Our Governed Retirement **Income Portfolios**

Pensions | Investing for your retirement

ROYAL LONDON

Building up your retirement savings may have taken you many years. So when you're getting ready to retire, it's important you take time to think about what you want to do with your savings.

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

If you decide you'd like flexible access to your savings and a regular income, then we have an investment option that could suit you – Governed Retirement Income Portfolios (or GRIPs for short).

What's inside

Introducing GRIPs

When you're saving for retirement you can usually afford to ride out the ups and downs of the stockmarket. But when the time comes to start taking income the impact of investment returns can have a much greater effect on your savings.

If you suffer losses in the early years it can be hard to recover, and could result in you having to take a reduced income in order to avoid running out of money. This means it can be difficult to know how much income your retirement savings can sustain over a period of time. A financial adviser can help you to discuss your own individual investment needs.

GRIPs are designed for people who want to take a **sustainable income** from their pension. They aim to deliver growth above inflation to support regular income withdrawals, whilst taking a level of risk consistent with your attitude to risk.

The timing of when you start taking income can have a big impact on your retirement savings. GRIPs take advantage of opportunities to help your money grow and aim to reduce the impact of sudden market shocks.

GRIPs form part of our Governed Range, so they come with active management, impartial governance and responsible investment at no extra cost.

A closer look at GRIPs

There are five portfolios to choose from and each one is made up of a diversified mix of asset classes.

Asset class	GRIP1	GRIP2	GRIP3	GRIP4	GRIP5
Equity	12.50%	22.50%	30.00%	40.00%	50.00%
Property	5.00%	7.50%	7.50%	10.00%	10.00%
Commodities	5.00%	5.00%	5.00%	5.00%	5.00%
Global High Yield Bonds	5.00%	5.00%	5.00%	6.25%	6.25%
UK High Yield Bonds	5.00%	5.00%	5.00%	6.25%	6.25%
UK Corporate Bonds	14.00%	13.00%	10.00%	7.25%	4.00%
Global Corporate Bonds	4.00%	3.50%	3.25%	2.00%	2.00%
Short Duration UK Corporate Bonds	4.50%	4.50%	3.00%	2.00%	1.50%
UK Index Linked	5.00%	5.00%	5.00%	3.75%	2.50%
Short Duration UK Index Linked	1.50%	0.75%	0.75%	0.00%	0.00%
Short Duration Global Index Linked	3.50%	1.75%	1.75%	0.00%	0.00%
UK Government Bonds	10.00%	10.00%	9.75%	5.00%	4.00%
Global Government Bonds	4.00%	3.75%	2.50%	2.50%	1.00%
Short Duration UK Government Bonds	11.00%	2.75%	1.50%	0.00%	0.00%
Absolute Return Strategies (including Cash)	10.00%	10.00%	10.00%	10.00%	7.50%

RISK

Lower **Higher**

We want to try and 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 called 'asset classes'. How much you invest in each asset class depends on how much (or how little) risk you're comfortable with.

The diagram above shows that as you move from GRIP 1 to GRIP 5 the mix of assets changes from lower risk to higher risk.

You can find an explanation of each asset class and the risks associated with them on pages 6 and 7.

The **higher 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.

It's important to remember that the value of investments can fall as well as rise and you could get back less than you pay in.

Your financial adviser can help you decide which GRIP would suit you best.

Asset classes explained

The GRIPs are made up of a diversified mix of asset classes, an explanation of each is given below.

Equities

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

Property

Within the GRIPs, we invest 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. The managers make significant effort to redevelop existing properties to improve their appeal and to generate increased rental income.

Commodities

Commodities are a basic good, such as grain, gold, or oil which is exchanged in the market place with other commodities of the same type. Recently the definition has expanded to include financial products such as foreign exchange and indexes.

Absolute Return Strategies

(including cash)

They invest in a wide array of assets and aim to produce a positive return, even when share markets are volatile, flat or falling.

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.

High Yield Bonds

High yield bonds are bonds which can experience bigger movements than standard corporate bonds. High yield bonds pay a higher level of interest than some other bonds which can result in higher returns, but it is also more likely that the issuer of the bond will fail to re-pay the loan which would affect the value of investments.

Government Bonds

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

Index Linked Government Bonds

Index linked government bonds are suitable for an investor that would like a fixed return that is inflation-proof. This protection is achieved by adjusting the fixed return in line with the movement of the Retail Price Index. In comparison the traditional government bond pays back the amount invested in full plus interest which is dependent on interest rates.

Gripping reasons to invest

Our GRIPs offer you a range of benefits.

- Flexible access to your retirement savings
- Designed to suit your attitude to risk
- Looked after by our investment experts
- Designed to be resilient
- Regular reviews
- Ongoing fine-tuning
- Easy online access

Find out more

If you think a GRIP could be the right investment option for you then please speak to your financial adviser.

Royal London
royallondon.com

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.

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

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