Standard Life

Helping you understand the impact of market volatility on your investments

From time to time you may see falls in the value of your plan and want to know what's happening. Here we give some answers to commonly asked questions to help you understand why this happens and what you can do.

Your plan is invested. The value of all investments can go down as well as up and may be worth less than was paid in.

1. Why has my plan fallen in value?

Your plan is invested (for example in stock markets, property, bonds or other types of investments), which means that its value can go down as well as up. When investment markets are volatile, you may see the value of your plan's investments fluctuate, including possibly some fairly significant falls in value.

2. What makes markets volatile?

Many factors can contribute to increased market volatility, including:

- political uncertainty
- economic uncertainty
- conflicts
- natural disasters

Andrew Milligan, Head of Global Strategy at Aberdeen Standard Investments, does a **monthly update** on what's happening in financial markets if you'd like to find out more.

3. What does market volatility mean for my plan?

In the short term, you may see your plan's value fluctuate, including possibly some significant falls in value. This can be unnerving, but it's important to understand that volatility is part and parcel of investing over the long term.

Historically, over the long term (usually more than 10 years) markets have risen in value. So, generally, investors who've stayed the course and held onto their investments during times of market volatility are likely to have seen their value increase.

Remember though that past performance isn't a reliable guide to future performance. The value of all investments can go down as well as up and may be worth less than was paid in.

If you need to access the money from your plan fairly soon, for example because you're close to your retirement date or you're already taking money from your plan, see **questions 9** and **10**.

4. What impact will market volatility have on my investments?

The investments you hold with us are managed by fund managers and different fund managers will take different approaches. You can find out more about how the funds you're invested in are managed in the fund factsheets – visit **www.standardlife.co.uk/funds** to download these.

The type of fund you're in will also have an impact on how it performs during periods of market volatility.

- If you're in a **passive fund** (sometimes called a **tracker** or **index-tracking fund**), the value of your investment will track the index it's linked to (for example, the FTSE® 100 Index). This means it will follow any ups and downs in value that the index experiences.
- If you're in an **actively managed fund**, the fund manager will have more scope to make changes to try to lessen negative impacts of market volatility.

5. Can you move my plan into other investments during periods of market volatility?

In most cases, you, your employer or an adviser will have decided where your plan is invested. We can't make any changes to your plan's investments unless you tell us to – it's your decision. If you want to make any changes, with some accounts you can do this **online**, or you can call us.

Before you do anything, you might want to consider your long-term needs and if moving into other investments will help to meet these. For example, if you're in a workplace pension and your employer has chosen the investment option you're in, normally they'll have selected something that aims to give you the best possible return over the long term for the amount of risk taken. That option may also be set up to prepare your pension for when you start to take money from it.

In addition, you should be aware that if you move out of your existing investments after markets have fallen, you could miss out on any recovery in those markets which could lessen or even reverse the impact of any losses.

6. Can I move my plan into lower risk investments?

If you want to make any changes to your plan's investments, it's your decision.

Most investment options have some sort of risk rating which can help you decide if the level of risk is right for you:

- If you have a Standard Life pension plan, you can find these ratings (called volatility ratings) in your plan's fund guide. Below are links to the fund guides for our main pension products. If you're a member of a workplace pension scheme, you can usually download the fund guide from your scheme microsite.

Active Money Personal Pensions

Individual Stakeholder Pensions

Group Pensions (except Group Stakeholder)

Group Stakeholder Pensions

- If you're invested in mutual funds through a Self-invested Personal Pension (SIPP) or a Standard Life Savings Limited ISA, you can find the ratings for these funds in the key investor information documents. You can download these from **www.standardlife.co.uk/funds**

Before you move into other investments, there are some things you might want to be aware of:

- All investments have some level of risk.
- You might want to consider your long-term needs and if moving into lower risk investments will help to meet these. It's important to remember that lower risk funds have less potential for growth than higher risk funds.
- You might want to assess your attitude to investment risk before you move into different investments. There's a **risk questionnaire** that can help.
- If you move out of your existing investments after markets have fallen, you could miss out on any recovery in those markets which could lessen or even reverse the impact of any losses. However, if and when markets do start to recover, you may want to think about the types of investments you're in.

7. What can I do to avoid my plan's investments being impacted by market volatility?

When your money is invested, you can't avoid the impact of market volatility entirely. But here are some things for you to consider which might help lessen the impact. Remember though that this isn't advice, and the value of all investments can go down as well as up and may be worth less than was paid in.

Try to think long term

Historically, over the long term (usually more than 10 years) markets have risen in value. So, generally, investors who've stayed the course and held onto their investments during times of market volatility are likely to have seen their value increase.

Remember though that past performance isn't a reliable guide to future performance. The value of all investments can go down as well as up and may be worth less than was paid in.

If you need to access the money from your plan fairly soon, for example because you're close to your selected retirement date or you're already taking money from your plan, see **questions 9** and **10**.

Try not to worry about short-term ups and downs

It can be easy to be concerned when you see the value of your plan's investments fall, but try not to make a knee-jerk reaction. Consider how your investments have done over at least five years or more against their aims, rather than concentrating on short-term ups and downs. You can find information about funds' aims in the fund factsheets, which you can download at **www.standardlife.co.uk/funds**

If you move out of your existing investments after markets have fallen, you could miss out on any recovery in those markets which could lessen or even reverse the impact of any losses. So, going back to the previous point – if possible, try to take a long-term view.

