

Grayside Financial Services

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Consolidating pension investments

Bringing all your pension investments into one, easy-to-manage wrapper

Most people during their career accumulate a number of different pension plans. Keeping your pension savings in a number of different plans may result in lost investment opportunities and unnecessary exposure to risk. However, not all consolidation of pensions will be in your best interests. You should always look carefully into the possible benefits and drawbacks and, if unsure, seek professional financial advice.

KEEPING TRACK OF YOUR PENSION PORTFOLIO

It's important to ensure that you get the best out of the contributions you've made, and keep track of your pension portfolio to make sure it remains appropriate to your personal circumstances.

Consolidating your existing pensions is one way of doing this.

Pension consolidation involves moving a number of pension plans where appropriate – potentially from many different pensions' providers – into one single plan. It is sometimes referred to as 'pension switching'.

Pension consolidation can be a very valuable exercise, as it can enable you to:

- Bring all your pension investments into one, easy-to-manage wrapper

- Identify any underperforming and expensive investments with a view to switching these to more appropriate investments
- Accurately review your pension provision in order to identify whether you are on track

WHY CONSOLIDATE YOUR PENSIONS?

Traditionally, personal pensions have favoured with-profits funds – low-risk investment funds that pool the policyholders' premiums. But many of these are now heavily invested in bonds to even out the stock market's ups and downs, and unfortunately this can lead to diluted returns for investors.

It's vital that you review your existing pensions to assess whether they are still meeting your needs – some with-profits funds may not penalise all investors for withdrawal, so a cost-free exit could be possible.

FOCUSING ON FUND PERFORMANCE

Many older plans from pension providers that have been absorbed into other companies have pension funds which are no longer open to new investment, so-called 'closed funds'.

As a result, focusing on fund performance may not be a priority for the fund managers. These old-style pensions often impose higher charges that eat into your money, so it may be advisable to consolidate any investments in these funds into a potentially better performing and cheaper alternative.

ECONOMIC AND MARKET MOVEMENTS

It's also worth taking a close look at any investments you may have in managed funds. Most unit-linked pensions are invested in a single managed fund offered by the pension



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provider and may not be quite as diverse as their name often implies. These funds are mainly equity-based and do not take economic and market movements into account.

LACK OF THE LATEST INVESTMENT TECHNIQUES

The lack of alternative or more innovative investment funds, especially within with-profits pensions – and often also a lack of the latest investment techniques – mean that your pension fund and your resulting retirement income could be disadvantaged.

SIGNIFICANT EQUITY EXPOSURE

Lifestyling is a concept whereby investment risk within a pension is managed according to the length of time to retirement. 'Lifestyled' pensions aim to ensure that, in its early years, the pension benefits from significant equity exposure. Then, as you get closer to retirement, risk is gradually reduced to prevent stock market fluctuations

reducing the value of your pension. Most old plans do not offer lifestyling – so fund volatility will continue right up to the point you retire. This can be a risky strategy and inappropriate for those approaching retirement. ■

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

WANT TO DISCUSS YOUR RETIREMENT PLANS?

Each individual's position will vary depending upon their current pension arrangements and circumstances. If you would like to discuss your retirement plans, please contact us – we look forward to hearing from you.

FACTSHEET

