"The question isn't at what age I want to retire, it's at what income."
~ George Foreman

UnaVida
PLAN FOR LIFE

Four Ways to Spot if You Have an Under-Performing Pension Plan

If you have a pension plan of any type, then it is vital you get the very best out of this. This is **your money for your retirement** and how it performs over the years can make a big difference.

You are ultimately responsible for ensuring it performs as well as it can, so don't ignore it or leave it, hoping for the best. The problem is that many people don't know how to work out if a pension is 'doing well' or not.

Here are four common signs that a pension may not be producing what it could:

1. It was taken out a long time ago and has never been reviewed or changed

Most paintings in the attic are worthless, but every now and then a story appears of someone who finds an old painting which turns out to be worth a fortune.

The same is true of old pensions, it is very unlikely a pension you took out 20 years ago, simply left as it was when you first started it, is going to have produced the goods. Older pensions were typically invested in funds with higher charges and more restricted investment options.

It's possible, but unlikely, that it could have done extremely well and for various reasons could be well worth leaving as it is.

It's far more likely, however, that it is not producing what it could. And if it has never been properly reviewed, how would you know?

Most older pensions can be modernised, either though reorganising the invested funds within the existing structure or via a transfer to a newer type of pension.

2. You get a regular annual statement, and the pension plan is split into different types of "units"

This "flag" is worth looking for.

If you have any sort of pension and you notice when you look at the annual statement of its value that there are different types of "units" within the plan, such as **capital or initial units** (or similar type wording) then it could imply the pension is imposing higher than normal charges.

This is because pensions used to be set up with complex costs and charges attached to them, and pension companies used to (but don't anymore) split how your money was allocated into different unit types.

It is always worth reviewing annual statements not just to see how your pension has grown, but also what type of charges are being taken.

3. All the invested money within the pension is in one fund

It would be unusual for a well-managed pension plan to have only one underlying fund in use.

If you have a pension and all the money is in a single fund, then this could imply you are invested too narrowly and are not making the most of the benefit of diversifying.

In the past, pensions were commonly set up with an Insurance Company, and they would offer an in house 'Managed Fund'. These were often selected by pension investors as a way of delegating the management of their pension to the Insurance Company.

Over time, these funds have mixed performance records, and it is uncommon for a fund of this type to perform better than a carefully selected basket of specialist funds, which are constantly being reviewed and tweaked.

In more recent times, similar funds have been created known as 'Default Funds' which are versions of Managed Funds.

Alternatively, any pension which has one fund of any type or description, is likely to be working against the principle of "not putting all your eggs in one basket".

4. You don't really know who is managing the money or what type of pension it is

This is a typical position for many pension investors to find themselves in. They took out a plan in the past and have left it to do what it will.

They have no real idea where the money is invested, who is managing it, or how it is doing (see below for more on this).

In some cases, they may not know what type of pension plan it is.

Each of these aspects can be a strong marker that the pension could be under-performing.

If you are not sure what pension you have, how it is managed, even who is managing it, then you are relying on lady luck to ensure it is not costing you in a lost opportunity to be getting more from your pension.

UnaVida's advice:

If any of those four factors apply to any pension you have, then it can be an indicator that you have a pension which could be doing better.

Why working out how a pension is performing can be difficult

It can be difficult to work out how a pension is performing.

If you support a football team, you can easily see their performance by following their results week by week, season by season, and referring to the league table.

However, with a pension there aren't any league tables. You can easily be forgiven for not really knowing how your pension is doing overall – good, indifferent, or bad.

What can you compare it to?

Pensions, such as Workplace, Stakeholder or Personal Pensions will be comprised of funds, and these funds, including those that you are using, will have performance records and these can be compared to alternatives.

You need to consider other factors beyond performance, such as the costs of different plans, your own risk position and risk tolerance, and then it may not be entirely clear if two funds when put alongside each other, are taking the same risks.

That is why you cannot simply take a fund that has done well for the past five years and think it is 'better' than one that has done less well.

UnaVida's advice

Use our help if you want to check how any pension you have is performing, how it is charged, how it is set for the future. Have a full and comprehensive review.

To understand how big a difference performance can make, look at this example:

- **Mr A, age 40, has a pension with £50,000 current value.**
  After costs this grows in the future at an average of <u>4% per year</u>.
- **Mr B, age 40, has a pension with £50,000 current value.**
  After costs this grows in the future at an average of <u>6% per year</u>.

Not a big difference? Here's how much each will have in their fund at age 67 if they leave it to that age:

Mr A £144,168 | Mr B £241,117

The extra amount, close to £97,000, is available to Mr B because he has had that slightly better performance. It could be that Mr B acted when Mr A didn't!

Come and discuss any old pensions you have with us; it could be worth a lot of money to you over time.

amanda.roberts@unavida.co.uk | 0118 934 7921| www.unavida.co.uk

Who We Are

The UnaVida Wealth Management service is, in every sense of the term, personal and comprehensive. We begin at the beginning. We look in every financial nook and cranny. We test assumptions and challenge preconceptions. We discover what you want out of life. As well as looking after your financial arrangements, we also want to do what we can to help you live your life to the full.

The majority of our clients come to us through the recommendation of a friend, colleague, or other professional advisers.

Private Individuals

About 50 percent of our client portfolio comprises individuals who require their substantial investment / pension portfolios to be managed professionally and in such a way that their capital is safe and secure. In addition, they benefit from our IHT planning expertise which ensures that their wealth will be passed on to their loved ones at the lowest possible tax cost.

Business Owners

We attract owners of profitable businesses who not only want their business to grow but are also intent on accumulating considerable personal wealth. Many of our business owner clients have benefited greatly from our "Total Planning Approach".

Contact Us

Tel: 0118 934 7921
Email: amanda.roberts@unavida.co.uk
Web: www.unavida.co.uk

UnaVida Wealth Management Ltd
4 Beech Court, Wokingham Road, Hurst, Berkshire, RG10 0RQ