Your investment guide

AVIVA

Welcome

Your employer has chosen Aviva to run your company pension scheme.

Your pension plan is an important part of your future. Please make sure you read the 'Your company pension scheme' brochure alongside this guide to understand how your pension plan works and the options available to you.

Please be aware that this guide doesn't provide a personal recommendation. If you need a personal recommendation, you should seek financial advice. Your employer may have lined up a financial adviser that you can speak to. Alternatively, you can visit unbiased.co.uk to find an adviser in your area. An adviser may charge a fee for this service.

The investment approach explained

What is an investment approach?

In a nutshell, it's a pre-determined investment path where, at various stages, we'll automatically move your money between carefully chosen funds. In other words, it's a way of investing for your retirement without having to make your own investment decisions.

Growth in the early years

Typically, in the early years (normally more than 5, 10 or 15 years before your chosen retirement age), your money is invested in one or more funds that aim to grow your pension pot over the long term.

Please remember, the value of your pension pot can go down as well as up, and is not guaranteed – you might get back less than the amount paid in.

Focus on your retirement plans in later years

As you get closer to your chosen retirement age, we will automatically and gradually move your money into different types of funds which are designed to prepare your pension pot for how you might want to take your retirement benefits.

Things to consider:

- We will automatically move your money on set dates, regardless of market performance and economic conditions at that time. As a result, it may not move at a time that gives you the best return on your investment.
- An investment approach works based on the age you've told us you want to retire at. If you decide to take your retirement benefits from your pension pot earlier or later than your chosen retirement age, it may be worth reviewing how your money is invested.
- If you intend to change the way you take your retirement benefits or how you invest your money, we recommend you speak to a financial adviser to go over your investment choices.
- If you're close to your chosen retirement age, there may be less chance for investment growth because you have less time to invest.
- Because we invest your money for growth in the early years, and aim to prepare for your retirement in later years, you could receive a lower return from the funds we move your money into than from the funds you were previously invested in. There's also a greater possibility that the investment returns on the funds we move your money to may not cover your charges.
- There is no guarantee that using a particular investment approach will benefit the pension pot you have for retirement.
- Whether an investment approach is right for you will depend on your individual circumstances, so we recommend you speak to a financial adviser.

Aviva Phased Switching Annuity approach – Default

High or low involvement: High

Objectives

This approach aims to provide growth in the early years, although the value of your pension pot could go up and down. It is designed to prepare your pension pot for:

- buying an income for your lifetime (known as an annuity) at your chosen retirement age

Please note: You will have a number of options available to you when you reach your chosen retirement age (even if you remain invested in this lifestage approach). However, this lifestage approach has been designed to prepare for the particular retirement option shown above.

This approach is **not** designed to prepare for:

- taking your money as and when you need it, either as cash sums or as flexible income (known as drawdown)
- withdrawing all the money in your pension pot
- leaving your money where it is and making your choices later.

You can find more details about how you can take your pension benefits at www.aviva.co.uk/retirement/using-your-pension-money/.

How it works:

In the early years (up to 5 years before your chosen retirement age), the approach invests your money in up to 50 funds of your employer's choice, which should typically aim to grow your pension pot.

From 5 years to your chosen retirement age, we continue to invest all new payments in the funds used in stage 1. During this time, we also gradually move the rest of your pension pot into either:

- 100% into the **Aviva Long Gilt** fund, which aims to rise and fall broadly in line with the cost of purchasing an annuity.
- 75% into the **Aviva Long Gilt** fund and 25% into the **Aviva Deposit** fund, in preparation for taking part of your pension pot as a cash lump sum and buying an annuity with the rest.

Please note: If your employer is using this approach as the default investment for their scheme, they will have picked which funds to use, as well as when your money will be switched between them.

For full details, please ask your employer or read your policy information.

The table below shows how we'll split your investment between funds as you head towards your chosen retirement age.

