

READY-MADE PENSION

INVESTMENT GUIDE

Proud to be part of the same family

SCOTTISH WIDOWS

LLOYDS

HALIFAX

BANK OF SCOTLAND



WHY THIS GUIDE IS IMPORTANT

This guide helps you understand:

- **How your Ready-Made Pension is invested;**
- **How our fund experts manage investment risk for you.**

We invest your pension for you in our 'Retirement Portfolio':

- You don't choose the funds in this portfolio.
- Your risk level is managed based on the age you've told us you'd like to retire.
- The portfolio has been designed to meet the needs, objectives and characteristics of a typical customer looking to access their pension savings flexibly at retirement.
- It's important you read this guide along with the Ready-Made Pension Key Features Document and Terms and Conditions. These documents will help you decide if the Ready-Made Pension is right for you and understand any associated risks.

Remember, the Ready-Made Pension is non-advised. If you have a financial adviser you may want to speak to them, or you can find one at **www.unbiased.co.uk/find-an-adviser** or **www.vouchedfor.co.uk**.

You'll normally be charged for any financial advice you receive.

HOW IS THE RETIREMENT PORTFOLIO INVESTED

When you pay into a Ready-Made Pension, we invest your money in a mix of funds to give you the right level of investment risk over the longer term. We call this investment solution your '**Retirement Portfolio**'.

Our Retirement Portfolios use the **Scottish Widows Managed Growth Funds** (MGF), which invest in a blend of stocks and shares (also known as **equities**), fixed interest investments (also known as **bonds**) and **property**.

To invest you in the right portfolio for you, we'll ask for your intended retirement age (e.g. when you plan to start taking your retirement benefits).

We'll invest your money in a Retirement Portfolio that targets the five-year window in which your retirement date falls. For example, someone who's 40 in 2026 and plans to retire at age 60 in 2046, would be placed in the Retirement Portfolio that targets the years 2046-2050.

We'll manage your Retirement Portfolio and the investments in it for you over the years, so you don't have to.

As you approach the retirement age you've chosen, the investment strategy of your Retirement Portfolio gradually reduces the investment risk your pension is exposed to. This process is called 'lifestyling', and the change happens automatically.

It's important to review your retirement plans regularly. You can change your selected retirement age for your Ready-Made Pension at any time. This might change the way your Ready-Made Pension is invested, and you may move into a different Retirement Portfolio.

We regularly review and adjust the Ready-Made Pension Retirement Portfolios to ensure the blend of underlying assets continues to provide the appropriate balance between risk and reward. This includes the following:

- **Ongoing governance** – We regularly check to ensure that the mix of assets in our Retirement Portfolio continues to be appropriate for its aims and risks;
- **Automatic rebalancing** – The investments in your Retirement Portfolio will be rebalanced to maintain the Retirement Portfolio's set investment split between assets.

INVESTING AND RISK

Our Retirement Portfolios are designed to manage the risk level for you over the years, and give your pension the best chance to grow. The underlying funds we use are multi-asset Scottish Widows Managed Growth Funds. These are funds that spread your money across different types of assets – like shares, bonds, property and cash.

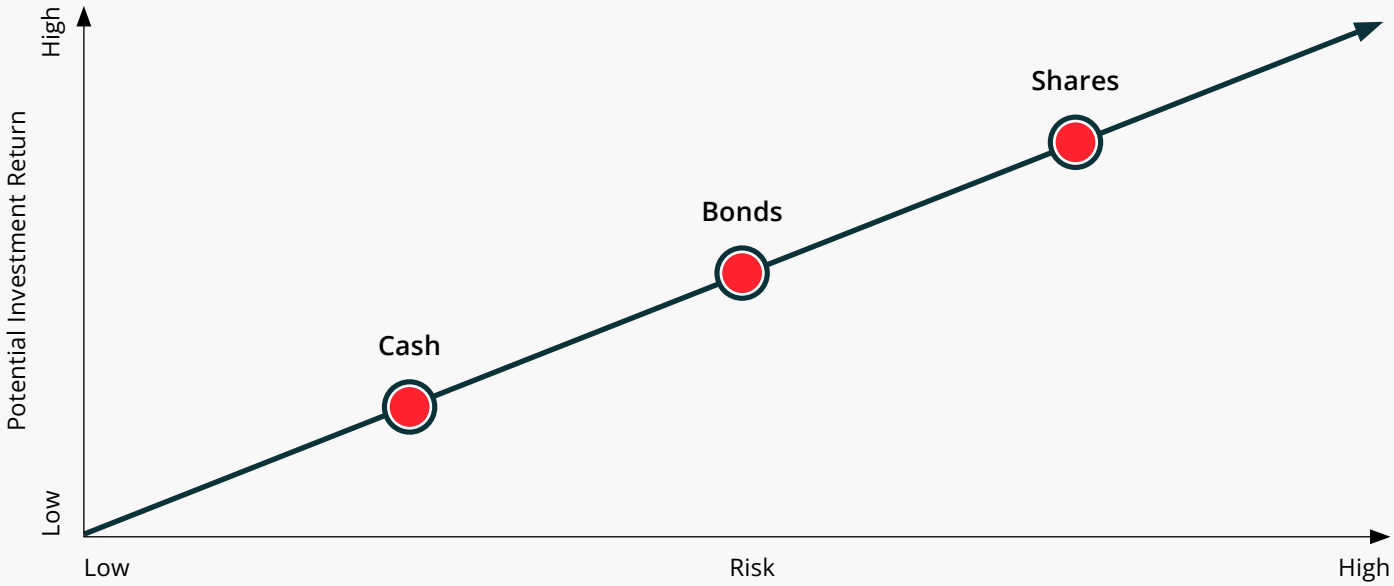
They are designed to diversify risk and smooth returns, because if one asset performs poorly, others could perform better.

