

# UNDERSTANDING INVESTMENT PATHWAYS

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Since 2015, the Government has made changes to pension legislation with the aim of giving you more flexibility. You now have more choice as to how you can best use your pension pot to meet your retirement income needs. And you can make these decisions without taking advice from a financial adviser.

As a result, the Financial Conduct Authority (FCA) has found many people are focused on taking tax-free cash from their pensions through drawdown. But they're doing this without being fully aware of how they should invest their remaining funds to meet their retirement objectives.

## Why is this a problem?

After someone takes a tax-free amount, their remaining funds move into drawdown and stay invested. This means they need to make a further decision on how to invest those funds.

FCA research has found that many customers are either unaware or have only a broad idea of how their drawdown fund is invested. This suggests that customers may be holding investments that may not meet their objectives for how they want to use that money in retirement.

In fact, in their Retirement Outcome review (June 2018), the FCA estimate that:

- Over half of these consumers are likely to be losing out on income in retirement by holding cash.
- Someone who wants to drawdown their pot over a 20 year period could increase their expected annual income by as much as 37% by investing in a mix of assets rather than just cash.

So, it's important to make informed decisions about where best to invest. And if you do want to invest in cash, like all your investment choices, this should be an informed, active, not default, decision.

To help, they have introduced '**Investment Pathways**'. These are investment choices aimed at people entering drawdown who don't have an adviser.



### Typically, lower risk funds - investing in something like cash:

- Tend to go up and down less than higher risk funds that invest in shares for example.
- May not keep up with inflation\* so the buying power of your pension savings could be reduced.
- May miss out on future growth if financial markets perform well.

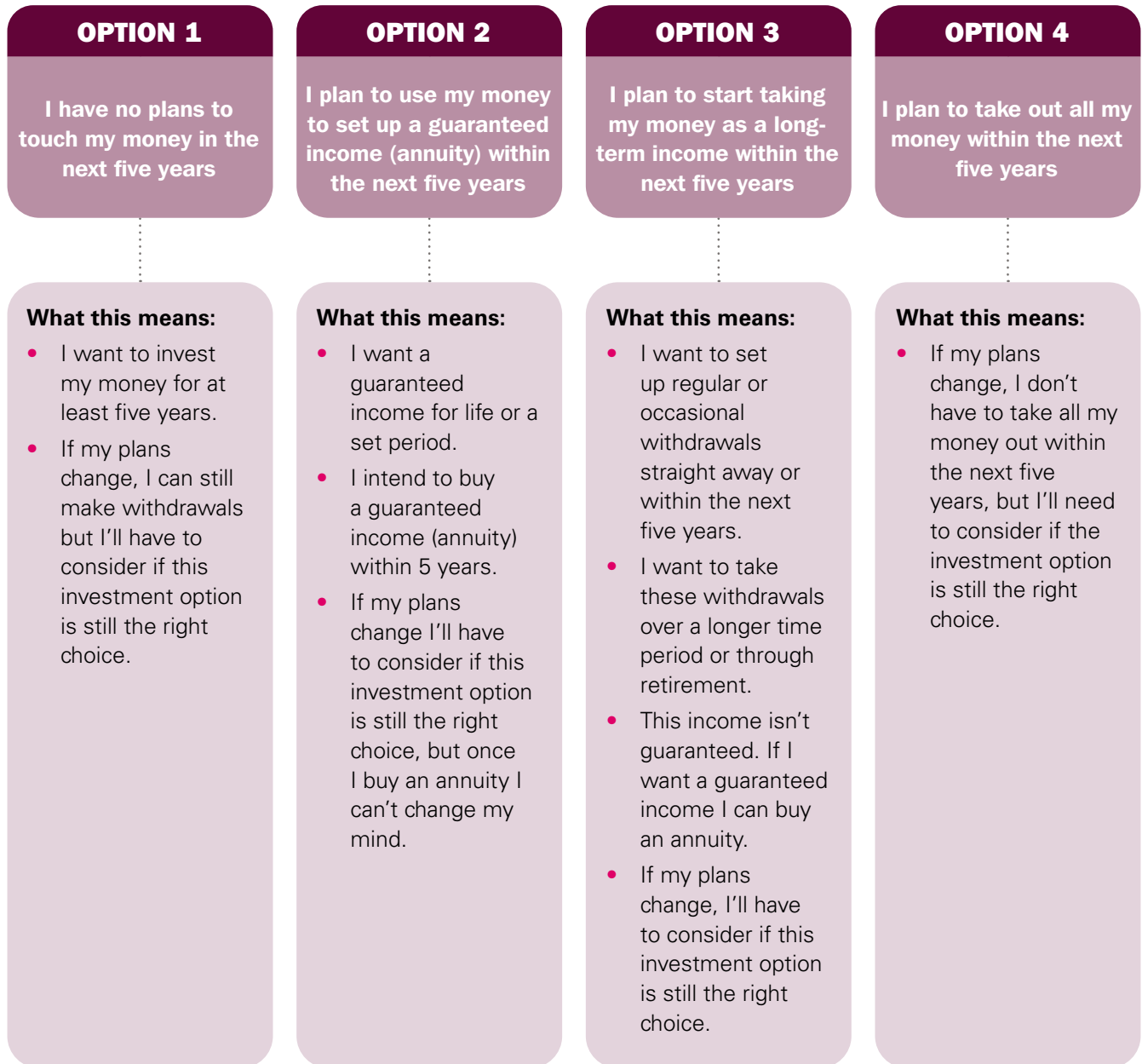
\*Inflation is the rise in prices for goods and services over a period of time. If the inflation rate is 3%, it means you're paying 3% more for something than you did this time last year.

