

Investing for your retirement



Thinking about your retirement isn't always easy, as it can feel far away. But knowing which way you're heading can give you peace of mind.

We can support you on your way. This guide can help you make more sense of your options, and pick a route to and into retirement that's right for you.

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An introduction to investing

When you save into your pension, your money is invested with the aim of helping it to grow in value.

Your pension savings are invested in one or more funds. A fund manager is responsible for managing these to make sure they continue to meet their investment objective.

Responsible investment

Royal London Asset Management manages the majority of Royal London Mutual Insurance Society assets. As part of our commitment to being a responsible investor, we expect all the asset managers who manage your investments to consider environmental, social and governance (ESG) factors - both risks and opportunities - in their investment decision-making process.

We believe that taking into account the environmental and social impact that companies are having, as well as how well they're being run, can provide long-term financial benefits and can also help protect investment returns from poor decision-making.

We also ask our asset managers to help us fulfil our stewardship responsibilities by working with the companies they invest in on behalf of our customers to help improve the way they're run - for example by voting on matters such as board appointments, changes to a company's structure, pay and compensation, mergers and acquisitions, and their impact on climate change.

Making sense of your options

These days, you have more choice than ever about how to invest the money you're putting away for your retirement. But while choice is a good thing, it can make it harder to pick the option that's best for you.

We have lots of ways for you to invest your pension savings. They're all about balancing the reward you want to get with the risk you're prepared to take.

Our investment options

Our Governed Range includes risk-graded portfolios, as well as lifestyle strategies, giving you lots of options on where you can invest your pension savings. That means you can choose the one that best meets your needs, including how you feel about risk and where you are on your retirement journey.

What's more, all the options in our Governed Range come with active management, independently led governance and a responsible investment approach at no extra cost.

If you'd rather be a more hands-on investor, you can choose and manage your own investment portfolio using our range of funds.

There are other choices too. This guide tells you about them. As you read it, don't forget that the value of investments can go down as well as up, and you might not get back all the money you pay in.

Talk to an expert

This guide can't tell you what to do – it only shows you the options. So it's best to make any decisions about your pension with help from a financial adviser.

Need advice?

If you don't already have a financial adviser, there are a number of directories that you can use to search for one in your area and according to their specialisms. Advisers may charge for their services - though they should agree any fees with you upfront.

You can find more info on how to find a financial adviser using our website: <https://www.royallondon.com/find-a-financial-adviser/>

Understanding how you feel about risk

All investments carry some degree of risk. The more risk you're willing to take with your investments, the higher your potential return – but the greater your chance of loss. Lower-risk investments on the other hand offer greater security but lower potential returns. You need to decide how much risk you want to take with your pension savings.

You can find a level of risk you're comfortable with. How you feel about risk is one of the most important parts of picking the right investments. Some people are very comfortable taking risks, while others don't like it at all. Maybe you already know where you sit on this scale. But even if you do, we'd still suggest talking to a financial adviser to make sure.

We've boiled down people's feelings about risk into seven categories. They're behind all the investment options we give you, so make sure you read on.

Very cautious

Knowing your money's safe matters more than high returns. You'd rather keep it in the bank than invest it in the stock market.

Cautious

You don't like taking risks with your investments. You'd rather keep your money in the bank, but you'll think about other investments if there's potential for better returns in the long run.

Moderately cautious

You're usually uncomfortable taking risks with your investments. But you're willing to take limited risks, because you know that could bring better returns in the long run.

Balanced

You know that reaching your investment goals means taking risk. So you're ready to do that with at least some of your investments.

Moderately adventurous

You're ready to take a risk with a substantial chunk of your investments because you know it could result in better returns in the long run.

Adventurous

You're happy to take on risk with most of your investments. You know it's crucial for returns in the long run.

Very adventurous

You're ready to take considerable risks with all your investments to get the highest returns you can.

To give you an idea of your attitude to risk, answer the 12 simple questions in our risk questionnaire: royallondon.com/riskprofiler

What to invest in

To help you get the best possible returns in line with how you feel about risk, you should think about investing in a range of different types of investments - known as asset classes. We'll explain a bit more about these later on.

How much you invest in each asset class depends on how much or how little risk you're comfortable taking. Different types of investments tend to perform differently depending on what's happening in the economy. So by being invested in a mix of asset classes, the impact of one performing badly can be mitigated by the performance of others.

Some of our investment options include a mix of asset classes, including equities (shares), bonds and property, while others only invest in one. Our Governed Range portfolios include a mix of asset classes in different proportions, depending on their risk level.

Pulling off the balancing act

Getting this balance right can make all the difference. So if you're a hands-on investor - someone who wants to choose and manage their own investments - it's important that you regularly check that the mix of investments you have remains in line with how you feel about risk.

Asset classes explained

The Governed Portfolios are made up of a diversified mix of asset classes. We give an explanation of each of these below.



