Have you invested your pension in the right funds for you?

ReAssure's Investment Pathways could help you.

ReAssure

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ReAssure's Investment Pathways could help you. You might be planning to take your money soon or to leave your money invested for a while. Whatever your plans, the funds you're invested in need to work towards your goals. This will help you make the most of your pension pot and so enjoy a better income in retirement.

When considering which funds to invest in, you should think about how long you want to stay invested, how you're planning to take your money and what (if anything) you could afford to lose. To make this easier for you, we've set up some investment pathways.

It's not possible for us to know when you will take your money out of your pension pot, so we have based our investment pathways on what we've observed our existing customers do.

If you take your money earlier than we've assumed, you might be invested in higher risk funds than would be relevant for you. If you take your money later, you might miss out on potential investment growth.

This is really important, and if our assumptions are very different to your plans then our Investment Pathways won't be appropriate for you. If you're in doubt, please speak with a Financial Adviser.

To help with your decision-making you will receive a personalised illustration in your annual statement and every time you make a change to your policy (for example, paying money in or taking money out). This will show you the effect of your action on your policy before you proceed.

The right investment is as individual as you are, but the Financial Conduct Authority has introduced four options that are intended to be suitable for most people's plans. As all providers will be offering these pathways, you will see them on any other drawdown products you have.

Option 1

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

Page 4

Option 2

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

Page 6

Option 3

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

Page 8

Option 4

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

Page 10

Option 1

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

Description

This pathway is designed for customers who aren’t looking to access their pension pot in the near future. It invests in stocks and shares to give an opportunity for your pot to grow, but also includes some lower risk funds to reduce the risk of large falls in value.

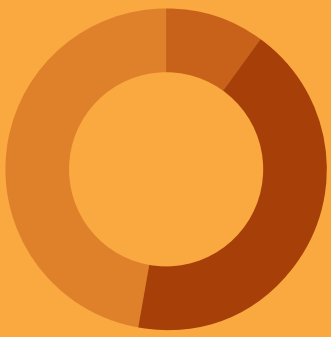
Our assumptions

We’ve assumed you’ll stay invested in this pathway for seven years after selecting it.

Risks you should be aware of

As this pathway invests in stocks and shares the value of your pension pot could go up or down, meaning you could have less money to support you in retirement. This is particularly important if you take your money earlier than we’ve assumed, as you’d have less time to recover from short term falls in financial markets.

How your funds are invested



- 10% - Deposit
- 43% - Corporate Bond
- 47% - UK and Global Equity Tracker

You can find out more about these funds in Investment Pathways Funds on page 11.

What option 1 could look like in practice

Mike is 60 and has a pension pot of £40,000. When he took out his policy he wanted to retire at 65, but as things stand he isn't planning to take any money from his pension pot for at least the next seven years.

How much Mike's pension pot could be worth in the future

Here's an idea, in today's money, of what Mike's pension pot could be worth when he's 65 and at age 67 when he thinks he may retire.

Age	Pension pot values		
	Lower Growth (-0.9% per year)	Medium Growth (2.1% per year)	Higher Growth (5.1% per year)
65	£ 36,917	£ 42,887	£ 49,803
67	£ 35,745	£ 44,091	£ 54,358

Because Option 1 invests in stocks and shares there is no guarantee of how his pension pot may perform, so we've used three different assumed growth rates to show the impact of investment performance on his pension pot over time.

It's important for Mike to remember that Option 1 is partially invested in stocks and shares, which could go down in value as well as up.

You can see that the additional two years can potentially have a relatively large impact on Mike's pension pot based on the assumed growth rates.

Mike will need to make sure he reviews his chosen investment pathway carefully as he gets closer to retirement. Once he decides what he wants to do with his pension pot he may need to change to a different pathway.

Option 2

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

Description

There are two main things that will affect the amount of guaranteed income for life your pension pot can secure when you retire – the performance of your investments and annuity rates available at the time.

This pathway aims to limit the impact of changes in both of these, to help you plan for your future with greater certainty.

Our assumptions

We’ve assumed you’ll take your tax-free cash, if applicable, and then set up a guaranteed income for life (an annuity) 18 months after selecting your pathway.

