

# LIFESTYLING OPTIONS – MANAGING YOUR PENSION WITH RETIREMENT IN MIND

## WHAT IS LIFESTYLING?

Lifestyling is the word used to describe an automatic switch of your pension savings into investment funds that are designed with your retirement in mind. Typically this switch is carried out gradually over a number of years before your planned retirement age.

We offer two lifestyle options, the Lifestyle Annuity Option and the Lifestyle Balanced Option.

## WHAT IS THE AIM OF THE LIFESTYLE ANNUITY OPTION?

The Lifestyle Annuity Option is primarily aimed at individuals who are looking to use their pension pot to purchase a guaranteed income for life, known as an annuity. Your pension savings will gradually switch into less risky funds (deposit funds and 'gilts' – which are fixed interest securities issued by the Government) as you approach your planned retirement age. This is to help preserve their value and avoid a sudden drop just before you purchase an annuity. Please note that the Lifestyle Annuity Option does not provide any form of capital guarantee.

The amount of guaranteed pension income your pension pot will purchase depends on the annuity rate. An annuity rate is the amount of money you will receive each year in exchange for your pension pot. Typically they are shown in newspapers as the rate of annual income each £1,000 of your pension pot will provide. Annuity rates can go up and down.

The value of gilt investment and annuity rates are influenced by changes in interest rates. Generally, as interest rates fall the value of gilts rises and vice versa. This means that when interest rates drop the annuity rate will fall, meaning you get less annuity income for your money; however the value of a pension pot invested in gilt investments will increase and that will help to counteract the negative impact of a low annuity rate.

## WHAT IS THE AIM OF THE LIFESTYLE BALANCED OPTION?

The Lifestyle Balanced Option may be more appropriate for you if you would like to stay invested in 'growth assets' such as equities, but with lower volatility than a typical balanced fund. This option is specifically designed to target a return above the UK rate of inflation over the medium term, by investing in a diversified range of asset classes. Unlike the Lifestyle Annuity Option, which focuses on preserving value over the short term, the Lifestyle Balanced Option takes into account the need to continue producing investment returns over the medium term.

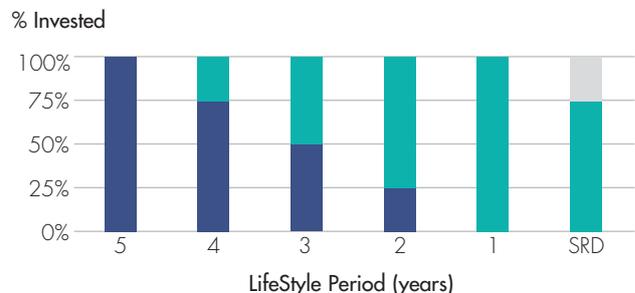
## HOW DOES THE LIFESTYLE ANNUITY OPTION WORK?

We will gradually switch your pension fund into the LifeStyle Gilt Fund and the LifeStyle Deposit Fund over the 5-year or 10-year Lifestyle Period, whichever you have selected.

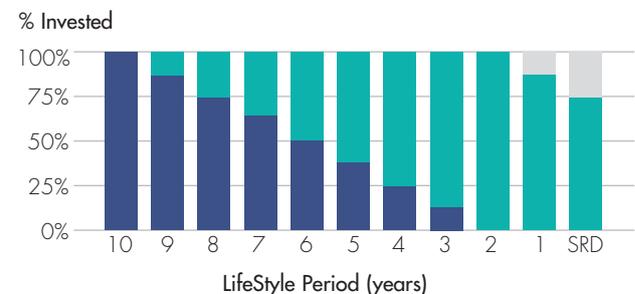
The charts below show how these two lifestyle funds will form an increasing percentage of your pension fund.

- Switches out of non-Lifestyle funds will automatically start five or ten years before your Selected Retirement Date.
- In the first four years (eight for the 10-year option) of the Lifestyle Period, we gradually switch all your non-Lifestyle funds into the LifeStyle Gilt Fund.
- In the final year (the last two years for the 10-year option) of the Lifestyle Period, we gradually switch 25% of the LifeStyle Gilt Fund into the LifeStyle Deposit Fund.
- At your Selected Retirement Date you will have approximately 75% of your pension pot invested in the LifeStyle Gilt Fund, and 25% in the LifeStyle Deposit Fund; the actual percentages may vary depending on market movements.

### THE 5-YEAR OPTION



### THE 10-YEAR OPTION



■ Non-Lifestyle funds\* ■ LifeStyle Gilt Fund ■ LifeStyle Deposit Fund

SRD Selected Retirement Date

\* Non-Lifestyle funds are the funds chosen by you from ReAssure's standard fund range.



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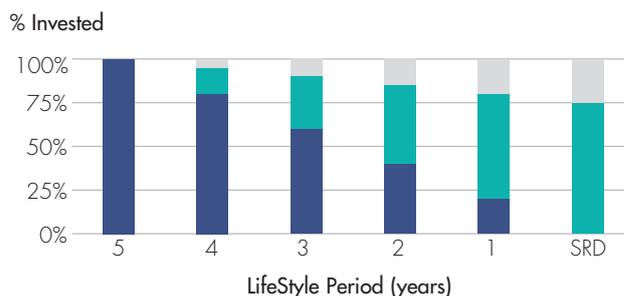
## HOW DOES THE LIFESTYLE BALANCED OPTION WORK?

