

Investment pathways

From 1 February 2021, as part of the final phase of the FCA's Retirement Outcomes Review, providers will need to offer investment pathways to non-advised customers when they move pension savings into drawdown or transfer funds already in drawdown to a new plan.

What are investment pathways?

Investment pathways are investment solutions, designed to meet a customer's specific retirement goal. Customers will be asked to pick an option that most closely matches their needs.

Once the customer has chosen an option, the provider will then offer an investment pathway solution.

The investment pathways come with high levels of governance. They're monitored by the provider's Independent Governance Committee (IGC) and reviewed regularly to make sure customers are getting value for money.

There are four options to choose from

1

I have no plans to touch my money in the next 5 years.

2

I plan to use my money to set up a guaranteed income (annuity) within the next 5 years.

3

I plan to start taking my money as a long-term income within the next 5 years.

4

I plan to take out all my money within the next 5 years.

Our investment pathways solutions

We've used our extensive knowledge and experience to design our own four investment pathways. These use our well-known investment solutions which have a proven track record for delivering on risk, returns and governance.

So whatever pathway a customer chooses, they'll have peace of mind knowing it will benefit from regular reviews, hands-on supervision and ongoing governance to help make sure it meets its objectives.

So, what do Royal London's investment pathways solutions look like?



I have no plans to touch my money in the next 5 years

Investment pathway 1
Governed Portfolio 6 (drawdown)

Designed to deliver growth above inflation for a customer who has no short-term plans to access their savings.



I plan to use my money to set up a guaranteed income (annuity) within the next 5 years

Investment pathway 2
RLP annuity fund

Designed to maintain annuity buying power for a customer looking to buy an annuity in the short-term.



I plan to start taking my money as a long-term income within the next 5 years

Investment pathway 3
Governed Retirement Income Portfolio (GRIP) 3

Designed to deliver growth above inflation to support sustainable income withdrawal.



I plan to take out all my money within the next 5 years

Investment pathway 4
Governed Portfolio (GP) 3

Designed to offer the potential for above inflation growth while supporting short-term withdrawal needs.

We'll set up each investment pathway to mirror an existing investment option from 1 February 2021, they'll then be reviewed and updated in the future if required. This is possible because of the range of advanced retirement investment options we offer. This approach will help you and your clients easily understand each option.

Our charges

The charge a customer will pay when investing in any of our four investment pathways solutions will be the same. Like all Income Release plans, these charges will vary depending on the value of their pension savings, as shown in the table below.

Value of pension savings	Annual management charge ¹
£0 - £34,500	0.90%
£34,500 - £69,100	0.50%
£69,100 - £207,000	0.45%
£207,000 - £691,000	0.40%
£691,000+	0.35%

1. The annual management charge includes the cost of setting up and administering the plan as well as the product and investment charges. It's recouped through a 1% fund charge which is reduced by a monthly discount.

Offering an investment pathways solution to your client

When recommending an investment solution for your drawdown clients, you need to consider the new investment pathways and if they'll better meet your client's needs.

If you don't recommend an investment pathway, you must be able to demonstrate and document why you've recommended a different solution and why it's more suitable for your client.

Building investment pathways into your advice process

From 1 February 2021, you'll need to consider how you're going to build investment pathways into your advice process.

There are no set rules on how you should do this, but one way of doing this could be to introduce them as a formal consideration within centralised retirement propositions (CRPs).

This might include a form of analysis to compare the investment solution being used for drawdown against the pathways – like value for money. It might also be the case that a customer's capacity for loss or risk results in a pathway solution being inappropriate.

You could also consider using independent product databases like, O&M and Selectapension to help with comparisons across providers.

If you're thinking about using these databases or need support with your reporting processes, our [Business Support Unit](#)² is your one-stop shop for help – they're experts on the best advice tools.

More reasons to choose Royal London



Tools to support client conversations

You can use our tools to provide a cost-effective planning and review service for your clients and create visually engaging reports, which you can charge for.

Our financial planning tool gives your clients a full picture of their different sources of income and how the spending needs could change over time.

You can use our client review service as part of your regular review process to show clients how their plan is doing and what their future might look like.

And our drawdown governance service helps you monitor the income your clients are taking and see when things are heading off track.



A standout service that matters

When it comes to service, we think every adviser we work with deserves a dedicated contact - there to build relationships, understand your business and get to grips with the challenges you face.

Our business development managers deliver hands-on support to help you grow your business.

And they're backed by a network of expert teams, there to help with anything from initial illustrations to helping your clients access their pension savings.



Engaging communications

We're always looking for new ways to engage customers and help you with your client conversations.

All of our communications use clear, simple language to help your clients understand their pension savings and what their future could look like.

We also champion the value of financial advice in our communications and point them back to you when they need it.

Clients can also use our mobile app to keep track of how much income they've taken and how long their money's likely to last.



Our mutuality

All this is underpinned by our mutual status.

As a mutual, we're run purely for the benefit of our members and customers - so we focus on the things that will make a difference to them, like sharing our profits through ProfitShare and reinvesting our profits to provide better products and services.

While a PLC will try to push its resources towards generating greater profit for its shareholders, our actions will always be driven by the long-term best interests of our members and customers - your clients. It's this simple ethos that makes us different to most of our competitors.

Next steps

To find out more about our investment pathways solutions, speak to your usual Royal London contact.

Royal London

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royallondon.com

We're happy to provide your documents in a different format, such as Braille, large print or audio, just ask us when you get in touch.
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