Equities

Companies sell shares to raise money, and may also pay you a share of their profits as 'dividends'. Investors buy and sell shares on stock markets. The price goes up or down based on how well the company is doing, or what its prospects are.

It's also worth bearing in mind that some overseas stock markets are more volatile than UK markets, and currency exchange rates can affect them too.



Property

Within the Governed Portfolios, property investment is in high-quality commercial and industrial property such as industrial estates, office buildings and high street retail units. The returns received are linked to the valuation of these properties and the rental income received. Royal London Asset Management, the investment company which manages the properties, makes a significant effort to redevelop them to help improve their appeal and to help generate increased rental income.



Commodities

Commodities are goods, such as wheat, coffee, sugar, metals and oil. They often perform strongly in periods of high inflation, but can be more volatile than other types of investments.

There are several ways to invest in commodities. One is to physically buy them. Another way is to track the performance of commodity indices. It means that the portfolios can benefit when commodity prices are rising but avoid the high costs of owning, storing and transporting the physical commodities. This is how commodities are invested in within the Governed Portfolios.

Absolute return strategies

(including cash)

These are investment strategies that aim to produce a positive return, regardless of whether financial markets are rising or falling, although they don't guarantee a positive return.

These strategies can use a variety of asset classes and techniques.



Bonds

In simple terms, a bond is a loan to a company or government that needs to raise money. When you invest in a bond, you usually invest for a fixed period of time and get your money back at the end of that. You also receive regular fixed interest payments, which is why you may also see bonds referred to as ‘fixed interest’ or ‘fixed income’ investments.

Bonds are generally considered less risky investments than equities because they come with a promise to repay the loan, and the regular interest payments can be a reliable source of income. However, there’s no guarantee that you’ll get your money back.

There are several different types of bonds:

Government bonds

Governments usually issue bonds to fund public projects. They’re considered low-risk investments as most governments are unlikely to go bankrupt and not be able to repay the loan.

Corporate bonds

Companies will typically issue bonds to raise money for their operations or to expand their business. They offer higher potential returns than government bonds but come with slightly more risk, as there’s more risk that a company might go bankrupt before paying back the loan than a government.

The interest rate you receive on corporate bonds depends on the company’s credit rating.

High yield bonds

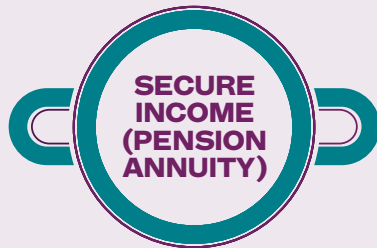
These are bonds issued by companies with lower credit ratings, which means they come with a higher risk of not being repaid than other corporate bonds. However, to compensate for this increased risk, they usually offer a higher rate of interest.

Index linked bonds

These bonds are generally issued by governments and pay an interest rate that’s linked to the current rate of inflation. In the UK, index linked bonds are linked to the Retail Price Index.

What you can do with your pension savings

You have three main choices on what you do with your pension savings when you retire. With each retirement option, you can normally take up to 25% of your pension savings tax free. The other 75% is taxable.



1. Take a secure income also known as a pension annuity

You can use your pension savings to buy an 'annuity'. This will pay you a guaranteed regular income for the rest of your life.



2. Dip in when it suits you with flexible access, also known as pension drawdown

Flexible access lets you dip into your pension savings, while the rest stays invested in your plan. This option is also referred to as 'pension drawdown'.



3. Take it as cash

You can take your pension savings as a one-off lump sum or as a series of smaller cash payments.

The amount of tax you pay on your retirement income depends on your circumstances and can be subject to change.

A financial adviser will be able to give you a personalised view of how your retirement income will be taxed. They can look at all the income you have coming in and help you make the most from your tax-free allowances.

Visit our website at royallondon.com/retirementoptions for more information about each retirement option available.



Our drawdown facility, also known as Income Release, has been rated 5 Star by independent financial research and software company Defaqto.

Investment options - Governed Range

Governed Portfolios

Each of the Governed Portfolios is designed to reflect a different level of risk. So whether you're comfortable taking a lot of risk or you'd prefer a lower-risk option, there's a Governed Portfolio for you.

Benefits of our Governed Portfolios:

- Monitored by experts at no extra cost
- Include a diverse range of investments
- Choice of portfolios to suit how much risk you're comfortable taking

Lifestyle strategies

Lifestyle strategies are designed to manage your investments for you from when you start investing right up to retirement. As you get closer to retirement, they automatically move your pension savings from higher-risk to lower-risk investments. They also take into account how you plan to take your pension savings, whether that's as a secure income, flexible access or one or more cash lump sums/payments.

To choose the right lifestyle strategy for you, just tell us how much risk you're comfortable taking and your pension savings target at retirement - whether that's buying an annuity, taking one or more cash lump sums or taking a flexible income.

