimum. If used, it should only be topped up as and when growth assets have outperformed.
- As far as possible, rebalancing should follow effective portfolio management rules – selling outperforming assets and reinvesting in those that have done less well.

Using multi-asset funds or portfolios that match the client’s target asset allocation can support this approach since they will be rebalanced back to the target allocation as market conditions change. This might be achieved using a single fund or portfolio or by blending funds of different risk levels within a range to achieve the target asset allocation. If needed, a cash buffer can be used alongside these portfolios, but its size may need to vary to ensure overall asset allocation remains in line with target and rebalancing rules should aim to avoid excessive cash drag.

## Introducing BNY’s FutureLegacy fund range

FutureLegacy is a volatility-managed multi-asset fund range launched by BNY Investments in February 2023 to support advisers looking for a consistent range to use within their centralised investment propositions. Like all our multi-asset funds, the FutureLegacy funds are actively managed and directly invested by the BNY Investments Newton multi-asset team. This team has an established track record in managing mixed-asset portfolios.

FIGURE 13: THE FUTURELEGACY VOLATILITY MANAGED, MULTI-ASSET RANGE

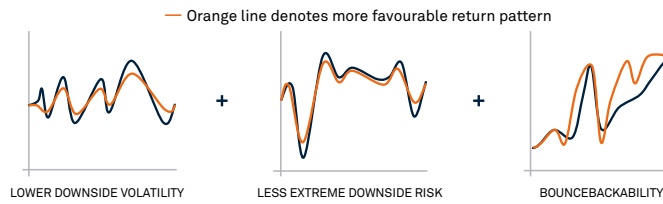


Source: Newton, 31 December 2025. Ratings are for illustrative purposes only and should not be relied upon when making an investment decision. Ratings are correct as at 31 December 2025. Dynamic Planner Risk Ratings should not be used for making an investment decision and it does not constitute a recommendation or advice in the selection of a specific investment or class of investments. Scopic Multi-Asset DNA Reports are designed to provide intermediaries with detailed qualitative based analysis to help them when researching and recommending multi asset portfolios for different client segments. The use of corporate names or logos in this presentation, other than those of Newton or its affiliates, is for illustrative purposes only and rights to any logos, trademarks or servicemarks are owned by their respective entities. The BNY Mellon FutureLegacy funds are actively managed typically by using forward-looking expectations of volatility. In doing so, the Investment Manager uses its own internal risk model, whilst also considering external independent risk profiling methodologies. Based on a risk profile scale of 1 (lowest) to 10 (highest), the funds target risk profiles of 3, 4, 5, 6 and 7 but this is not guaranteed. The risk profile targeted by each of the BNY Mellon FutureLegacy funds can be identified through the number included in the respective fund’s name. This risk profile is not the same as the risk and reward category shown in the funds’ Key Investor Information Document(s). The risk profiles of the funds are currently assessed against the risk ratings scale provided by Dynamic Planner, but are subject to change at the ACD’s discretion.

The fund range is managed so that its expected volatility, as measured by Dynamic Planner, remains within volatility ranges for client risk levels of 3 to 7. Moreover, we aim to ensure that the funds perform consistently as a range and against client expectations. In particular, the funds are constructed and managed so that lower risk funds can reasonably be expected to preserve capital while higher risk funds are more focused on growth.

In addition, the funds have characteristics that help address the challenges of investing for retirement income.

FIGURE 14: HOW THE FUTURELEGACY RANGE AIMS TO MITIGATE SEQUENCE OF RETURNS RISK



Actively managed	✓	✓	✓
Directly invested	✓	✓	
Income and quality bias in equity exposure	✓	✓	✓
Dynamically managed bond exposure	✓	✓	

Source: BNY Investments. For illustration only.

It can be challenging for active managers to outperform in rising markets, particularly where growth is concentrated into a small number of stocks as we have seen in recent years. However, active management can be and has been effective in limiting losses during times of market stress which can help reduce sequencing risk. As we saw earlier, the ability to actively move between markets improves bouncebackability as markets recover.

Investing directly into individual securities rather than using a fund-of-funds approach allows us to measure and manage risk more effectively, which should in turn help us to mitigate downside risk.

