

# The nine nemeses: *meet Spending*



Multi-pot thinking is really about one thing:  
helping clients better understand how their  
investments support the life they want in retirement.

The reality is, retirement planning isn't "one pot" and never has been - and it's becoming more important to make that visible, structured and understandable.

At its simplest, it's about separating money into different roles: liquidity for day-to-day spending, and capital set aside for larger or less frequent needs like housing, cars, or supporting children - and choosing different time horizons and risk levels for each.



### Pot 1: Now

- Cash / low risk
- 1-3 years spending
- Stable and accessible
- Used during market falls



### Pot 2: Soon

- Medium risk
- 3-7 year horizon
- Balance of growth and stability



### Pot 3: Later

- Growth investments
- Long-term spending
- Time to recover from market falls
- Helps fight inflation

Different pots can help balance two competing needs in retirement: keeping money accessible today, while giving longer-term money time to grow and recover from market falls.

**Bad markets?** Pot 1 helps cover spending needs. **Better markets?** Growth assets help refill the pot.

Making the complex simple – the bamboozle-free way to explain inflation and compounding.

During the accumulation years, understanding the impact of inflation and compounding can be transformational.

**Inflation:** Person A hides £100 under the mattress for 30 years.



**Year 1:** £100 buys their big shop.



**Year 10:** Prices have gone up. £100 now only buys half the shop.



**Year 30:** Prices have rocketed. £100 only buys the fruit and veg.

They still have £100, but its real-world value has vanished.

**Compounding:** Person B invests £100.



**Year 1:** their money earns a £5 return so they're now investing £105.



**Year 10:** assuming an average annual return of 5%, their investment is worth £162.89.



**Year 30:** By now it's grown to £432.19. By doing nothing.

Compounding is when money starts making its own money.

**Join the retirement revolution with Parmenion**

**Let's Talk:** for more support in keeping the complex simple for your clients, including a range of graphics available for you client reports and conversations, reach out to **the Parmenion team**.

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