



Self Invested Personal Pensions

An investor's guide



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Making the right choice

Building a healthy pension fund means making intelligent investment decisions.

With Standard Life, you get many investment choices – and importantly, the ability to switch your investment tactics if your circumstances change.

This guide gives you an overview of the funds you can invest in if you have a SIPP.

We believe there are four rules for effective investing:

- 1. Take your time**
to pick funds and understand the risks.
- 2. Watch your funds**
to see how they're performing.
Our CustomerZone tool makes fund watching straightforward.
- 3. Read the factsheets**
for all your funds. They're all online at [standardlife.co.uk](https://www.standardlife.co.uk)
- 4. Talk to your financial adviser regularly.**
Their knowledge could help to keep your money working hard.

Risk and reward

Investing in any fund carries the risk of losing money – some funds more than others. One measure of risk is the ‘volatility’ of the fund.

Volatility ratings

The volatility rating of an investment-linked fund indicates how much the fund price might move compared to other funds. The higher the volatility rating, the less stable the fund price is likely to be. You can use this to help you decide how much risk you’re comfortable taking with your investments.

We regularly review volatility ratings for funds, and these may change.

We set ratings based on our experts’ judgement, using data on:

- ▶ how the fund price has varied from month to month in the past, compared to other funds available
- ▶ how investments in similar asset classes vary from month to month and the investment policy of the fund.

Volatility ratings for funds



Asset classes explained

An 'asset class' is a category of assets or investments, such as equities or bonds. Normally assets in the same class have similar characteristics.

The value of the investments in all asset classes can go up or down in value so you might get back less than you've paid in – there are no guarantees. Past performance is not a reliable guide to future performance.

Equities

What are they?

Equities are part ownership in a company, usually known as stocks or shares.

What's the potential return?

Equities can offer good long-term growth. The return you get is any change in value of the stocks and shares, plus any income from dividends.

What are the risks?

Equities are one of the more volatile asset classes. So, although equities can offer good growth potential, their value can rise or drop sharply at any time.

Property

What is it?

Property investing includes direct investments in buildings and land, as well as indirect investment in shares in property companies or through collective investment schemes.

What's the potential return?

The return received from property is a combination of income from rent and any changes in the capital value of the property.

What are the risks?

The value is generally based on a valuer's opinion and is not fact. Property can take a lot longer to sell than other types of investment, so you might not be able to sell when you want to.

The values of different types of property do not necessarily move in line with each other. For example even if house prices are going up, commercial property could be losing value.

Bonds

What are they?

Bonds are loans to a government or a company, usually for a set length of time. Loans to the UK government are called 'gilts' and loans to a company are called 'corporate bonds'.

What's the potential return?

The return is a combination of any interest received and any change in capital value.

What are the risks?

If the interest or loan can't be paid back in full or on time, the value of the bond may fall. Changes to interest rates can also affect the amount you get back.

Money Market Instruments (including cash)

What are they?

Bank and building society deposits as well as other instruments such as 'Certificates of Deposit' and 'Floating Rate Notes'.

What's the potential return?

The return comes from a combination of any interest received as well as any change in the value of the instrument.

What are the risks?

It is important to recognise that not all of the assets are the same as cash deposit accounts – there are circumstances where their values will fall. Also, any growth may not keep up with future rates of inflation.

Alternative investments

There are other ways to invest so that you have a wide-ranging portfolio. One example would be to buy into a commodities fund that invests in gold and metals.

Asset classes aren't the only way to invest your SIPP. It's always useful to get your financial adviser to help you.

The comparative risks of managed funds

To help you choose what's right for you we've divided our funds into broad categories that indicate three risk groups – cautious, balanced and opportunity. You should make sure you are comfortable with the level of risk you choose. By risk, we mean the likelihood and size of a potential fall in value.

► Cautious

This group offers some potential for growth. The growth can be less than that achieved by the Balanced and Opportunity groups, but it is also likely to be less risky.

► Balanced

This group offers more potential for growth than the Cautious group, but less than the Opportunity group. This group carries a moderate amount of risk.

► Opportunity

This group offers the greatest potential for growth but carries a higher risk than other risk groups.





The types of funds we offer

We offer pension funds and mutual funds. Both are expertly run and managed – but there are different legal and tax implications for each one.

Pension funds

We give you a choice of over 175 pension funds. Some are managed by Standard Life Investments while others are controlled by external fund managers.

There are three categories in this group – managed funds, sector funds and lifestyle profiles.

Managed funds

These funds are normally managed by a single fund manager. The fund manager will choose the mix of assets that make up the fund (for example, how much to invest in equities, or bonds). Different funds will use different mixes of assets depending on their risk group.