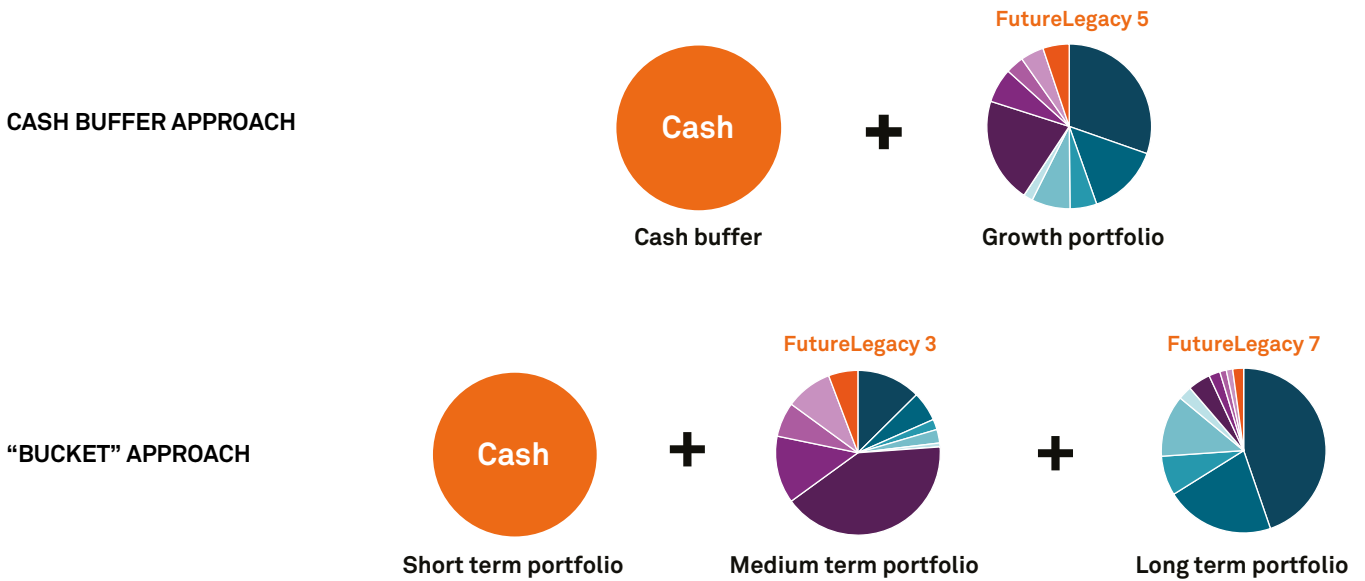
The equity exposure in FutureLegacy has a bias towards income and quality. These characteristics in equities have historically resulted in lower volatility and downside risk. They have also offered better bouncebackability, recovering more quickly after periods of market stress as investors seek out more reliable investments.

Finally, the bond element of FutureLegacy, particularly that of the lower-risk funds, is managed with capital preservation as a primary objective. This should give confidence for clients who are looking to limit downside risk, particularly those seeking greater security for near-term income needs.

Given these characteristics, we believe the FutureLegacy fund range is worth considering when constructing retirement investment approaches for clients. The funds can be used on a standalone basis or incorporated into buffer and bucketing solutions as shown below.



**FIGURE 15: USING FUTURELEGACY FOR RETIREMENT INCOME**  
**EXAMPLES OF STRATEGIC ASSET ALLOCATION OPTIONS TO MATCH CLIENT**  
**INCOME REQUIREMENTS**



Source: BNY Investments. For illustration only.

### Buffers, buckets and balancing: Conclusion

Retirement planning is an art not a science. It is important that the solutions we put in place for clients give them confidence and comfort. To quote a former BNY Investments Newton chief investment officer:

**“AN INVESTMENT SOLUTION IS ONLY OPTIMAL IF A CLIENT IS PREPARED TO USE IT.”**

Too often, the financial services industry is guilty of building products that are theoretically appealing but are unusable in practice. Advisers need solutions that not only deliver positive investment outcomes, but which clients accept and understand.

Cash buffers and bucketing strategies can be incredibly useful in aiding client understanding and giving them confidence to enjoy the retirement they have saved for. We hope we have shown how they can be used in a way that achieves that while delivering the outcomes you expect.

THE VALUE OF INVESTMENTS AND THE INCOME RECEIVED CAN FALL AS WELL AS RISE AND INVESTORS MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

THE FUNDS CAN INVEST MORE THAN 35% OF NET ASSETS IN DIFFERENT TRANSFERABLE SECURITIES AND MONEY MARKET INSTRUMENTS ISSUED OR GUARANTEED BY THE UK OR AN EEA STATE, ITS LOCAL AUTHORITIES, A THIRD COUNTRY OR PUBLIC INTERNATIONAL BODIES OF WHICH THE UK OR ONE OR MORE EEA STATES ARE MEMBERS.

### BNY Mellon FutureLegacy funds - key investment risks

**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.

**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 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.

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

**EMERGING MARKETS RISK:** Emerging Markets have additional risks due to less-developed market practices.

**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.

### BNY Mellon FutureLegacy 3 Fund

**INVESTMENT OBJECTIVE:** To achieve capital growth and potential for income over the long term (5 years or more) while being managed to a pre-defined level of risk. The Fund will aim to maintain a risk profile classification of 3 from a scale of 1 (lowest) to 10 (highest) which is assessed against the risk ratings scale provided by an external third-party risk rating agency.

**PERFORMANCE BENCHMARK:** The Fund is actively managed without benchmark-related constraints. The Fund will measure its performance against the Investment Association's Mixed Investment 0-35% Shares NR Sector Average as a comparator benchmark (the "Benchmark"). The Fund will use the Benchmark as an appropriate comparator because it includes a broad representation of funds with levels of equity and bond exposure similar to those of the Fund.

Effective 1 August 2025, the Fund's benchmark changed from 15% SONIA GBP, 55% ICE BofA Global Broad Index GBP Hedged and 30% MSCI ACWI GBP NR to the Investment Association's Mixed Investment 0-35% Shares NR sector average. Benchmark performance shown for all time periods is that of the Investment Association's Mixed Investment 0-35% Shares NR sector average.

