



Chasing income vs. consistent income

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Chasing income has become one of the great themes of the marketplace and has certainly alarmed me for a few years now.

The premium that people are prepared to pay for a higher current yield, current income is a little alarming in both equities and fixed income. And they seem to have little understanding of the additional risk they're taking on board to get that extra income. So it should be intuitive that if you're getting a higher return, it's because you're taking some level of higher risk. But yet on the income part of that, people don't seem to relate those two together.

The feedback that we get from advisors and clients is that it is the consistency of the income which is really the big driver for people's long-term satisfaction, not the level of current income. So getting a nice high yield today that's going to be under threat tomorrow is not such a good thing. Being able to keep a decent yield today that is sustainable through a number of changing circumstances is the most important. And I think we have a lot of work to do to try to reeducate people that that should be the approach they take with a view to a happy retirement than just pursuing the highest current income.

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