

# Introducing the Standard Life Smoothed Return Pension Fund

**A guide for financial advisers**

Helping you deliver peace of mind for your clients



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Exclusively for financial advisers using the Fidelity Adviser Solutions platform for their clients' pension accounts.

We've created a **Beginners guide to smoothing**, a **Customer guide** and a **Technical guide – What you need to know** – which you can use with your clients. You can find copies at [fidelityadvisersolutions.co.uk/smoothed](https://fidelityadvisersolutions.co.uk/smoothed)



# An essential piece of the jigsaw?

The retirement market is evolving and it's clear that a single product solution in retirement is no longer seen as suitable.

## Introduction

This guide is intended to give you an overview of the Standard Life Smoothed Return Pension Fund (referred to throughout this document as the Fund).

It will help you to identify the client profiles where the Fund might be suitable, as well as providing you with the detail that allows you to see how it might integrate with the solutions you're offering to clients and discussing with prospects.

Using a combined approach to structuring retirement income for your clients enables flexibility which, along with the Fund's objective of providing growth whilst managing volatility, could deliver the retirement they need.

We also outline the important features of the Fund and summarise with a product profile summary.

# Which of your clients might benefit?

You may have clients who will appreciate the increased peace of mind that the Fund can offer. These are the practical considerations you should take into account:

## In the accumulation phase, your clients will:

- Typically, be between the ages of 45 and 65
- Be consolidating the various plans they have collected over the years
- Be seeking peace of mind over their retirement plans
- Be looking to grow their retirement savings over the medium to long term – usually for at least five years
- Have a Fidelity Adviser Solutions pension account on the Fidelity Platform or could benefit from having one
- Have the option to make further regular or single contributions into their pension savings
- Potentially see the value in using this Fund and the way it smooths, alongside other investment solutions, as part of their overall retirement planning

## In the retirement phase, your clients will:

- Typically, be between the ages of 55 and 75
- Be seeking peace of mind over their retirement plans – balancing their income and growth needs, taking account of inflation risks
- Be looking to keep growing their retirement savings over the medium to long term
- Have a Fidelity Adviser Solutions pension account on the Fidelity Platform or could benefit from having one
- Potentially see the value in using this Fund and the way it smooths, alongside other pension solutions including the state pension as part of their overall retirement planning



For more information on target markets and customer suitability, please read the **Standard Life Smoothed Return Pension Fund Target Market and Fund Governance** document.



## Our partners

The Fund is available to investors with a Fidelity Adviser Solutions pension account.



## What makes it an appropriate solution?

The cliff-edge approach to retirement is long gone, with longer life expectancy leading to a more phased approach. This solution can help offer the potential for a more stable long-term income.



## A simpler route to diversification

We're committed to helping provide flexible retirement planning options for you and your clients, underpinning a more certain journey to, and through, retirement. The Fund – available to all investors with a Fidelity Adviser Solutions pension account – is designed to take advantage of a smoothing mechanism. Over the long term, this could help to shelter your client's investments from some of the daily ups and downs of investment markets. While nothing is guaranteed, this could help you provide your clients with a more comfortable route to retirement.



## Why launch this fund now?

The way clients can take their retirement savings has changed. With today's economic uncertainty, the rising cost of living and longer life expectancy, it's likely your clients will be looking to grow their retirement savings and potential income.



## More potential for your business

The Fund – available exclusively through the Fidelity Platform – gives you a range of benefits: easier administration, drawdown flexibility and transparent pricing.

A further benefit is that the Fund offers the opportunity to diversify your clients' investment portfolios, helping reduce concentration risk.

In times of volatility and unpredictable markets, your clients could benefit from smoother returns and peace of mind about their investments, while giving your business the tools to provide appropriate solutions – all in line with the requirements of Consumer Duty Regulations.



## Developing an alternative solution

We see the introduction of the Fund as an opportunity to offer more choice to those advisers already using smoothed pension funds, and to introduce the concept to advisers yet to consider them. We believe that this is an option which is becoming more significant as the management of retirement income becomes an ever-greater part of most advisers' day-to-day activity.

# Created with your clients' needs in mind

The Fund can directly address many of the concerns clients may have around their investments, whilst aligning to their objectives.