## BNY Mellon FutureLegacy 4 Fund

**INVESTMENT OBJECTIVE:** To achieve capital growth and potential for income over the long term (5 years or more) while being managed to a pre-defined level of risk. The Fund will aim to maintain a risk profile classification of 4 from a scale of 1 (lowest) to 10 (highest) which is assessed against the risk ratings scale provided by an external third-party risk rating agency.

**PERFORMANCE BENCHMARK:** The Fund is actively managed without benchmark-related constraints. The Fund will measure its performance against the Investment Association's Mixed Investment 20-60% Shares NR Sector Average as a comparator benchmark (the "Benchmark"). The Fund will use the Benchmark as an appropriate comparator because it includes a broad representation of funds with levels of equity and bond exposure similar to those of the Fund.

Effective 1 August 2025, the Fund's benchmark changed from 10% SONIA GBP, 45% ICE BofA Global Broad Index GBP Hedged and 45% MSCI ACWI GBP NR to the Investment Association's Mixed Investment 20-60% Shares NR sector average. Benchmark performance shown for all time periods is that of the Investment Association's Mixed Investment 20-60% Shares NR sector average.

## BNY Mellon FutureLegacy 5 Fund

**INVESTMENT OBJECTIVE:** To achieve capital growth and potential for income over the long term (5 years or more) while being managed to a pre-defined level of risk. The Fund will aim to maintain a risk profile classification of 5 from a scale of 1 (lowest) to 10 (highest) which is assessed against the risk ratings scale provided by an external third-party risk rating agency.

**PERFORMANCE BENCHMARK:** The Fund is actively managed without benchmark-related constraints. The Fund will measure its performance against the Investment Association's Mixed Investment 40-85% Shares NR Sector Average as a comparator benchmark (the "Benchmark"). The Fund will use the Benchmark as an appropriate comparator because it includes a broad representation of funds with levels of equity and bond exposure similar to those of the Fund.

Effective 1 August 2025, the Fund's benchmark changed from 5% SONIA GBP, 35% ICE BofA Global Broad Index GBP Hedged and 60% MSCI ACWI GBP NR to the Investment Association's Mixed Investment 40-85% Shares NR sector average. Benchmark performance shown for all time periods is that of the Investment Association's Mixed Investment 40-85% Shares NR sector average.

## BNY Mellon FutureLegacy 6 Fund

**INVESTMENT OBJECTIVE:** To achieve capital growth and potential for income over the long term (5 years or more) while being managed to a pre-defined level of risk. The Fund will aim to maintain a risk profile classification of 6 from a scale of 1 (lowest) to 10 (highest) which is assessed against the risk ratings scale provided by an external third-party risk rating agency.

**PERFORMANCE BENCHMARK:** The Fund is actively managed without benchmark-related constraints. The Fund will measure its performance against the Investment Association's Mixed Investment 40-85% Shares NR Sector Average as a comparator benchmark (the "Benchmark"). The Fund will use the Benchmark as an appropriate comparator because it includes a broad representation of funds with levels of equity and bond exposure similar to those of the Fund.

Effective 1 August 2025, the Fund's benchmark changed from 25% ICE BofA Global Broad Index GBP Hedged and 75% MSCI ACWI GBP NR to the Investment Association's Mixed Investment 40-85% Shares NR sector average. Benchmark performance shown for all time periods is that of the Investment Association's Mixed Investment 40-85% Shares NR sector average.

## BNY Mellon FutureLegacy 7 Fund

**INVESTMENT OBJECTIVE:** To achieve capital growth and potential for income over the long term (5 years or more) while being managed to a pre-defined level of risk. The Fund will aim to maintain a risk profile classification of 7 from a scale of 1 (lowest) to 10 (highest) which is assessed against the risk ratings scale provided by an external third-party risk rating agency.

**PERFORMANCE BENCHMARK:** The Fund is actively managed without benchmark-related constraints. The Fund will measure its performance against the Investment Association's Flexible Investment NR Sector Average as a comparator benchmark (the "Benchmark"). The Fund will use the Benchmark as an appropriate comparator because it includes a broad representation of funds with levels of equity and bond exposure similar to those of the Fund.

Effective 1 August 2025, the Fund's benchmark changed from 10% ICE BofA Global Broad Index GBP Hedged and 90% MSCI ACWI GBP NR to the Investment Association's Flexible Investment NR sector average. Benchmark performance shown for all time periods is that of the Investment Association's Flexible Investment NR sector average.



## IMPORTANT INFORMATION

**This is a financial promotion. For Professional Clients only.**

**Please refer to the KIID where applicable and other fund documents for a full list of risks and before making any investment decisions. Documents are available in English and in selected local languages where the fund is registered. Go to [bny.com/investments](https://bny.com/investments).**

Any views and opinions are not investment advice or a research recommendation. BNY is the corporate brand of The Bank of New York Mellon Corporation and may be used to reference the corporation as a whole and/or its various subsidiaries generally.

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