We will gradually switch your pension fund into the LifeStyle Retirement Fund and the LifeStyle Deposit Fund over the 5-year or 10-year Lifestyle Period, whichever you have selected.

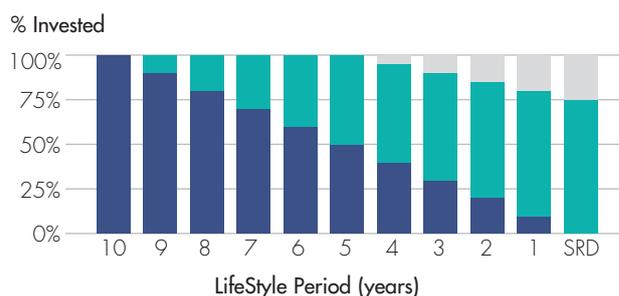
The charts opposite show how these two Lifestyle funds will form an increasing percentage of your pension fund.

- Switches out of non-Lifestyle funds will automatically start five or ten years before your Selected Retirement Date.
- Under the 5-year option, switching will be split between the LifeStyle Retirement fund (75%) and LifeStyle Deposit fund (25%) throughout the 5-year period.
- Under the 10-year option, switches will be allocated 100% into the LifeStyle Retirement fund during the first 5 years, and 50% each into the LifeStyle Retirement fund and LifeStyle Deposit fund during the last 5 years before your Selected Retirement Date.
- At your Selected Retirement Date you will have approximately 75% of your pension pot invested in the LifeStyle Retirement Fund, and 25% in the LifeStyle Deposit Fund; the actual percentages may vary depending on market movements.

### THE 5-YEAR OPTION



### THE 10-YEAR OPTION



■ Non-LifeStyle funds\*   ■ LifeStyle Retirement Fund   ■ LifeStyle Deposit Fund  
SRD Selected Retirement Date

\* Non-LifeStyle funds are the funds chosen by you from ReAssure's standard fund range.

## WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF LIFESTYLING?

### Advantages

- The whole process is automatic, so regular reviews of your pension savings can focus on whether the lifestyling option is performing as expected.
- Lifestyling may help to reduce investment volatility as you approach your retirement date.
- The final investment holding is designed for someone who intends to take a tax free lump sum and either purchase an annuity at their retirement date (Lifestyle Annuity Option), or retain flexibility to take advantage of the new pension freedoms (Lifestyle Balanced Option).

### Disadvantages

- The automatic nature of switches ignores timing considerations, for example it ignores changes in economic or market conditions and an automatic switch may occur between funds at times that may not prove to be the best.
- The longer the period over which lifestyle operates the greater the potential reduction in returns.
- The process works back from an expected retirement date. In practice few people can predict their retirement age with total confidence.

The lifestyle options are not risk free. You can find out more about the risks associated with the LifeStyle Deposit, the LifeStyle Gilt and the LifeStyle Retirement funds in our factsheets available at [www.reassure.co.uk/fund-centre](http://www.reassure.co.uk/fund-centre)

## ADDENDUM TO THE FOLLOWING GROUP MEMBER'S GUIDES

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- Personal Pension
  - Personal Retirement Account
  - Executive Pensions
  - Executive Retirement Account
  - Additional Voluntary Contribution Pension
  - Additional Voluntary Contribution Account
  - Trustee Executive Pension
- i. The Option is usually only available for schemes with at least 50 or more members at outset, or expected to reach this size.
- ii. Your employer may have selected the Option for your company scheme. If your employer does not take it up, you can still select it for your pension. You can take up or cancel the Option at any time.
- iii. Automatic LifeStyle switching out of your own fund portfolio will take place on the 13th day of each month during the LifeStyle Period (subject to our normal switching Terms and Conditions). We will write to you before the LifeStyle Period begins to confirm that automatic switching is about to start.
- iv. The LifeStyle Period begins exactly five or ten years before the 13th day of each month before your Selected Retirement Date and is the time period between switches starting and your Selected Retirement Date.
- v. **The LifeStyle Gilt Fund** invests in long-dated gilts that comprise mainly UK Government Bonds with 15 years or more to maturity. **The LifeStyle Retirement Fund** aims to achieve an annual return above the UK rate of inflation over the medium term through a combination of the returns on income and capital by gaining exposure to a diversified range of asset classes. At the same time, the Fund is managed with a focus on short-term risks posed by markets. **The LifeStyle Deposit Fund** aims to maximise current income consistent with preservation of principal and liquidity by investing in short-term money market instruments.
- vi. Under the Lifestyle Annuity Option, we will automatically invest all contributions received from the last year before your Selected Retirement Date (the last two years for the 10-year option), in the LifeStyle Gilt Fund unless you switch or redirect your funds during this time. Under the Lifestyle Balanced Option, we will automatically invest all contributions received from the penultimate month before your Selected Retirement Date into the Lifestyle Retirement Fund unless you switch or redirect your funds during this time.
- vii. The Option ends on your Selected Retirement Date.

Your investment may fall or rise in value and you may not get back what you put in.

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