## Low-medium risk clients

The Fund is an independently risk-rated, multi-asset solution, intended to limit exposure to some of the day-to-day volatility of the market, whilst aiming to provide greater certainty and a smoother journey to, and through, retirement.



## Capacity for loss

The Fund mitigates some of the day-to-day market volatility and can mitigate some sequencing risk. It also disperses risk across both asset classes and geographical regions. Its aim is to generate more predictable returns over the medium to long term. All of this helps to align the investment with your clients' capacity for loss.



## Growth while managing volatility

Most advisers will have a segment of clients who need market exposure. For example, to help hedge their retirement investments against the impact of inflation, with a reasonable expectation of steadier returns and limited exposure to some of the day-to-day volatility seen in the markets.

The Fund supports discretionary income requirements with the added opportunity for growth – all designed to provide smoothed returns.



## Investment knowledge and experience

Some clients may be anxious about making important investment decisions. Short-term setbacks could see them move to cash and unable to realise a retirement plan, if their savings are wholly exposed to the fluctuations of investment markets.

The Fund is suitable for those with different levels of investment experience. Thanks to its carefully managed Estimated Growth Rate (EGR) and risk dispersion, the Fund is designed to ease uncertainty and limit exposure to some of the unnerving day-to-day market volatility.

**Estimated Growth Rate (EGR)** – The EGR is the annual rate at which the underlying investments are expected to grow over the long term. We use this rate and any smoothing adjustments, less the fund charge, to calculate the Fund's unit prices at the end of each working day.



## Sequencing risk and its effect on longevity of the assets

Sequencing risk relates to withdrawals from retirement investments having a negative impact on the overall rate of return for the investor. This can impact retirees who depend on income from years of investing but are no longer contributing.

It's something to consider and a factor clients should be made aware of.

If a client's expenditure is tiered and phased, withdrawals can form part of the investment strategy, which should make the overall solution easier for your clients to understand.

In a bull market, it's possible that the risk of taking too much income from retirement investments is reduced, whereas in a bear market that risk is increased.

To avoid the assets being eroded over time, there's a variety of strategies that can be used. A safe withdrawal rate being applicable to all can be insufficient to control the loss of retirement investments over time.

Understanding a client's needs, lifestyle, and discretionary spending, provides a clearer view of the impact of reducing their spending over a period of time. You may have clients who aren't spending all of what they withdraw, so cutting back may have little effect. Yet this action could help some with returns on their investments.

Another important factor is inflation. Using price inflation will be insufficient where, for example, later-life expenditure such as care and general assistance, are crucial factors to consider.

People are concerned about market volatility and having insufficient money in retirement. Using income budgets and smoothed funds as part of a retirement plan could provide them with a little more certainty.

# Working collaboratively

In times of market volatility, high inflation and geopolitical uncertainty, clients often require increasingly sophisticated and personalised planning solutions.

**The Fund has been developed specifically to respond to the goals, aspirations and concerns of your clients. You can include it as part of a modular solution alongside other strands of their plan, such as annuities or investment funds, to build a truly bespoke plan for your clients.**

The Fidelity Platform makes the Fund easy to access and manage, so you and your clients can enjoy the benefits – diversification, flexibility and simplicity – without adding to your administrative burden.

It's just part of our commitment to supporting you with products that meet the ever-growing demands of retirement planning while giving you the flexibility you need to build a more certain future for your clients.



## How the smoothing mechanism works

- Smoothing is designed to cushion daily ups and downs in a way that direct investment in a traditional multi-asset fund cannot – and as a result aims to deliver smoother returns for your client
- The net asset value of the Underlying Fund without the smoothing mechanism (the Unsmoothed Price) will move up and down each day in line with the assets that it invests in
- The Smoothed Price will change daily in line with the EGR and any smoothing adjustments, less the fund charge
- In some instances, we will apply a unit price adjustment to the Smoothed Price, for example, if the Unsmoothed Price and the Smoothed Price are too far apart
- Robust and disciplined framework and processes ensure funds and solutions are kept under continuous review