So, if your pension pot doesn't grow by 3% in the same period, it isn't keeping up with the increased cost of goods and services.

## How will Investment Pathways help?

The idea is simple enough. If you want to access your pension savings through drawdown, you now have the option to select a provider that offers four Investment Pathways. You can choose to put some, or all, of your money in one, or more, pathway.

Each will include investment funds, chosen specifically for that pathway, that meet the following retirement objectives:



## Do I have any other choices?

Yes, you don't have to select an Investment Pathway. They have been introduced to make it easier for you to decide how to invest your drawdown fund once you have taken your tax-free cash. Once you've entered drawdown you can still:

- Select investment funds without using the Investment Pathways.
- Stay invested in your current investment funds.

## What do I do when I've made a decision?

This depends on whether you want to:

### A. Invest using Investment Pathways

We don't offer pathway investment funds, however, other firms do. If you would like to look into this further you can learn more about how to shop around by visiting the Money Advice Service website at: [www.moneyadviceservice.org.uk/en/tools/drawdown-investment-pathways](http://www.moneyadviceservice.org.uk/en/tools/drawdown-investment-pathways).

When you have made your decision you can contact us to ask for a transfer pack.

### B. Invest without using the Investment Pathways

You'll need to send us a completed **Flexi-access drawdown** or **Capped drawdown – benefit options** form. This lets us know how much of your pension pot you want to use. You will also need to tell us how you would like to invest your drawdown fund by completing the **Investment instructions** form.

We offer a range of funds to invest in, each with its own investment objective. We have fund lists and fact sheets in the 'Literature library' at: [www.phoenixwealth.co.uk](http://www.phoenixwealth.co.uk).

### C. Stay invested as you are

If you don't want to change your investments you still need to send us a completed **Flexi-access drawdown** or **Capped drawdown – benefit options** form to let us know.

You should still review your current investments to make sure they meet your retirement objectives. If you haven't made changes to your investments then your most recent annual statement will show you this. If you're still not sure what they are, please contact us.

Please remember, you don't have to take your pension benefits through us. You can shop around and switch your provider before taking your money.

## Why don't you offer Investment Pathways?

Only providers with a significant number of non-advised customers have to offer this option. As all our customers bought their pension through a financial adviser, we only have a small proportion of customers that are non-advised so we don't currently offer Investment Pathways.

### Can you help me?

We always recommend you get financial advice when deciding which option is best for you. While we can't give you any advice you can contact us to talk about your next steps:

- Call us on **0345 129 9993**. We're available 8.30am – 5.30pm, Monday to Friday.

As part of our commitment to quality service and security, telephone calls may be recorded.

- Email us at **customerservices@phoenixwealth.co.uk**

Please be aware that emails are not secure as they can be intercepted, so think carefully before sharing personal or confidential information in this way.

We've also included more information about how Investment Pathways may be relevant to you in our leaflet **Choosing an Investment Pathway**. This is available in our literature library at [www.phoenixwealth.co.uk](http://www.phoenixwealth.co.uk)

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