Sector funds

These funds let you choose from any number of asset classes including Equities, Bonds, Property and Money Market Instruments.

Lifestyle profiles

Lifestyle profiles are designed for customers investing for retirement. The funds used depend on the profile chosen.

The funds you are invested in at any point will also depend on how long you've got until your selected retirement date. If this date is some time away (typically more than 10 years), the profiles will invest in funds that offer growth potential over the long term. But remember that all funds can go up and down in value and investment growth is not guaranteed.

As you get closer to retirement, the investment aims of the profile move away from growth and towards preparing your pension pot for retirement. The profiles will do this by automatically switching your funds – you don't need to do anything.

It's important to remember that there are situations where these profiles may not be suitable. For example, if you aren't planning on buying an annuity, if you intend to buy a pension that varies each year at a rate linked to inflation, or if you're not planning on retiring at your selected retirement age.

Mutual funds

We give you a choice of more than 1,500 mutual funds. Some are managed by Standard Life Investments, some by external fund managers.

They all allow you to invest in two kinds of shares – accumulation and income. Some allow investment in both.

Accumulation shares

This type of fund reinvests any income generated back into the fund, increasing its share price.

Income shares

Any income received by the fund is paid into your SIPP. The amount depends on the fund's performance and the frequency of payment differs by fund. Typically, it could be monthly, quarterly or annually.

Remember that the value of investments can fall and you could get back less than you've paid in. Just because a fund has done well in the past, there's no guarantee it will in the future.

The charges you'll pay

All funds make charges to cover everything from the fund manager's fees to administration costs. Full details are on the 'Active Money SIPP' fund list you'll find in the guide SLSIP5c, or ask your adviser for information about the investments available to you.

We regularly review our charges and sometimes we need to increase them to reflect changes in our overall costs or assumptions. Any increases will be fair and reasonable.

The charges fall into three main categories:

Fund management charge

A charge is applied to money invested in a fund. This charge is known as the Fund Management Charge. We deduct the charge from the fund on a daily basis which has the effect of reducing the unit price for the fund.

Initial charge

On funds that incur this, the charge is made each time you make an investment. It is deducted from the amount you pay in before it is invested in the funds.

Additional expenses

Additional expenses such as trustees', registrar's, auditors' and regulators' fees may be deducted from some investment-linked funds. In addition, where the Standard Life investment-linked fund links to a Fund of Funds (a fund that holds other underlying funds as its investments) the additional expenses may also include the cost of managing the underlying funds. Where these expenses arise within the fund they have been taken into account in the calculation of the unit price.



Full details of these charges can be found in our fund guide (SLSIP5c) or ask your adviser for information about the investments available to you.

Fund ratings

Some funds are given ratings by independent experts. These ratings change regularly and are based on performance to date. Remember, just because a fund has done well in the past, there's no guarantee it will in the future.

FinEx Crown Fund Rating

Financial Express (FinEx) is an authority on performance measurement and its crown ratings highlight funds that are doing particularly well in their sector.

Ratings range from one to three crowns. Three crowns is the highest.

OBSR Fund Rating

Old Broad Street Research (OBSR) rates mutual funds for the benefit of financial intermediaries to help them make recommendations to their clients.



Two other terms you'll find on our fund lists...

Fund Code

This is our internal code which refers to a specific fund.

Citi Code

This is the code used by external fund managers when they process your application or investment.

It's important to make sure you use these codes when you are applying or investing.

Other investment opportunities

You have many other investment opportunities with a SIPP. This is a selection...

- ▶ Stocks and shares
- ▶ Permanent Interest Bearing Stocks
- ▶ OEICs
- ▶ Unit Trusts
- ▶ Traded Endowments
- ▶ Fixed Interest Securities
- ▶ Warrants
- ▶ Convertible Securities
- ▶ Investment Trusts
- ▶ Offshore Bonds
- ▶ Deposit Accounts
- ▶ Hedge Funds
- ▶ Trustee Investment Plans

Like all investments, the value can fall as well as rise and there is a chance that you may not get back what you have invested. Commercial property can take longer to sell than other types of investment and there will be associated sales costs involved. So bear this in mind when reviewing your financial plans or planning to take your benefits.

Getting professional financial advice is essential.

Financial advice is essential when you're investing in a SIPP. Make sure you speak to your adviser.

Find out more

Call us on **0845 0845 000**

We're open Monday to Friday, 9am to 5pm. This isn't a free number so call charges may vary.
We might record or monitor your call to make sure you get the best service.

www.standardlife.co.uk

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