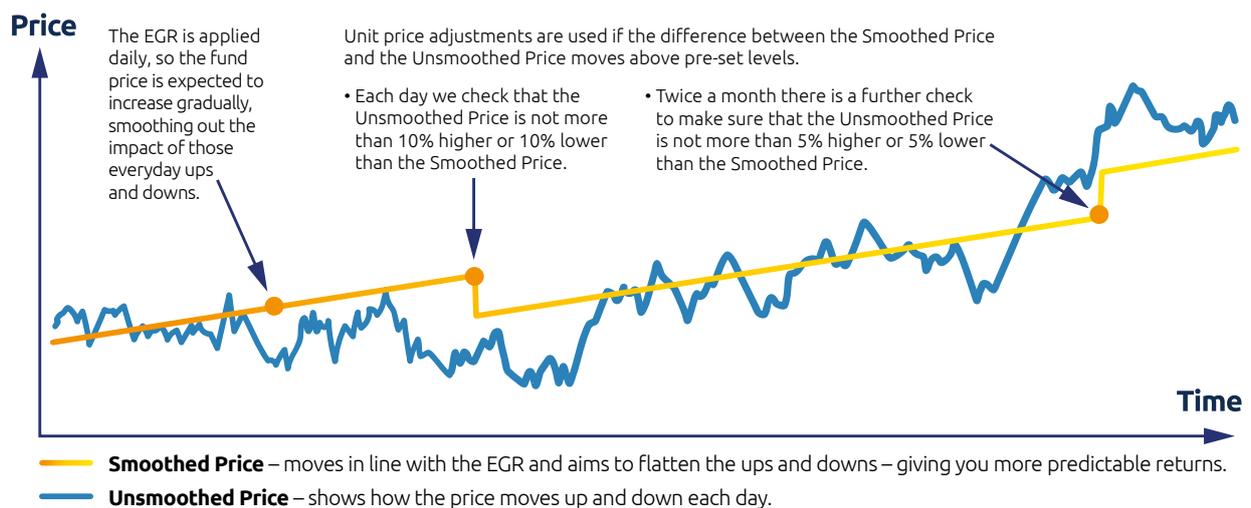


## Estimated Growth Rate (EGR)

- Each day, the Smoothed Price of each unit in the Fund will normally increase in line with the EGR and any smoothing adjustments, less the fund charge. This annual rate is reviewed at least every quarter in line with the estimate of the future performance of the underlying investments
- Limits are set to ensure the Unsmoothed Price does not diverge from the Smoothed Price beyond pre-set levels. Each day we check that the Unsmoothed Price is not more than 10% higher or 10% lower. This is known as the smoothing corridor. If this level is exceeded, a unit price adjustment is made to the Smoothed Price to bring it within 2.5% of the Unsmoothed Price
- Twice a month there is a further check to ensure that the Unsmoothed Price is not more than 5% higher or 5% lower. If this level is exceeded, a unit price adjustment is made to the Smoothed Price in order to halve the difference
- In rare circumstances we may suspend smoothing. For more details, read the **Standard Life Smoothed Return Pension Fund Technical Guide – What you need to know**



### The graph below shows how the smoothing process works.



Graph is for illustrative purposes only.

Over the longer term, we expect the Fund to grow in line with the EGR, but this does depend on the investment markets. There may also be times when the value of your client's Fund could fall, sometimes frequently, or significantly, if for instance there are sustained falls in the investment market over an extended period of time. So while the Fund smooths out some of the daily ups and downs, it doesn't provide any guarantees and your clients may get back less than was paid in.

# Important features of the Fund

**The Fund is an independently risk-rated multi-asset solution, combined with a smoothing overlay that dampens day-to-day market volatility. It provides your clients with an opportunity to participate in a growth strategy without worrying about some of the effects of daily ups and downs experienced in investment markets.**

The Fund is actively managed in conjunction with leading global asset manager Fidelity. We set and govern the investment strategy and oversee performance of the Fund. We use long-term, 10 years+, capital market assumptions to help set the strategic asset allocations for the Fund, which we keep under regular review to optimise the expected return against the target risk corridor.

The Fund's 'building blocks' are agreed with and managed by Fidelity in line with our mandate for the Fund and the Investment Management Agreement.

