

Investment Podcast

Kofi: Hi and welcome.

You're about to hear a clip from our live pensions Q&A, where we explored the investment side of pensions. From how comfortable people feel navigating the investment landscape to what they need to know about long term growth and the occasional bump of market volatility. We also touched on the tools available to help people take control if they want to get more hands on. So, sit back, relax and enjoy the clip.

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Kofi: Should we be more proactive in managing our pension during these turbulent geopolitical times? Well

Vic: Wow. That is a really, really good question. I would say it really depends on how confident you are as a self-select investor. Typically, within a workplace pension, there are two ways to invest.

One of those is that you, basically enrolled into a pension arrangement. You've never made an active decision, so how would you know? well you've never gone onto your online account and done a fund switch. So, you've been in the hands-off approach, the default fund, and that money is invested for you. Each employer will have a different type of default arrangement. Typically moves around your investments as you run up to your target retirement age. People just want to leave it to the experts.

But there are those people who are really interested in investing, and want to have that hands on approach, and you will have a range of investment options. Um, but what I would say, about investing is none of us have a crystal ball.

Kofi: Yes.

Vic: We don't know what's going to happen in the future. There are some things that happen geopolitically. As we've seen at the moment, that are going to affect investments. Again, sometimes it's just about remaining calm.

Paul: Yeah.

Vic: Because typically when markets fall, markets also rise again. And typically, we don't want to do we start to sort of consolidate those losses by actually then selling, selling out of certain funds because we might have bought in a little bit higher as we're going to see that in our, in our pension value.

So again, it's a question of how comfortable are you about self-selecting. Sometimes it's just about sitting and remaining calm. Because if we think of the nature of pension planning it is typically medium to long term, and we can ride out those rises and falls in value. So, anything you'd like to add there?

Paul: Yeah, I think I think you're right. I think typically we would expect to see around 90% of the scheme membership stay within the default or the chosen for you solution. And what that solution is designed to do just suit most people most of the time. Um, and typically that default solution will not put all of your money in the stock market.

It will invest in a range of assets, give us that spread of risk, that diversification so that if one area isn't doing particularly well, hopefully other areas will compensate for that.

So we might see the stock market, you know, wildly fluctuating. But, you know, rest assured, not all of our money is exposed to that, range of asset. So that kind of risk and reward spectrum, will start from cash deposit based through fixed interest, which is gilts and bonds through property into, into shares. That final end. So typically we would see that default solution try and diversify. Yeah. Give us that spread of risk. So we're trying to manage some of that that that risk.

Vic: We're trying to grow with a balanced approach to investment risk.

Kofi: Yeah. And are people able to access information surrounding.

Vic: Oh absolutely. I'll say it again. Your online account, Aviva online. I'm a pension geek, I'm on it every week. Try and stay off it every day. But again, yeah, you can very easily see where you currently invested. You can go into the investor area, you can actually get right under the bonnet of that, that investment if you wish to. And again, self-select individuals will probably be visiting that area quite often.

Paul: Yeah. I mean, if people are looking at it and they do want it, there's tools online that can help them understand their attitude to investment risk. There's lots of choice. But we'll try and kind of simplify that. We'll put those funds on a scale of risk, that will run from 1 to 7.

Vic: Yeah.

Paul: So one would be a lower level of risk and return, right through to seven. And if members want to they can take funds across that risk spectrum. So we don't have to. Typically we'd expect to see 90% remain within that, that default solution.

Kofi: Thank you very much. So somebody's asked, is it's kind of a bit of a follow on I suppose to the fund factsheet stuff, which you did allude to a short, short while ago. They said how do the different investments vary in risk if you can touch on that one.

Paul: Yeah. So we kind of started to explore that, that that spectrum of risk and that scale of risk and return. So when we invest money into pensions, that money does get invested, and the reason we invest that is to hopefully provide that growth over the longer term. How does that actually work? When I put my money into my pension, it goes into a pension fund. That money in the fund is invested. And there are a range of assets within that fund.

So at the lower level of that risk and reward spectrum where we might see, less investment risk with less potential return, is that cash money market end of the spectrum. But when we think about risk, investment risk is not the only risk we need to think about. Because if I'm limiting my returns, you know, we hear about inflation. And what about the effects of inflation at the moment. So sometimes an exposure to some risk is good, because it might mitigate that inflationary risk, particularly if I've got a long time in my saving, pensions journey.

When we step up that risk and reward spectrum, we're looking at gilts and bonds. That category is called fixed interest. So we're just increasing that risk and reward spectrum slightly. Property, so typically commercial property would sit there. And then finally we're into those those shares or equities. And again within that kind of category we would look at whether that's UK, Europe, North America, Worldwide. And that again, will affect that risk and reward relationship.

So for those members that are really keen on looking at that, I think you mentioned earlier, the fund factsheets are there.

Vic: Yeah.

You can get that level of detail. It will show us that that risk spectrum 1 to 7. Where am I invested?

But whenever we mention the fund fact sheet, we always have to say its past performance. It's not a guide to the future. So yeah, past performance. But you've got that level of detail for those people that particularly want to dig into it and see, you know, where is my money invested? What's that risk spectrum look like? And I guess that, where is my money invested? It kind of feeds into that ESG type question as well.

Vic: Yes, just seen that come in.

Paul: Okay, great. So do you want to.

Vic: Oh yeah. So, we have had a question. I was just reading that coming in, it does sort of go hand in hand because the other question is around tax. But again, what ethical and sustainable funds are available from Aviva.

Now we do have quite a large range of ethical and sustainable funds. They are quite different in nature.

Kofi: Yep

Vic: So ethical funds, they usually sort of, won't allow investments in companies that are carrying out certain activities. So tobacco, alcohol, child labor. So it's based on your sort of moral outlook. And we do have quite a range of stewardship. Well ethical funds, at Aviva. We've been running them since the 1980s and they're called stewardship funds. The Aviva Stewardship funds.

We also have those sustainable or ESG funds and they, sort of take into account environmental and social and governance factors. And that's all about engagement with companies that Aviva are investing in, to create that change. It's not really about excluding, I mean, Aviva will exclude certain things that don't align, with our core philosophy. But again, we will work with those companies again to build an action plan on a regular basis. So, what would you say if you were looking at a list of funds, what would the funds be called Paul?

Paul: I think it's difficult, because there will be different schemes on the call. Some of those will have a kind of trust based arrangement where the funds might be different, but within the fund range typically they'll be something that will be badged ethical, sustainable, shariah, you know, all of these funds becoming more and more popular, more and more available for the pension members.

And if you really interested in that sort of ethical and sustainability investing, which most people are. So it's like one of the main questions that we do get asked as well. If you're looking at the investment centre within your online account, you can filter. To be looking at ethical and sustainable funds as well. So you can just bring a list up of those.

Kofi: Giving you those options again. So you can be as hands off or as hands on as you may wish to be.

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Kofi: We hope you found this clip useful and that it helped bring a bit more clarity to the topic.

Just a quick reminder. The information shared here isn't intended as financial or investment advice, as we haven't considered your personal circumstances. Any tax references are based on

our understanding of current legislation for this tax year, which could change in the future. And remember, investments can go down as well as up, so there are no guarantees.

With that being said, thanks for listening. And whatever stage you're at, we wish you all the best on your journey.