Phased Switching Annuity approach

Stage 1	Stage 2
At the start (but only if you have more than 5 years before your chosen retirement age)	5 years before your chosen retirement age (if you have been using this approach prior to this time)
New Payments	**All new payments**
Up to 50 funds of your employer's choice	Continue with funds used in stage 1
	The rest of your pension pot - moved monthly into either:
	100% into Aviva Long Gilt fund
	OR
	75% into Aviva Long Gilt fund 25% into Aviva Pension Deposit fund

Details about each fund in the lifestyle approach are shown on page 5. You can find further information about each fund at www.aviva.co.uk/retirement/fund-centre/.

Please remember, the value of your pension pot can go down as well as up, and is not guaranteed. This means you might get back less than the amount paid in.

For more information about phased switching investment approaches, see 'Terms and conditions (Phased Switching)' in your essential guide to your company pension scheme.

The funds in the investment approach

Fund name	Risk rating	Risk warnings	Total Additional Yearly Charge
Aviva Long Gilt	5	A, E	0%
Aviva Deposit	1	A, E, G	0%

An explanation of the risk ratings and warnings we apply to our funds can be found on pages 6 to 7.

We regularly review the ratings we give the funds, so they may change from time to time. You can find the current risk rating, fund factsheets and other information about the funds at www.aviva.co.uk/retirement/fund-centre/

Charges

We'll give you details of the charges for your plan and the effect they have on your fund value in your personalised illustration.

Annual Fund charge

You'll pay an Annual Fund Charge (AFC), which covers the cost of running your pension plan. This is deducted monthly from the value of your plan.

Additional yearly charge

With certain funds you'll have to pay an additional yearly charge, which reflects the extra cost of managing these funds.

Fund manager expense charge (FMEC)

FMECs are additional charges that cover the fund manager's expenses connected with buying, selling, valuing, owning and maintaining the assets in the funds. This charge is taken into account in the unit price. FMECs may vary from year to year.

Total additional yearly charge

This is the total sum of the additional yearly charge and any fund manager expense charge (FMEC).

You can find details of all fund charges at our online fund centre – visit www.aviva.co.uk/retirement/fund-centre/ or call us on 0800 068 6800 (Monday to Friday 8am – 8pm, Saturday 8.30am – 5pm and Sunday 10am – 4pm).

Aviva’s risk ratings explained

We give each of our funds a risk rating, ranging from 1 (lowest volatility) to 7 (highest volatility). These ratings reflect the potential of a fund to go up and down in value. We calculate our risk ratings using historical performance data and information from the fund’s investment manager(s). We review our risk ratings annually and they may change over time.

Risk and return are linked. This means funds with a rating of 1 have a low risk of losing money, but your money might not grow very much. Funds with a rating of 7 have a much higher risk of losing money, but the potential for your money to grow over the long term is higher too.

	Risk rating	Fund type
7	**Highest volatility**	Funds typically investing in the highest risk sectors, such as specific themes or shares of companies in emerging markets. These funds offer the highest potential for long-term returns, but also experience the largest day-to-day price movements compared to other funds. They therefore present the highest risk that the value of your investment could fall.
6	**High volatility**	Funds typically investing in high-risk sectors, such as shares of companies in developed overseas markets. These funds offer high potential for long-term returns, but also experience large day-to-day price movements, and so present a significant risk that the value of your investment could fall.
5	**Medium to high volatility**	Funds typically investing in shares of companies in the UK or a mix of other major stock markets. These funds offer the potential for good returns over the long term, but fund prices will move up and down and so present a high risk that the value of your investment could fall.
4	**Medium volatility**	Funds typically investing in a mix of assets with the potential for better long-term returns than lower risk funds. Compared to lower risk funds there is a greater risk that the value of your investment could fall.
3	**Low to medium volatility**	Funds typically investing in assets like corporate bonds or a mix of assets where the day-to-day prices go up or down less than shares. There is still a risk that the value of your investment could fall.
2	**Low volatility**	Funds typically investing in assets like the highest quality corporate bonds, which normally offer better long-term returns than savings accounts. There is still a risk that the value of your investment could fall.
1	**Lowest volatility**	Funds typically investing in the lower risk sectors - like the money market - which usually aim to provide returns similar to those available from deposit and savings accounts. These funds offer the lowest potential for long-term returns, but also experience the smallest day-to-day price movements compared to other funds. They present the lowest risk to your investment, although there is still a risk it could fall in value.

