



## GOVERNED RETIREMENT INCOME PORTFOLIOS – MANAGING RISK

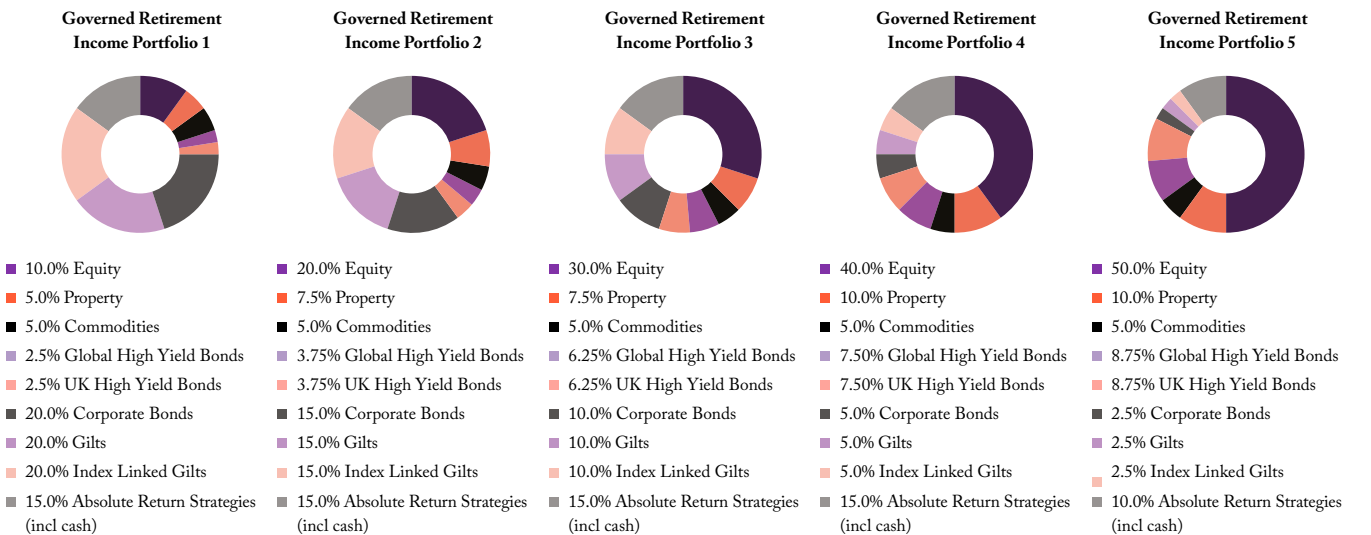
Our Governed Retirement Income Portfolios – or ‘GRIPs’ for short – are designed to help you achieve a sustainable level of retirement income and help reduce the impact of sudden market falls on your retirement savings.

There are five portfolios to choose from depending on your risk category. You can find out which risk category suits you best by completing our [Risk Profiling Questionnaire](#).

Each portfolio is spread across different types of assets so if one investment type performs poorly, you shouldn’t be as badly affected. The asset allocation of each is shown below.

As you move along the risk spectrum from GRIP1 to GRIP5 the mix of assets changes from lower risk assets designed to be more stable to higher risk assets designed to deliver growth.

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. You need to decide how much risk you want to take with your pension savings.



Remember that any forecast is only an estimate. Investment returns may fluctuate and you may not get back the amount you originally invested.

## WHAT DOES BAD LOOK LIKE?

Understanding whether your level of income can be sustained is important if you don't want to run out of money too soon. It's also really important to understand what might happen to your income if investment returns are less than expected. To help us manage this risk our experts review how each GRIP will perform under different market conditions.

## MANAGING RISK IN THE GRIPs

The GRIPs have well designed risk targets to help ensure that they continue to take an appropriate level of risk and deliver a sustainable level of retirement income. The actual level of risk in each GRIP is reviewed each quarter to ensure it continues to be appropriate.

## INCOME SUSTAINABILITY

Income sustainability is our key risk metric for the GRIPs. It is a measure of how likely it is that a customer's investments will meet their specific retirement needs. All of our GRIPs are designed to maximise sustainability, and we regularly monitor this across different levels of income.

The table below shows the income sustainability levels for each GRIP for someone with savings of £100,000 who is taking income over a 25 year term, such as age 65 to 90, and is paying a total charge of 1% pa. We believe a score of 85% or more indicates a highly sustainable income.

	GRIP 1	GRIP 2	GRIP 3	GRIP 4	GRIP 5
£4,000 per annum	91%	92%	91%	91%	90%
£2,250 per annum increasing with inflation	98%	98%	98%	97%	97%

These assumptions are representative of a typical income profile of a Royal London customer who has taken advice.

Your individual circumstances might be different to those shown above. If they are your financial adviser can speak to you about your own personalised sustainability score and help you consider your options so you can make a choice that's right for you. Advisers may charge for providing such advice and should confirm any costs beforehand.

## MAXIMUM 1 YEAR LOSS

This risk metric helps us to understand how much your savings could fall in value if we see a significant downturn in the assets in which the GRIPs invest. To do this we look at a range of market scenarios and pick one which is statistically expected to occur 1 in 20 times.

### Maximum 1 Year Real Loss in fund value

	GRIP 1	GRIP 2	GRIP 3	GRIP 4	GRIP 5
Target	-10.0%	-11.0%	-13.0%	-15.0%	-17.5%

Our GRIPs benefit from ongoing fine-tuning to help make sure they meet their objectives. With GRIPs you'll receive:

- **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 outcome.
- **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 GRIP 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 how each GRIP has performed. You can view details of the GRIPs at [royallondon.com](http://royallondon.com).

If you are interested in finding out more about any of the information shown here please speak to your financial adviser who'll be able to help you make a choice that's right for you.



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