We regularly review the Fund's strategic asset allocation and building block selections with Fidelity to ensure that performance and risk-management align with our investment objectives and expectations. We are also responsible for selecting and overseeing the manager on an ongoing basis.

We use data from external asset management companies, who specialise in analysis of different asset types and how they might perform in future market conditions, to calculate the EGR.

The EGR will be reviewed quarterly.

## The fund manager

Fidelity International is a privately owned and independent global investment business offering a broad range of innovative solutions and services across asset classes to meet clients' varied and evolving needs.

They have been successfully managing multi-asset portfolios on behalf of clients across the globe since the 1980s and currently manage total client assets of £629.9bn<sup>1</sup>, invested on behalf of individuals, pension funds and corporations across equities, fixed income, real estate and multi-asset solutions. Their capabilities cover active, passive, systematic and factor-based investment styles, as well as specific sustainable strategies.

Fidelity's focus on delivering sustainable investment returns for clients, while managing their impact on society and the environment, position them well to deliver against our Fund mandate.

<sup>1</sup>Correct as at 31 December 2023

## How funds are allocated

We aim to further shelter your clients' pension investment against market ups and downs, by spreading the money in the Fund across different asset classes – avoiding over-exposure to risk in any one area.

The Fund invests in a diversified portfolio of equities, fixed interest securities, cash, and other related instruments managed by Fidelity.

### Asset Allocation



**The chart opposite shows the allocation of investment types at the time of publication (April 2024). For the most up-to-date allocation, please take a look at the latest fund factsheet.**



## A smoother income for your clients

If your clients choose to take a regular income from the Fund in retirement, it will be linked to the Smoothed Price so may increase or decrease – but offers lower volatility than that offered by an unsmoothed fund.

### Product profile summary

The Fund at a glance:

<b>Availability</b>	For investors with a Fidelity Adviser Solutions pension account
<b>Smoothing mechanism</b>	Estimated Growth Rate
<b>AMC</b>	0.80% The AMC does not include any charges relating to the Fidelity pension account including, for example, a platform charge.
<b>Daily priced</b>	Yes
<b>Unit-Linked / With-Profits</b>	Unit-Linked
<b>Risk rated / mapped by leading risk profiling agencies</b>	Defaqto
<b>Death benefits</b>	The relevant fund value will be included in the overall benefits awarded to beneficiaries after death.
<b>Switches out</b>	One permitted every 90 days. There can be a delay of 10 working days on certain transactions. All switches out are subject to an additional settlement period.
<b>Min / max investments</b>	None
<b>All investments</b>	Can be made at any time, subject to a 10 working day holding period in the Feeder Fund plus an additional settlement period for the instruction to switch.

For further information, please refer to the **Standard Life Smoothed Return Pension Fund Technical Guide – What you need to know.**

# Key contributors

**Standard Life**

Part of Phoenix Group

Standard Life has been trusted to look after the life savings and retirement needs of customers for nearly 200 years. With some of the strongest financial credit ratings in the industry – you can be confident you are placing your client’s investment with a company that’s in it for the long run. Standard Life are part of the Phoenix Group, a company which looks after around 12 million customers across the UK and Europe and £283 billion in investments<sup>1</sup>.

The Smoothed Return Pension Fund is a risk-rated multi-asset fund designed to grow your clients’ pension pot.

We set and govern the investment strategy and strategic asset allocation of the Fund – overseeing its performance and ensuring the Fund is managed in line with our investment objectives. We have appointed Fidelity to manage a portfolio of underlying assets for the Fund. We regularly review the Fund’s asset allocation with Fidelity to make sure the performance and risk management align with our expectations and help deliver the best possible outcomes for your clients.



<sup>1</sup> Correct as at 31 December 2023.



Fidelity is a leading investment expert in equities, fixed income, real estate and multi asset solutions. With 2.57 million customers, serving institutions, financial intermediaries, and individual investors worldwide, Fidelity is responsible for total client assets of £629.9 billion<sup>1</sup>.

<sup>1</sup> Correct as at 31 December 2023.

## Important information

The value of an investment can go down as well as up and your client may get back less than was paid in.

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