Again, it's important to remember that past performance isn't a reliable guide to future performance. The value of all investments can go down as well as up and may be worth less than was paid in.

Think about diversifying

This means spreading your money across different types of investments and geographical locations. If you're only investing in one or two of these, then you could be exposing yourself to quite a degree of risk.

Diversifying across investments and countries can help smooth out the returns you get. This is because different types of investments tend to go up and down in value at different times and are affected in different ways by factors such as economics, interest rates, politics, conflicts and even the weather.

If you're not sure how best to diversify your plan's investments, there are options available which do this for you – visit **www.standardlife.co.uk/funds** for more information.

Consider how much risk you're willing and able to take

Generally, higher risk investments will tend to be more affected by market volatility and you're likely to see bigger and more frequent fluctuations in value. However, they also have the potential for higher returns over the longer term.

If you're uncomfortable seeing large movements in the value of your plan, you might want to consider lower risk investment options in the longer term. Most options have some sort of risk rating to give you an indication of how much risk they take.

If you're not sure about your attitude to risk, there's a **risk questionnaire** that can help.

As well as considering how much risk you're comfortable taking, you should think about how much risk you're able to take with your money when investing – basically how much money you can afford to lose.

If you're not sure what action to take, or whether the investment options you're in are right for you, we recommend you speak to a financial adviser. If you don't have an adviser, you can find information about Standard Life's financial planning business, 1825*, **here**. Alternatively, you can find an independent financial adviser at **www.unbiased.co.uk**. There is likely to be a cost for getting advice.

8. Should I be worried about the money that's currently invested in my pension?

If you're still some years from retirement, your pension investments should have time to recover from any short-term losses. If you've been saving into your pension for some time already, you may have had experience of this in the past.

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Remember though that past performance isn't a reliable guide to future performance. The value of all investments can go down as well as up and may be worth less than was paid in.

9. I'm about to retire – what does market volatility mean for my pension?

If you're getting closer to retirement and planning to take a flexible income (sometimes referred to as drawdown) or one or more lump sums from your pension, you may want to consider holding off doing so for a little longer if market volatility has had an impact on the value of your investments – until the market and your investments have had time to recover from any short-term losses.

If you still have some time until you retire, you might want to consider investments that are designed for how you plan to take your money to try and avoid being badly affected by market volatility in the future.

There are options, called **lifestyle profiles**, which automatically prepare your pension savings for how you plan to take them.

10. I'm currently taking money out of my pension to live on – what impact will market volatility have on my remaining pension?

This depends on where you're invested. We can't give advice, but here are some things you might want to be aware of:

- If you're in lower risk options, you're less likely to be affected significantly by market volatility than if you're in higher risk options. However, you may miss out on future growth opportunities.
- If you have a mix of lower risk and higher risk investments, taking money out of the lower risk investments first could give your higher risk investments more opportunity to grow in value if and when markets recover.
- If you're taking a regular set amount from your pension and continue to take this amount when markets are falling, your money could run out sooner than you expect it to. This is because it will have less opportunity to recover from any losses.
- If you move out of your existing investments after markets have fallen, you could miss out on any recovery in those markets which could lessen or even reverse the impact of any losses. However, if and when markets do start to recover, you may want to think about the types of investments you're in.

Remember that the value of all investments can go down as well as up and may be worth less than was paid in. And because you're taking money out of your pension, there's a greater risk that it may run out sooner than you had planned.

If you're not sure what action to take, or if your investments are right for you, we recommend you speak to a financial adviser. If you don't have an adviser, you can find information about Standard Life's financial planning business, 1825*, **here**. Alternatively, you can find an independent financial adviser at **www.unbiased.co.uk**. There is likely to be a cost for getting advice.

11. I regularly take money out of my pension to give me an income. Are there alternative products I can consider?

You can choose to set up a guaranteed income for life (an annuity) with some or all of your pension at any time. There are some things to be aware of before you decide to do this.

- If you move out of your existing investments after markets have fallen, you could miss out on any recovery in those markets which could lessen or even reverse the impact of any losses.
- The amount of income you'll get if you decide to set up a guaranteed income for life will depend on a number of things, including your age, where you live, your health and lifestyle, the size of your pension, the type of annuity you choose and annuity rates at the time you set it up.
- You don't have to set up your guaranteed income for life with us. Options and annuity rates may vary between providers, so you could get a better income from somewhere else.
- Once you've set up a guaranteed income for life, you won't be able to change providers, cash it in or add different options.

You can find more information about setting up a guaranteed income for life and your other options **here**.

12. Where can I get more information about my investment options?

You can find more information about the investment options offered by Standard Life at **www.standardlife.co.uk/funds**

Our monthly e-zine, **MoneyPlus**, provides regular information and guidance on saving and investing, including topical issues that might have an impact on these. If you'd like to receive this every month, you can subscribe **here**.

13. I'm still not sure what to do – who can help me?

We're not able to give you advice on what you should do. So if you're not sure what action to take, we recommend you speak to a financial adviser. If you don't have an adviser, you can find information about Standard Life's financial planning business, 1825*, **here**. Alternatively, you can find an independent financial adviser at **www.unbiased.co.uk**. There is likely to be a cost for getting advice.

*1825 is the trading name of the advice entities of Standard Life Aberdeen Group.