Generally, with the potential for higher rewards, comes a higher level of risk. Within each different asset type, the level of risk and the potential return can vary depending on the specific investment you're invested in.

Remember, with any investments, there are no guarantees. There's a risk that the value of your pension could go down as well as up, depending on investment performance. The value of your pension could fall below the amount paid in.

Given this investment risk, you should be prepared to invest in your pension for the longer term, to help give your investment time to ride out any short-term fluctuations.

The graph below gives an indication of the potential risk versus reward for different types of investments:



THE SCOTTISH WIDOWS MANAGED GROWTH FUNDS

See what you benefit from when our experts at Scottish Widows manage your investments.

Independent risk assessment

Each Managed Growth Fund is independently assessed to help ensure its level of investment risk is clearly defined and understood.

Global diversification

Investments are spread across different regions, sectors and investment types around the world.

Professional management

Our investment experts actively manage the funds, adapting them over time as markets and investment conditions change.

Designed to adapt

We regularly review the funds and the mix of investments they hold to help keep them well positioned for long-term growth.

Responsible Investment

We consider environmental, social and governance (ESG) factors when making investment decisions, helping us identify risks and opportunities that could affect long-term investment performance.

Delivering Value

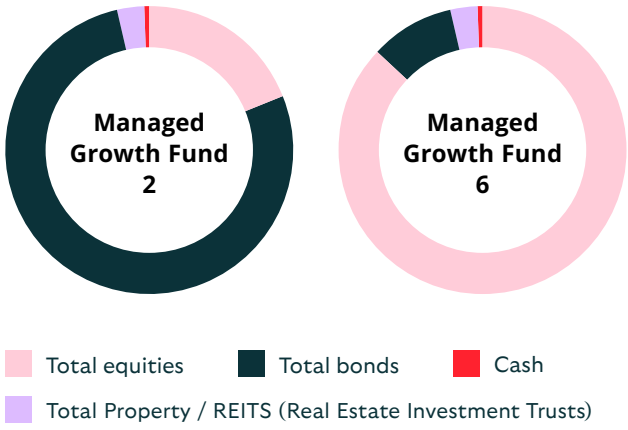
By managing investments for millions of customers, we can help keep costs low so more of your money stays invested.

The Ready-Made Pension Retirement Portfolios use a blend of two of the Managed Growth Funds – 2 (lowest risk) and 6 (highest risk). Both are designed to aim for different investment returns, which means they also take different amounts of investment risk.

You can find more information about Managed Growth Fund 2 and 6 in the Key Investor Information Documents (KIIDs) here:

Scottish Widows Managed Growth Fund 6 KIID

Scottish Widows Managed Growth Fund 2 KIID



What does this all mean?

By investing across equities, bonds and property, the Managed Growth Funds aim to balance growth potential with risk management. Equities and property can help drive long-term growth, while bonds can help reduce overall volatility and provide greater stability during market fluctuations.

HOW YOUR INVESTMENT CHANGES OVER TIME

We use a process called 'lifestyling' to gradually reduce the risk level of your Ready-Made Pension's Retirement Portfolio as you get closer to retirement.

We'll gradually move your investments from the highest risk fund to the lowest risk fund:

- In the earlier years (the 'growth phase'), all or most of your money is invested in the higher risk Managed Growth Fund 6, to give you the best chance of growth.
- As your portfolio reaches 10 years before its five-year target retirement window (the 'de-risking phase'), the risk level of your investment is automatically reduced for you each year. Gradually moving some of your pension into the lower risk Managed Growth Fund 2. This reduces the growth potential of your pension but also aims to help protect what you've built up if there are any market downturns.
- When you reach the target five-year retirement window (the 'at retirement phase'), most of your Pension will be invested in Managed Growth Fund 2. When you reach your retirement age your investments will stay in this mix of funds.

The graph below shows how this works:

If you decide to change your retirement age at any point, your investment may move to a different Retirement Portfolio. As such, the risk level could increase or decrease at the time of changing your retirement age. Any future contributions paid into your pension will be invested targeting your new retirement age.

Please note: the lifestyling strategy of our Retirement Portfolio is designed on you taking your benefits flexibly when you reach your chosen retirement age, known as 'flexi-access drawdown'. However, this doesn't mean you're restricted in your options for how you take your benefits. You can read more in the 'Your Options at Retirement' section later in this guide, and in our Self-Invested Personal Pension (SIPP) and Ready-Made Pension Retirement Guide which you can find in your Documents Library.



