Investing for **your retirement**

Pension investment options guide

ROYAL LONDON

Supporting your journey. 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 retirement that's right for you.

We won **Company of the Year** at the Money Marketing Awards 2019.

Our Drawdown product has been rated 5 Star by independent financial research and software company Defaqto.

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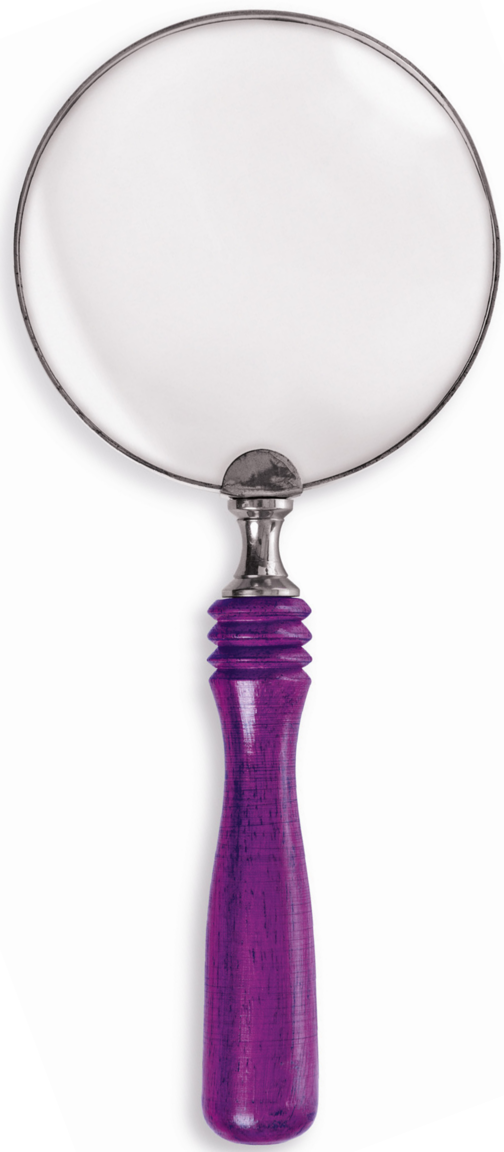


An introduction to investing

When you pay into your pension scheme, your contributions go into a pension "pot", which is then invested to help it grow over time.

An asset manager is responsible for choosing where to put this money to lower risk and provide the best returns possible. They can spread this money throughout a range of different groups of investment type - known as asset classes - such as property, stocks or bonds. Once it's invested, they continue to engage with the funds they've chosen to provide the best possible outcomes.

Responsible investment

Over 90 per cent of our assets are managed by Royal London Asset Management (RLAM).

The remaining assets are managed by external fund managers.
As part of our commitment to being a responsible investor, we ask all of our asset managers to integrate Environmental, Social and Governance – or (ESG) factors - into their investment decision-making process.

We've also asked our asset managers to help us fulfil our stewardship responsibilities by working with the companies we invest in to improve the way they're run – for example, by voting our shares, meeting with company management, or pushing for higher industry standards.

We know that customers are being influenced by growing concern for the planet, and the impact that business activities are having on the environment, and so with this in mind, we're making a stronger commitment to including these factors in our investment decisions.

We believe this can help to manage risk, support informed investment decisions, and help to generate better long-term returns as you save towards retirement.

Making sense of your options

These days, you've got 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. This guide shows what options you have when you invest with us.

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

Ready-made or hands-on?

If you're happy with a ready-made investment option then the solutions in our Governed Range could suit you.

We review them carefully and fine-tune them to make sure they're sticking to their objectives. And that service doesn't cost any extra.

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

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

Talk to an expert

And of course only you know your finances, and what you want to achieve. 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.

You may be charged for this advice.

Understanding how you feel about risk

Being an investor means facing up to risks. 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.

We've come up with different ways to invest, so 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 is 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 they work out better 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 you can answer 12 simple questions at our risk questionnaire: **royallondon.com/riskprofiler**

What to invest in

We want to get the best returns we can for you, in line with how you feel about risk. Doing that means investing in a range of different things. You might see them called 'asset classes', and we'll explain later what these are.

