Our Governed Retirement **Income Portfolios**

Pensions | Investing for your retirement

ROYAL LONDON

You've worked hard to build your retirement savings over the years. So when you're getting ready to retire, it's important to think about what you want to do with them.

We offer a variety of ways for you to invest your retirement savings. These options are all about balancing the returns you want with the level of risk you're comfortable taking.

If you'd like flexible access to your savings and a regular income, our Governed Retirement Income Portfolios (or GRIPs for short) could be the right choice for you.

What's inside

Introducing GRIPs

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

Investment losses in the early years of retirement can be hard to recover from, and could mean that you have to take a reduced income to avoid running out of money. So it can be difficult to know how much income your retirement savings can sustain over a period of time.

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, at a level of risk consistent with how much risk you're comfortable taking - also known as 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 in markets to help your money grow, while also aiming to reduce the impact of sudden market shocks.

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

Think about getting financial advice

Investing can be a complex area. If you're unsure where to invest, you should think about getting financial advice. Using a professional financial adviser can be reassuring when making important decisions about your money.

A closer look at GRIPs

There are five portfolios to choose from, each one made up of a mix of different types of investments (or asset classes)

Asset class	GRIP1	GRIP2	GRIP3	GRIP4	GRIP5
Equities	12.50%	22.75%	32.00%	41.25%	50.00%
Property	5.00%	6.25%	7.50%	8.75%	10.00%
Commodities	5.00%	5.00%	5.00%	5.00%	5.00%
Global high yield bonds	3.00%	4.50%	4.50%	4.50%	4.50%
Sterling extra 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	2.50%	2.50%	1.50%	1.00%	0.50%
UK index linked bonds	7.50%	7.50%	7.50%	5.25%	5.00%
Short duration global index linked bonds	5.00%	2.50%	2.50%	0.00%	0.00%
UK government bonds	12.50%	12.50%	11.25%	10.00%	5.75%
Global government bonds	4.00%	3.75%	2.50%	2.50%	1.00%
Short duration UK government bonds	11.00%	2.75%	1.00%	0.00%	0.00%
Asset-backed securities	2.00%	1.75%	1.50%	1.25%	1.00%
Absolute return strategies (including cash)	7.00%	6.75%	5.00%	5.00%	5.00%

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 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, and also the level of risk - from lower risk to higher risk.

You can find an explanation of each asset class and the risks associated with them on pages 5 and 6.

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.

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.

A 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. We give an explanation of each of these below.

Equities

Companies sell shares to raise money, and may also pay a share of their profits as a '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 worth bearing in mind some overseas stock markets are more volatile than UK markets, and currency exchange rates can affect them too.

Property

Within the GRIPs, 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 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 GRIPs.

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.

Some of the different types of bonds include:

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 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 - a measure of inflation that tracks the rate at which prices for goods and services are rising.

Asset-backed securities

Asset-backed securities, or ABS, are a type of bond. They're typically issued by a bank or other lender. ABS investments are created by pooling together loans of a similar type, such as commercial and residential mortgages, credit card debt and car loans. Lenders will sell pieces of these pooled loans to investors who, in turn, will get money back as the loans are repaid, with interest.

Within the GRIPs, the type of asset-backed securities used is mainly 'floating-rate bonds'. With these, the interest investors get moves in line with interest rate changes. This means that they're less volatile in uncertain interest rate environments than traditional bonds.

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 a 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.

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