Risks you should be aware of

If you’re thinking of setting up your guaranteed income for life later than we’ve assumed, you may miss out on the potential for investment growth and receive a lower income than you could reasonably have hoped for.

How your funds are invested

20% - Gilts

80% - Corporate Bond

What option 2 could look like in practice

Jane is 60, has a pension pot of £40,000 and is planning to use it to set up a guaranteed income for life (annuity) in 18 months' time.

How much Jane's guaranteed income for life could be

It's important to remember that annuity incomes will vary depending on the type of annuity chosen, whether the annuity takes your health and lifestyle into account, and the rates available at the time.

If Jane bought a guaranteed income for life 18 months after choosing this Investment Pathway, she could realistically expect an income of around £1,380 every year or £115 per month (equivalent to around 3.5% of her pension pot).

Because this pathway is designed to give customers like Jane confidence in the amount of guaranteed income for life their pension pot could buy when they retire, differing investment performance or the time she actually buys her annuity will make little difference to the amount of income she could receive.

Jane will need to review her chosen pathway if she changes her mind and decides to wait much longer than 18 months to buy her annuity, otherwise she could miss out on the opportunity for her pension pot to grow and ultimately receive a lower income in retirement.

For comparison with other options here's how much, in today's money, Jane's pension pot could be worth in 18 months when she's looking to retire, and in five years' time.

	Pension pot values		
Age	**Lower Growth (-2.7% per year)**	**Medium Growth (0.3% per year)**	**Higher Growth (3.3% per year)**
61	£ 38,011	£ 39,761	£ 41,588
65	£ 33,712	£ 39,172	£ 45,500

Option 3

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

Description

This pathway offers the potential for investment growth with the aim of helping your money last for the rest of your life, whilst minimising the likelihood of your pension pot going up and down significantly in value.

Our assumptions

We’ve assumed you’ll start taking an income from your pension almost immediately after selecting this investment pathway.

Risks you should be aware of

With this option your money remains invested, with the intention that investment growth will help your pension pot last longer and support you throughout your retirement. If you withdraw your money too quickly, or investments don’t perform as well as you’d hoped – particularly in the early years of drawing an income – you may find that your pension pot runs out and you lose an important source of income.

How your funds are invested

35% - Deposit

28% - Corporate Bond

37% - UK and Global Equity Tracker

What option 3 could look like in practice

Alice is 60, has a pension pot of £40,000 and is looking to take monthly withdrawals of £165 (5% each year) straight away.

How much Alice's pension pot could be worth in the future

Here's an idea, in today's money, of what Alice's pension pot could be worth based on the withdrawals she wants to make. Because Option 3 invests in stocks and shares there is the possibility for her money to rise or fall in value, so we've used three different assumed growth rates to show the impact of investment performance on her pension pot.

	Pension pot values		
Age	**Lower Growth (-1.3% per year)**	**Medium Growth (1.7% per year)**	**Higher Growth (4.7% per year)**
65	£ 27,415	£ 32,260	£ 37,896
70	£ 16,096	£ 24,468	£ 35,817
75	£ 6,261	£ 16,736	£ 33,787
80	Fund Exhausted	£ 9,045	£ 31,795
85	Fund Exhausted	£ 1,377	£ 29,823
90	Fund Exhausted	Fund Exhausted	£ 27,855
95	Fund Exhausted	Fund Exhausted	£ 25,872
100	Fund Exhausted	Fund Exhausted	£ 23,851

You can see that if Alice's investments don't provide her with growth then her pension pot will run out, in one example at age 80. It's important to consider that if this happened to you, would you have other sources of income that you could rely on?

Investment performance is not the only thing to affect how long your money will last in your retirement. Whether you start taking withdrawals earlier or later will also affect what is left in your pension pot.

For example, if Alice doesn't start taking her withdrawals until age 65, it's more likely that she will be able to withdraw £275 per month and still see her income last until the age of 80.

This investment pathway could also be used if Alice was planning on taking occasional one-off payments rather than a regular income.

Option 4

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

Description

This pathway aims to reduce the likelihood of your pension pot significantly dropping in value shortly before you take your money.

Our assumptions

We’ve assumed you’ll take all your money from this pension about 18 months after selecting this pathway.