Whichever lifestyle strategy you choose, you can switch into another one at any time if your circumstances change. And you can still take your pension savings any way you like when you retire, subject to any regulations.

Choose your own route

A flexible lifestyle strategy lets you pick which of the Governed Portfolios your pension savings are invested in at 15, 10 and five years from retirement. You can still choose your retirement target - a secure income, flexible access or cash payments/lump sums.

Governed Retirement Income Portfolios (GRIPs)

You'll spend years building up your pension savings. And, at some point, you'll need to decide how you want to use them to give you an income when you need it. We have investment options that could suit you if you want flexible access to your pension savings for a regular income. We call them **Governed Retirement Income Portfolios** (or GRIPs for short).

GRIPs are a range of five investment portfolios, designed to match your attitude to risk. All our GRIPs form part of our Governed Range, so they benefit from regular reviews and ongoing fine-tuning to make sure they're sticking to their objectives. At no extra cost.

Exactly when you start taking income can have a big impact on your pension savings. We've designed the GRIPs to take advantage of opportunities to help your money grow, while taking sudden market shocks into account.

You should also remember that the value of investments can go down as well as up, and you might not get back all the money you pay in.

Benefits of our GRIPs:

- Designed to suit your attitude to risk
- Looked after by experts
- Designed to be resilient

Investment options - the fund range



Control your own investments

If you're a savvy investor, you might want to control everything yourself. You can set the strategy, pick the funds, and watch how they perform. And you can decide when and how to change things to stay in step with how you feel about risk, and respond to how your investments are doing.

We have over 180 funds. So you have plenty of choice when it comes to fund managers, investment styles and markets around the world.

Being in charge of your own investments is a rewarding option if you know your way around. But you'll need commitment and plenty of time. And you'll need to think about:

Spreading your investments

Most experts agree that successful investing is down to having the right mix of investments, such as equities (shares), bonds, property and cash. If one type of investment performs badly, your overall portfolio might not be so badly hit as you don't have all your eggs in one basket. A financial adviser can help you pick the mix of investments that's right for you.

Picking funds that match how you feel about risk

The more risk you're comfortable taking with your investments, the higher the returns you could get. But it's important to remember that you could also suffer bigger losses. Lower-risk investments are less likely to experience such

big losses, but they're also likely to give you lower returns. (Sadly, there's no such thing as a low-risk route to high returns.)

So you'll need to decide how much risk you want to take with your pension savings. And watch your portfolio to see it doesn't open you up to more risk (or less) as time goes on.

Watching your investments

Managing your investments gives you the freedom to be directly involved in your financial future. But you'll need to keep a close eye on them to make sure they stay on track to meet your financial goals. If you're not confident doing this, you should speak to a financial adviser.

Investment pathways

What are investment pathways?

Investment pathways were introduced by the Financial Conduct Authority (FCA) to help improve retirement outcomes for customers who want to flexibly access their pension savings.

From the point you choose to flexibly access your pension savings, you'll have four investment pathways to choose from.

Each investment pathway is designed to meet a specific objective. You'll be asked to choose an option that most closely matches your needs.

Our investment pathways solutions

We've used our extensive knowledge and experience to design our own four investment pathways.

These use our well-known investment solutions which have a proven track record for delivering on risk, returns and governance.

Each investment pathway is based on what you intend to do with your pension savings over the next five years (from the point you start flexibly accessing your pension savings) and invests in a mix of funds and asset classes, based on its investment objective.

Our investment pathways are monitored by our Independent Governance Committee (IGC) and reviewed regularly to make sure they meet their objectives and deliver value for money.

Find out more

You can view and download the investment factsheets for each of our investment pathways on our website at royallondon.com/pensioninvestments

Remember that the value of investments can go down as well as up, and you might not get back all the money you pay in.



Option 1

I have no plans to touch my money in the next five years

Investment pathway 1

Designed to deliver growth above inflation for a customer who has no short-term plans to access their pension savings.



Option 3

I plan to start taking my money as a long-term income within the next five years

Investment pathway 3

Designed to deliver growth above inflation to support sustainable income withdrawal.



Option 2

I plan to use my money to set up a guaranteed income (annuity) within the next five years

Investment pathway 2

Designed to maintain annuity buying power for a customer looking to buy an annuity in the short-term.



Option 4

I plan to take out all my money within the next five years

Investment pathway 4

Designed to offer the potential for above inflation growth while supporting short-term withdrawal needs.

We hope this guide makes your investment choices clearer. If you have any questions about next steps, think about speaking to a financial adviser. They can help you identify the investments which are right for you and your goals.

You can also visit our website at royallondon.com/pensioninvestments

We're happy to provide your documents in a different format, such as braille, large print or audio, just ask us when you get in touch.

This product is made of material from well-managed FSC®-certified forests, recycled materials, and other controlled sources.



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