TAKING INCOME FROM YOUR PENSION? SOME THINGS TO CONSIDER

If you're considering taking income from your pension plan it can be difficult to decide the amount of income to take and a suitable investment approach. After all the decisions you make now will ultimately affect the amount of your retirement savings. Here's just a sample of the things that should be considered.

THINK ABOUT YOUR INCOME REQUIREMENTS

For drawdown plans set up from April 2015, the amount that can be withdrawn is no longer subject to income limits. However, the amount of income taken from your plan should be enough to meet your income requirements and you should be aware that withdrawing too much income can erode your retirement savings.

CHOOSE AN INCOME LEVEL THAT IS SUSTAINABLE

The higher the level of income taken from your fund, the higher the investment returns you will need to achieve. However high levels of income may not be sustainable – if you take a high income now, there is a risk that your income in the future may be significantly less. Looking at different scenarios over the long and short term can help you understand the combined effect of your income withdrawals and the possible investment returns on your fund over time. This is useful because you need to be comfortable that the income you are planning to take is reasonably sustainable.

ANNUITY PRICES COULD INCREASE RESULTING IN A LOWER FUTURE INCOME

The rate at which you can buy an annuity to secure a regular income for life will depend on, your age and health, and interest rates at the time. As you get older you will normally get a better annuity rate, and if you have suffered from certain medical conditions you may qualify for an enhanced annuity which means you also get a better annuity rate. However we can't know for certain what interest rates will be in the future, so if rates fall the amount of income you can secure by buying an annuity will fall. This could offset any increase due to age or health.

INVESTMENT RETURNS MAY BE LESS THAN EXPECTED

Your fund will need to achieve sufficient investment returns to make up for the amount of income taken and also to ensure that it continues to provide you with the future income that you need. However, investment returns are uncertain, your fund could fall in value and there can be no guarantee that your fund will achieve the level of returns required. If your fund value falls or does not grow enough you may not be able to sustain your level of income in the future. Rather than putting all your money into one type of investment, you might decide to spread it over different types of assets such as equities (stocks & shares), bonds (loans to companies or governments who pay you back with interest at a later date) and deposits (cash investments that work a bit like a bank account). So if one investment type performs poorly, you won't be as badly affected. It's about getting the right asset mix for your investments.

CHOOSE INVESTMENTS THAT MATCH YOUR ATTITUDE TO RISK

Assessing your attitude to risk can help you choose an investment approach aligned to a level of risk you're comfortable with. The more risk you're willing to take with your investments, the higher the potential returns but the greater the chance of loss. On the other hand, lower risk investments offer greater security but lower potential returns.

HOW CAN YOU UNDERSTAND THESE RISKS?

To help you understand investment risks it is useful to consider different scenarios for investment returns and interest rates. This can help you understand how the value of your fund can change depending on any or all of these circumstances and the impact this has on the income you wish to take, and show you the range of possibilities for your future retirement income. Remember that any forecast is only an estimate and it's possible that your income in future could be more or less than the amounts shown.

KEEP AN EYE ON YOUR INVESTMENTS

Don't make the mistake of thinking that you can choose your investments now then forget about them. It's quite likely that your needs will change with time so you need to keep an eye on how your investments are performing to make sure they still meet your needs.

HOW WE CAN HELP

This is just a sample of some of the things you'll need to think about. Your financial adviser will be able to help you consider your options and make a choice that's right for you. We have developed an Income Planning Tool that your adviser can use to help you understand the risks of taking income from your plan and provide a suitable investment approach.

SO HOW DOES IT WORK?

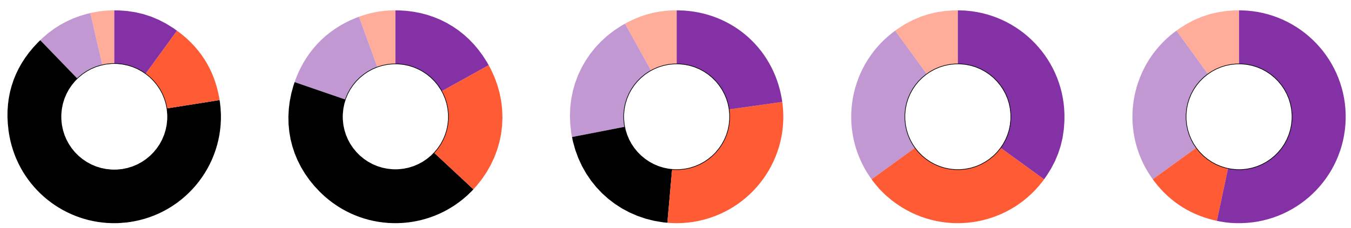
Decide the right amount of income to take

Our Income Planning Tool can help you decide the right income level to take based on your immediate and future income needs and your willingness and ability to take investment risk.

Decide a suitable investment approach

The tool will also suggest a recommended investment approach from a range of multi asset Governed Retirement Income Portfolios. There are five to choose from depending on your risk category. The asset allocation of each is shown below.

Governed Retirement Income Portfolio 1	Governed Retirement Income Portfolio 2	Governed Retirement Income Portfolio 3	Governed Retirement Income Portfolio 4	Governed Retirement Income Portfolio 5



Governed Retirement Income Portfolio 1	Governed Retirement Income Portfolio 2	Governed Retirement Income Portfolio 3	Governed Retirement Income Portfolio 4	Governed Retirement Income Portfolio 5
10.0% Equities	17.0% Equities	23.0% Equities	35.0% Equities	53.5% Equities
12.5% Corporate bonds (10yr)	20.0% Corporate bonds (10yr)	28.5% Corporate bonds (10yr)	30.0% Corporate bonds (10yr)	11.5% Corporate bonds (10yr)
65.5% Index linked bonds (10yr)	43.5% Index linked bonds (10yr)	20.5% Index linked bonds (10yr)	25.0% High yield bonds	25.0% High yield bonds
8.5% High yield bonds	14.0% High yield bonds	20.0% High yield bonds	10.0% Property	10.0% Property
3.5% Property	5.5% Property	8.0% Property		

RISK

Lower — Higher

WHAT ARE THE BENEFITS?

Experts monitoring your asset mix – Your portfolio comes with ongoing governance. This simply means that our investment experts check it regularly. It allows us to maintain the best mix of assets in line with the risk category – and to make sure it is performing in line with its overall objectives – aiming to give you the best returns. Investment returns may fluctuate and you might not get back the amount you originally invested.

Automatic updates – If our experts decide that the mix of assets need adjusted, it happens automatically on your behalf, you don't need to do anything. You can be confident that the portfolio continues to meet its objectives. What's more, this service comes at no extra cost.

Automatic rebalancing – rebalancing is the process of making sure the asset mix of your investments is maintained following movements due to fund price changes. With a Governed Retirement Income Portfolio your assets are automatically adjusted every month to the original splits. You can take a hands free approach as this all happens automatically.

Regular communication – it's easy for you to check on the portfolio. You can view details of the Governed Retirement Income Portfolios at **royallondon.com**.

If you are interested in finding out more please speak to a financial adviser who'll be able to help you make a choice that's right for you. Advisers may charge for providing such advice and should confirm any costs beforehand.

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