How much you invest in each asset class depends on how much (or how little) risk you're comfortable with. For example, if you feel 'balanced' about risk, you might prefer to invest in a mix of things like property, cash deposits and equities (or shares). Because each kind of investment behaves differently – if one goes down, others might still go up.

Pulling off the balancing act

Getting this balance right makes all the difference. But returns from different kinds of investments will change as time goes on. So, if you're a hands-on investor, it's important for you to check regularly to make sure the balance stays right for how you feel about risk.

Some of our investment options put money into a mixture of things, including shares, bonds, property and deposits. Others might only invest in one.

Asset classes explained

Deposits

Think of it like a savings account. You leave (or deposit) your money with a financial institution and it earns interest. It's low-risk, but if interest rates are very low, returns will be low too. And if they are lower than the plan charge then returns could be negative.

Corporate bonds

Effectively, you lend money to a company for a set time at a set interest rate. The returns are predictable, with more chance of them growing than deposits. The main risk is that the company goes bankrupt without paying back the loan. Even so, bonds tend to be less volatile than shares.

Government bonds *(or gilts)*

Like corporate bonds, but you're lending to the government. People see gilts as low-risk, because the government is unlikely to go bankrupt. Like corporate bonds, gilts are less volatile than shares and the chances of returns growing are better than with deposits.

There are two main types of property funds:

Direct property funds

Here, you're investing in a range of properties, like shopping centres, offices or factories. You might not be able to cash in your investment when you want to if the property doesn't sell quickly. And the true value only becomes clear once a buyer agrees a price.

Property security funds

Here, you're investing in property companies. Like shares, the price of these funds can go up or down suddenly. Compared to direct property funds, you're more likely to be able to cash in your investment when you want to.

Equities *(or company shares)*

Companies sell shares to raise money, and pay you a share of their profits as 'dividend'. 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.

Investors tend to think shares give better returns in the long run, though they're too volatile for short-term investing. It's also worth bearing in mind some overseas stock markets are more volatile than UK shares, and currency exchange rates can affect them.

Mixed assets

Some funds invest in a mixture of things, like shares, property or cash. The aim is that if one doesn't perform so well then the damage won't be as bad because you've spread your risk.

Specialist

Some funds invest in other things, which might suit you depending on the sort of investor you are and what you want to achieve. They include foreign exchange or commodities like grain, gold or oil. We'd recommend talking to an adviser if you're interested in these.

What you can do with your pension savings

You've got three choices for what to do with your pension savings when you retire.

1. Take a secure income

You can use your retirement savings to buy an 'annuity'. This will pay you a guaranteed regular income for the rest of your life. You can usually also take 25% of your savings in cash in one go, tax-free.

2. Dip in when it suits you with flexible access

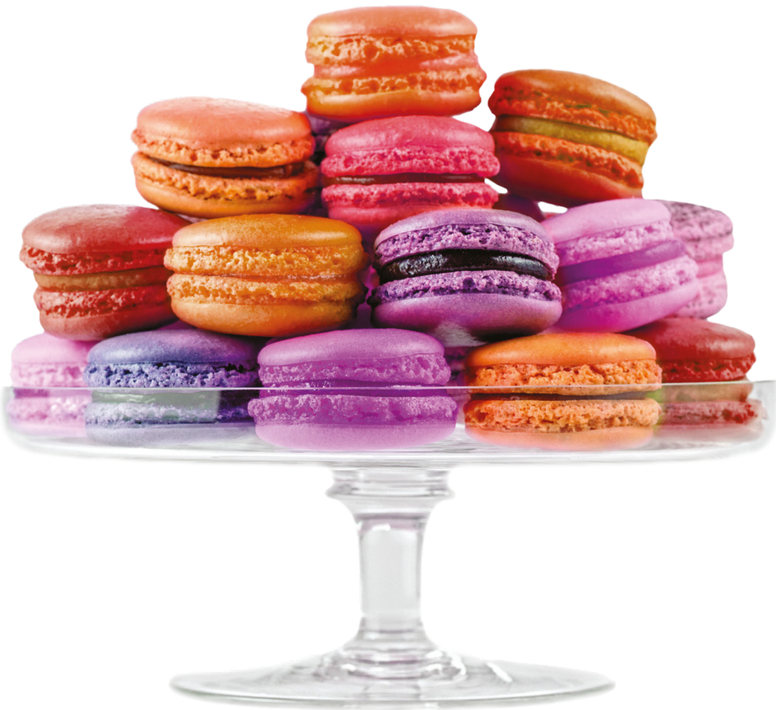
You can keep your retirement savings invested and take the income you need, when you need it. This is called 'income drawdown'.

