

# Which funds are right for my pension?

If you are a member of The Pensions Trust's Flexible Retirement Plan, this is an important question.

The Flexible Retirement Plan offers you a choice between eight different funds (see the table opposite) and the pension you get when you retire will be related to the performance of the funds you choose.

Choosing investment funds for your pension can be difficult, especially if your knowledge and understanding of investments is limited. Therefore, this short article aims to help you with these decisions.

## Types of funds

There are a number of different types of funds available in the Flexible Retirement Plan. Which fund you choose to invest in very much depends on how close you are to retirement and how much risk you are willing to take.

For example, funds made up of equity or property investments will go up and down in value more frequently (and therefore are 'riskier') than funds made up of bond investments. However, you would expect to see bigger growth from the equity and property funds in the long-term.

An investment in an equity or property fund is therefore generally more suitable for younger people who have a longer period of time before retirement. On the other hand, people closer to retirement should think about reducing their investment risk by putting their pension contributions in less risky funds such as bonds or money market instruments.

Fund Type	Asset Class
Global Equity Fund	100% Equities
Socially Responsible Investment Fund	100% Equities
Managed Fund	65% Equities 35% Bonds
Property Fund	100% Property
Index-Linked Fund	100% Bonds
Bond Fund	100% Government Bonds
Pre-Retirement Fund	75% Bonds 25% Money Market Instruments
Cash Fund	100% Money Market Instruments

## Making that choice

Only you know how much investment risk you are willing to take in your pension. Whilst it can be alarming if the value of your pension goes down, it is worth remembering that saving in a pension is a long-term commitment and investing in 'riskier' funds may give your pension a better chance of growing more.

Of course, the risks of investing in equity and property funds may be less acceptable to you as you get older. It is therefore worth checking how your pension is doing every so often to make sure you are happy that your current choice of funds are right for you. A time to do this is perhaps when you receive your annual benefit statement.

Remember that in the Flexible Retirement Plan you can choose to switch which funds you invest in once a year totally free of charge.

## Further help

An independent guide to making pension fund choices was recently

published by The Pensions Regulator, the UK's regulator of work-based pension schemes. The guide is called 'Think before you choose' and is available on the Regulator's website at [www.thepensionsregulator.gov.uk/guidance/dcScheme/fundChoices/index.aspx](http://www.thepensionsregulator.gov.uk/guidance/dcScheme/fundChoices/index.aspx)

## Can't decide?

If you are still finding it difficult choosing which funds to have in your Flexible Retirement Plan, then perhaps the right thing to do is to select the Default Option.

Should this be the case, the Trust will automatically invest your contributions in the Managed Fund (if you are more than six years away from retirement) or the Pre-Retirement Fund (if you are six or less years away from retirement).

Please note that The Pensions Trust can only provide general information and that the views expressed in this article should not be taken as financial advice.

If you are still not sure which funds are right for you, consider getting independent financial advice. Independent advice can be found via the website [www.unbiased.co.uk](http://www.unbiased.co.uk)