Risks you should be aware of

As this option assumes you take your pension pot as a lump sum in the near future, there is a risk that you miss out on the potential for investment growth if you take your money later than we’ve assumed.

How your funds are invested

60% - Deposit

40% - Corporate Bond

How we created the examples for each option

We came up with these examples to give you an idea of how the options could look for customers in different scenarios. Each one explains what the example customer was planning to do, but there are some assumptions we've made that apply to all:

- The customers transfer into a drawdown arrangement when selecting their investment pathway.
- No contributions are made during the period shown.
- Finally, we've assumed that inflation stays at 1% throughout the five year period. Inflation affects the buying power of your money. Think about how much more your weekly grocery shop costs today than it did ten years ago. It's important to bear this in mind when reviewing the performance of your policy as, under this assumption, a pension pot of £10,000 would only be worth £9,510 after 5 years in today's money.

It's important to remember that the values shown in the examples are not maximum or minimum amounts, and are not guaranteed.

Investment Pathways Funds

Deposit

Deposit refers to assets such as Cash, which offer very limited returns in exchange for low risk of changes in value.

Corporate Bonds

Corporate Bonds are a way for companies to raise money by borrowing from investors. Rather than selling shares in the company, they issue Bonds which offer a specific rate of return, usually over a fixed period.

Gilts

Gilts are very similar to Corporate Bonds, except they are issued by the UK Government rather than by companies.

UK & Global Equity Tracker

Equities are shares in a company, or number of companies.

You should regularly review your pension to see how it's progressing and whether your chosen pathway still matches your plans. Whatever option you choose, you need to make sure you will have enough money to support yourself for the rest of your life.

Please keep in mind that the value of any investment can go down as well as up and you could get back less or more than you have today.

We'll review our pathways every year to reflect any changes in customer behaviour, so these could change over time. You can always find the latest version of this information at **reassure.co.uk/investment-pathways**.

Answers to common questions

Can I change my pathway in the future?

You can select a different investment pathway or choose your own fund(s) at any time. Just call us or see our website **reassure.co.uk/your-funds.**

Do I have to put all my money in one pathway?

If you want different outcomes for parts of your pension you can choose different pathways.

Where can I find out more?

We've provided some useful links and supporting information based on the content of this booklet at **reassure.co.uk/investment-pathways**.

You will receive a personalised illustration every time you request a change to your policy, so you can see the effect of the change on your pension pot before you proceed.

Do I have to choose a pathway with ReAssure?

It's always important to shop around before making decisions about your pension pot. Other providers offer different retirement products, with their own investment pathways, and these may be more suitable for you – it's important you shop around. You can find out more about shopping around from MoneyHelper at **moneyhelper.org.uk** or by calling them on 0800 138 7777. You can also download their booklet called Your pension: your choices and use their helpful tool "Investment Pathways Comparison tool".

Are there any other risks attached to these pathways?

- As well as choosing an investment pathway to match your goal and timings, you should consider your personal attitude to risk, any other income you might have and what (if anything) you could afford to lose. You don't want to make a decision and be left with no money later in life.

- Any investment in a fund involves some risk, but the level of risk varies by fund. Low risk funds offer less potential for your money to grow but your money is less exposed to investment losses. Higher risk funds have greater potential for your money to grow, but the potential for a fall in value is greater. Your attitude to risk is where the balance sits for you between the possibility of higher returns versus the risk of losing money.

“I’m not sure what options are the best for me. Where can I go to get help?”

ReAssure is unable to give you financial advice involving a personal recommendation, but we can give you factual information. We recommend you get independent professional advice from a Financial Adviser if you’re unsure what to do. A Financial Adviser can make a personal recommendation based on your individual circumstances and the options available to you. If you don’t have an adviser, you can find one at **moneyHelper.org.uk/choosing-a-financial-adviser**. You may have to pay for any advice you receive.

Pension Wise from MoneyHelper is the government’s free and impartial guidance service which can help people aged 50 and over. Visit **moneyhelper.org.uk/pensionwise** or call 0800 138 3944.

ReAssure

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ReAssure Limited, Registered Office: Windsor House,
Telford Centre, Telford, Shropshire, TF3 4NB.

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