3. Take it as cash

You can take your retirement savings as a one-off lump sum or as a series of smaller cash payments. Each time you take money out, the first 25% is usually tax-free.

The amount of tax you pay on your retirement income also 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.

The governed range



Ready-made investment solutions

Our **Governed Range** gives you lots of options for investing for your pension. They depend on:

- how you feel about risk
- how close you are to retirement

Leave it to our experts

With our Governed Range our experts keep the balance of your investments in line with the risk you said you were willing to take. They'll make any changes automatically every month - no need for you to lift a finger. And it doesn't cost a penny more. You can also keep an eye on how your investments are performing with easy online access to your plan.

Governed portfolios

Built for saving for retirement

Governed Portfolios are nine ready-made options for investing. We've designed each to match a particular feeling about risk, and how close you are to retirement. So, whether you're 'adventurous' about risk and only a short time from retirement, or if you're 'cautious' and a long time from retiring, there's an option for you.

Governed Portfolios bring you a range of benefits:

- Experts monitoring the portfolio investments at no extra cost
- A diverse range of assets
- Online access
- Investments designed to suit your attitude to risk
- Investments designed to suit how close you are to retirement

Lifestyle strategies

You can choose an option that manages your investments as you get closer to retiring. We've created a range of **lifestyle strategies** that move gradually from higher-risk to lower-risk investments as your retirement age gets nearer. Each strategy gradually shifts you from higher to lower-risk portfolios from the Governed Range. Just tell us how you feel about risk, and what your target is for your pension savings when you retire: a secure income, flexible access or a cash payment.

Your route to retirement

Lifestyle Strategies invest in similar things until you're close to retirement. Then it changes, based on the retirement option you chose at the outset.

For example, you may feel 'balanced' about risk and choose a cash payment as your target, from the options we looked at earlier. So as you move towards retirement most of your investments will go into deposits. If you choose flexible access as a target, you might have a more even split between shares and different kinds of bonds. Or, if you choose the secure income target, you might have a blend of deposits, gilts and other bonds.

Whatever you choose, you can switch whenever you like to fit your circumstances. And you can still do whatever you like with your pension savings when you retire, depending on what the regulations say then.

Choose your own route

A Flexible Lifestyle Strategy lets you pick which Governed Portfolios to switch into as you get closer to retiring. You can still choose your target – cash payment, secure income or flexible access. But you can handpick which portfolios your investments are in at 15, 10 and 5 years from retirement.

Governed Retirement Income Portfolios (GRIPs)

Designed for a regular retirement income

You'll spend years building up your retirement savings. And, at some point, you'll need to decide how you want to use your savings to give you an income when you need it. We have investment options that could suit you if you want flexible access to your 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 retirement savings. We've designed GRIPs to take advantage of opportunities to help your money grow, yet take sudden market shocks in their stride.

Our GRIPs offer you a range of benefits:

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

The fund range

160+ FUNDS

110+ managed by fund managers

50 managed by Royal London

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 with your adviser. 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've got over 160 funds. So you've got 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 success is down to the mix of things you invest in, like property, cash and equities. If one suffers, you might not be so badly hit because your eggs aren't all in one basket. An adviser can help you pick a mix of investments that's right for you.

Picking funds that match how you feel about risk

The more risk you're ready to take, the bigger the returns you could get - and the more you could lose. Lower-risk investments give you more security but 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

If you're in charge, you'll need to keep a close eye on your investments to check they're doing what you need them to do. If markets dip, you can limit the damage to your savings. And if you spot potential, you can take advantage. But don't overdo it. Investing is a marathon, not a sprint.

We hope this guide makes your choices with us clearer. If you've got questions about your next move, a financial adviser will help steer you to the investment that's right for you.

You can also visit us at
royallondon.com/pensioninvestments

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All of our printed products are produced on stock which is from FSC® certified forests.

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