CHARGES

What are the Ready-Made Pension charges?

These charges are not fixed, are regularly reviewed and could vary from time to time.

Account Charges

An annual fee of 0.30%, taken monthly, based on the overall value of your Account (this is subject to a minimum of £5 a month).

This charge is for our administration services. It's also referred to as the 'Ongoing Platform Charge' in your Charges Information Document (CID). This charge is applicable as long as your pension remains active, even if you're no longer actively paying into it.

Each month, we'll sell your investments to cover your account charge. Any remaining cash will stay in your account and be used towards next month's charge.

If you have a smaller pension pot (particularly below £10,000), there's a risk charges take up a larger proportion of your savings. This means your pot may grow more slowly or in some cases, reduce the value of your savings, especially if your balance is small or grows slowly. See the impact of charges table below.

Investment Charges

You'll pay annual Ongoing Fund Charges and Transaction Costs to Scottish Widows as the Fund Managers for your Account.

These charges are for managing your funds, including the buying and selling of assets that the Scottish Widows Managed Growth Funds (MGF) invest in.

Both charges apply to each fund. They are calculated daily, based on the value of your investment in that fund at that date.

These charges are regularly reviewed and can change.

Ongoing Charges Figure (OCF):

- **MGF 2** - 0.10%
- **MGF 6** - 0.10%

Current Transaction Costs:

- **MGF 2** - 0.14%
- **MGF 6** - 0.19%

The investment charges are reflected in the performance of your investments and won't appear in your statement. This means that any valuation you receive has already taken these into account. For more information see the Key Investor Information Document (KIID) for each fund.

For more information on charges, see the Ready-Made Pension Key Features Document or your Charges Information Document (CID).

Impact of charges on your investments

Any charges you pay will reduce the value of your investment.

The table below shows an example of how charges would affect an investment of £10,000 over the course of three years:

Example growth rate per year	Value of investment after 3 years: before charges	Impact of charges on return	Value of investment after 3 years: after charges	Total growth after 3 years: before charges	Total growth after 3 years: after charges
0%	£10,000.00	£325.72	£9,674.28	0.00%	-3.26%
2%	£10,612.08	£356.60	£10,255.48	6.12%	2.55%
5%	£11,576.25	£353.05	£11,223.20	15.76%	12.23%
8%	£12,597.12	£370.35	£12,226.77	25.97%	22.27%

This example is for illustrative purposes only. The figures are based on the investment charges for MGF 6. The actual charges and growth rates for your investment will be different. The value of any investment can go down as well as up and you could get back less than you originally invested.

YOUR PENSION OPTIONS

You can usually start taking your retirement benefits at any time from age 55 under current legislation, even if you're still working. From 6 April 2028, the normal minimum pension age (NMPA) will rise to 57.

Although the Ready-Made Pension lifestyle strategy is designed for customers taking their benefits flexibly at retirement (Drawdown), when you come to retire there are several options available to you:

1

Access your money flexibly

This is the most flexible option. You can take up to 25% of your savings as tax-free cash, using your remaining pension savings to enter an income drawdown. It allows you to take a flexible income as and when you need it, and leave the rest invested with the potential to continue to grow.

2

Take some of it as a lump sum

You can take some of your pension as a lump sum. 25% of that can be tax-free, but the rest is subject to tax. Depending on how much you take in one go, you could pay more tax compared to other options, particularly if you're still working.

3

Take a guaranteed income

You can take up to 25% of your pension as a tax-free cash lump sum, then use some, or all, of your remaining pension to buy an annuity to provide a regular income until you die.

4

Take it all at once

You can withdraw the full value of your pension, where 25% is tax-free, and the rest subject to tax. Tax is a big consideration, but this might be a good option if the value of your pension pot is small or you have another source of income to support you in retirement.

5

Leave it for now

You can leave your pension savings untouched and invested for as long as you like. This might be the right option for you if you're still considering your options or have other income to rely on for the time being.

Tax depends on individual circustmances and can change. Tax rules can also change.

Investment Pathways

Investment Pathways were introduced by our regulator, the Financial Conduct Authority. They're designed to help pension savers, who have moved some or all of their pension into flexi-access drawdown, decide how to invest that money.

If you choose a flexi-drawdown option at retirement, you'll have two choices for investing. You can choose to keep your drawdown invested in your existing Retirement Portfolio, or you can move it into one of four Investment Pathways, designed to broadly align with your retirement plans in the next five years.

You'll receive more information about your options the closer you get to your retirement age. You can find more information about this anytime in the **Self-Invested Personal Pension (SIPP) and Ready-Made Pension Retirement Guide**.

CONTACT US

If you have any questions about any of the information within this guide you can contact us, at the numbers below.

Scottish Widows: 0330 678 0066

Lloyds: 0330 123 3268

Bank Of Scotland: 0330 123 5521

Halifax: 0330 123 3269

Available Monday to Friday 9am to 5pm. Calls may be recorded for training purposes.

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