Fund risk warnings

There are risks associated with investing in funds, or certain types of funds. We assign risk warnings to each fund to indicate which risks apply. These risks are explained below and on the next page. We recommend you read through these before making a fund choice.

Risk warning code	Risk warning description
A	**Investment is not guaranteed:** The value of an investment is not guaranteed and can go down as well as up. You could get back less than you have paid in.
	Specialist funds: Some funds invest only in a specific or limited range of sectors and this will be set out in the fund's aim. These funds may carry more risk than funds that can invest across a broader range or a variety of sectors.
	Suspend trading: Fund managers often have the ability, in certain circumstances, to suspend trading in their funds for as long as necessary. When this occurs, we will need to delay the 'cashing in' or switching of units in the relevant fund. You may not be able to access your money during this period.
	Derivatives: Derivatives are financial contracts whose value is based on the prices of other assets. Most funds can invest in derivatives for the purpose of managing the fund more efficiently or reducing risk. Some funds also use derivatives to increase potential returns, known as 'speculation'. For those funds we apply an additional risk warning (see Risk F).
B	**Foreign Exchange Risk:** When funds invest in overseas assets the value will go up and down in line with movements in exchange rates as well as the changes in value of the fund's holdings.
C	**Emerging Markets:** Where a fund invests in emerging markets, its value is likely to move up and down by large amounts and more frequently than one that invests in developed markets. These markets may not be as strictly regulated and securities may be harder to buy and sell than those in more developed markets. These markets may also be politically unstable which can result in the fund carrying more risk.
D	**Smaller Companies:** Where a fund invests in the shares of smaller companies, its value is likely to move up and down by large amounts and more frequently than one that invests in larger company shares. The shares can also be more difficult to buy and sell, so smaller companies funds can carry more risk.
E	**Fixed Interest:** Where a fund invests in fixed interest securities, such as company, government, index-linked or convertible bonds, changes in interest rates or inflation can contribute to the value of the investment going up or down. For example, if interest rates rise, the value is likely to fall.
F	**Derivatives:** Derivatives are financial contracts whose value is based on the prices of other assets. The fund invests in derivatives as part of its investment strategy, over and above their use for managing the fund more efficiently. Under certain circumstances, derivatives can result in large movements in the value of the fund and increase the risk profile, compared to a fund that only invests in, for example, equities. The fund may also be exposed to the risk that the company issuing the derivative may not honour their obligations, which could lead to losses
G	**Cash/Money Market Funds:** These are different to cash deposit accounts and their value can fall. Also, in a low interest rate environment the product or fund charges may be greater than the return, so you could get back less than you have paid in.
H	**Property Funds:** The fund invests substantially in property funds, property shares or direct property. You should bear in mind that • Properties are not always readily saleable and this can lead to times in which clients are unable to 'cash in' or switch part or all of their holding and you may not be able to access your money during this time • Property valuations are made by independent valuers, but are ultimately subjective and a matter of judgement • Property transaction costs are high due to legal costs, valuations and stamp duty, which will affect the fund's returns.
I	**High Yield Bonds:** The fund invests in high yield (non- investment grade) bonds. Non-investment grade bonds carry a higher risk that the issuer may not be able to pay interest or return capital. In addition, economic conditions and interest rate movements will have a greater effect on their price. There may be times when these bonds are not easy to buy and sell. In exceptional circumstances, we may need to delay the 'cashing in' or switching of units in the fund and you may not be able to access your money during this period.
J	**Reinsured Funds:** Where a fund invests in an underlying fund operated by another insurance company through a reinsurance agreement, if the other insurance company were to become insolvent, you could lose some or all of the value of your investment in this fund.

Get in touch

If there's something you want to know about your company pension scheme, you should ask your employer first. If you'd like to speak to us directly, please use the contact details below.

Call 0800 145 5744

Email contactus@aviva.com

Write to Aviva
PO Box 520
Surrey Street
Norwich
NR1 3WG

Lines are open Monday to Friday, 9am to 5pm.
Calls may be recorded to make sure we're doing a good job.

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