Reviewing your fund choices

Making sure your pension works for you



Your pension is one of your most important long-term investments. While contributing regularly is essential, how your pension is invested plays an equally critical role in determining your final retirement outcome.

Over time, your circumstances, financial goals, and tolerance for risk may change. That's why it is important to periodically review your fund choices to ensure they remain aligned with your needs, especially as you move closer to retirement.

Below, we explain why fund selection matters, when you should review your choices, and the impact different investment strategies can have on your retirement savings.

Why Your Fund Choice Matters

Your pension contributions may be invested in funds that typically include a mix of:

- Equities (shares) - higher growth potential, but more volatile
- Bonds (fixed income) – lower risk, more stable returns
- Cash or lower-risk assets – capital protection, but lower returns

The mix of these assets determines your risk level and expected return.

The Key Trade-Off

- Higher potential return usually comes with higher short-term volatility
- Lower risk generally means lower long-term growth

Choosing the right balance is crucial to achieving your retirement goals.

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Lifestyle (Default) Strategies

Many pension schemes offer a lifestyle strategy, also known as a default investment approach.

How It Works

- Early years: Invested in higher-growth assets (e.g. equities)
- Approaching retirement: Gradually shifts to lower-risk assets (e.g. bonds/cash)
- Objective: Reduce risk as you near retirement

Important Consideration

Lifestyle strategies are often based on a standard retirement path, such as:

- Taking a lump sum
- Buying an annuity
- Investing in an Approved Retirement Fund (ARF)

When Should You Review Your Fund Choices?

It is recommended that you review your pension investments at key points:

Every 1-2 Years

Regular check-ins ensure your strategy stays appropriate.

Life or Financial Changes

- Salary increases
- Changes in financial commitments
- Updated retirement goals

Approaching Retirement (Within 5-10 Years)

This is especially important, as reducing risk too early-or too late-can affect outcomes.

Seek Guidance

Consult your financial adviser for tailored advice.

Final Thoughts

Your pension is not just about how much you save-it's also about how effectively those savings are invested.

Regularly reviewing your fund choices can help you:

- Maximise growth potential
- Manage risk appropriately
- Align your investments with your retirement goals

Even small adjustments today could make a significant difference to your financial security in retirement.

If you would like support in reviewing your fund options or understanding your current investment strategy, please contact your financial adviser.



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