

COVID-19 update for pension members close to retirement

Buck briefing for Vaillant Group



We recently wrote to you about the impact that the continuing spread of COVID-19 has had on investment markets. This follow up announcement is aimed at employees over the age of 60 or who are considering taking money from their pension plan in the next few years.

What should you be doing?

Key actions:

- Check the value of your retirement savings online to understand how your benefits and retirement plans have been impacted
- Ensure you have chosen an appropriate Target Retirement Age
- Ensure the way your benefits are invested is aligned to your retirement plans
- Consider whether now is the right time to access benefits or whether to delay and save more
- If intending to retire, access the support available from Aegon and Pension Wise to understand the benefit options available and the tax consequences of accessing your benefits

For employees many years from retirement it is true that they may have seen significant fluctuations in the value of their investments if exposed to equity markets. However, if you are nearer to retirement lifestyle investment strategies (such as the default option in the Vaillant Group Pension Scheme) are generally designed to take this risk of fluctuation into account.

For example, the default option uses a mixture of different asset classes to help diversify risk (broadly 75% in world equities and 25% in bonds when you are more than 6 years from retirement), and Aegon automatically change how monies are invested as people approach retirement to reduce exposure to volatile investments at the time when protecting the value of the pension fund becomes more important than helping it grow (broadly 30% in world equities, 45% in bonds and gilts, and 25% in cash at retirement).

If you are invested in the default option (or another lifestyle strategy) you will therefore have some protection as you approach retirement.

However, it is important that you have chosen an appropriate Target Retirement Age (TRA) to benefit from this protection approaching retirement. If you retire earlier than planned then you will have been invested in a greater proportion of volatile investments. Similarly, if you retire later than planned then you will have been invested in a lower risk investment strategy for a longer period. Staying invested beyond your TRA means the asset allocation at retirement will remain in place until you retire or change your TRA. You can check your fund value and review and change your TRA online at www.retiready.co.uk.

More details on the default and other investment options can be found in the investment guide on this Vaillant website: www.vaillantpensions.com/dc/newsletters.

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Useful information:

[Contact Aegon](#)

[Retiready](#)

[The Money Advice Service](#)

[Pension Wise](#)

Retirement benefit options

The pension freedoms introduced in April 2015 mean you can access defined contribution pension funds flexibly, currently from age 55. [Learn more about your retirement options here.](#)

The default option is designed for people who don't yet know how they'll take an income in retirement, and want to keep their options open. It may also suit you if you want to build up an income using income drawdown or a mix of different approaches.

Aegon also offer funds if you already know how you plan to take an income in retirement - either by buying an annuity or by cashing in your savings. As well as reviewing your TRA, it is also important to ensure your investment strategy is aligned to your retirement plans. Changes to your investment strategy can be made online through your Retiready account.

If you are over 55 and considering taking money from your pension plan, please make sure you do not trigger any unintended consequences such as a large tax bill or a restriction on how much you can save into pensions in the future.

See the attached factsheet for more information on this.

Conclusion

The impact that the continuing spread of COVID-19 has had on investment markets will create uncertainty for those close to retirement. Therefore, it is important to understand how your benefits and retirement plans have been impacted. An important first step will be to check the value of your benefits online.

From here you will be able to assess whether your current retirement plans need to be changed and what impact that might have on your investment choices and Target Retirement Age.

If proceeding with retirement, access the support available from Aegon and Pension Wise to understand your benefit options and what your retirement income might be throughout your retirement.

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