YOUR GUIDE TO INVESTING IN DRAWDOWN

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IMPORTANT INFORMATION

We've written this guide to give you useful information about drawdown and investing, but it's not personal advice.

The earliest age you can normally take your pension is 55 (rising to 57 in 2028), and what you do with it is an important decision.

Taking income from flexible drawdown could significantly reduce how much can be paid into your pension without a tax charge. To find out more go to **www.hl.co.uk/annual-allowance**. We strongly recommend you understand your options and check what you plan to do is right for your circumstances. Take advice or seek guidance if you're unsure.

The government provides a free and impartial service to help you understand your retirement options. Go to **www.hl.co.uk/pension-wise** to find out more.

In this guide where we mention an annuity, we mean a secure lifetime annuity. It's possible to buy other types of annuities where income isn't guaranteed for life.

The information in this guide is correct as at 17 March 2025 all figures apply to the 2025/26 tax year. Pension and tax rules can change, and benefits depend on your circumstances.

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WHAT IS DRAWDOWN?

A flexible way to access your pension

Drawdown is a way of taking money from your pension as and when you want to, while keeping it invested. You choose where to invest and how much income to take. You're in control.

It's these flexibilities that make drawdown such a popular option, but it doesn't come without risk. On the one hand, if your investments steadily increase in value, you might be able to enjoy a rising income and have money to pass on to your loved ones. But if markets fall, your investments perform poorly, or you withdraw too much too soon, you could get back less than you invest.

It's important to fully understand the risks of investing before you move your pension into drawdown. You need to be comfortable with them, and have enough secure income to fall back on if things don't go to plan.

HOW DOES IT WORK?
You don't have to move your whole pension into drawdown if you don't want to, you can move a bit in at a time, or mix and match income options to suit your needs. Usually up to 25% of the amount you move into drawdown can be paid to you as a tax-free lump sum, and any further income you withdraw will be taxable.

You can pick your own investments (which could include funds, shares, bonds and cash), use ready-made portfolios, or pay an adviser to choose investments for you. All investments, and the income they produce can go down as well as up in value, so it's important to regularly review them and how much income you're taking – even if you're paying for advice.

To help you decide where and how you might invest, this guide explains the links between certain goals, income strategies and investment choices, and the impact they can have on each other.

SORT YOUR SECURE INCOME FIRST
Knowing you have enough secure income coming in, to at least cover your essential spending, could give you peace of mind. It's important you factor this in to your plans before moving into drawdown, or you could risk running out of money.

For most people the State Pension will play an important role for secure income. You can claim this pension from the government when you reach State Pension age, and it'll pay you a guaranteed income for the rest of your life. The amount you'll receive will depend on a number of factors. You can also choose to defer it for as long as you want and, because of this, receive an increase.

To find out more visit **www.hl.co.uk/state-pension**

If the State Pension won't be enough (which is likely) you might consider exchanging some of your pension for an annuity which can provide a guaranteed income for life. You can choose specific features to match your needs. For example, if it's important your spouse or partner continues to receive an income after you pass away, you can build this in. You can even choose for your income to rise in line with inflation. Once set up, an annuity can't usually be changed or cancelled, so it's important to consider the options carefully.

To find out more and get quotes visit **www.hl.co.uk/annuities**

UNDERSTANDING THE RISKS AND BENEFITS

The cost of flexibility

It's important you understand the risks as well as the potential benefits of drawdown. This will help you decide if it's the right option for you, and choose the right strategy for your needs.

THE IMPACT OF STOCK MARKET FALLS

Financial markets experience years of above average growth, and years of decline.

While you're building a pension, drastic falls in the value of your investments can be dealt with relatively comfortably. You're likely to have many years for your portfolio to recover. And, if you feel the investments have good long-term potential, you could even choose to keep buying more at a lower price.

In later life, once you've built up your wealth, the situation's different. If your investments suffer drastic falls and you find yourself selling investments to fund your drawdown income, you'll rapidly run down your pension value.

Whether you're in a growth or decline period can make a huge difference to how long your drawdown pension will last. A bad start could really set you back. Take a look at the examples on page 5 to see the effects.

THE KEY BENEFITS

- **Take the income you want when you want**, in line with your changing circumstances.
- **Beat inflation** with returns from your investments. You could maintain your buying power as prices rise.
- **Pass on your money tax efficiently** by nominating your loved ones as your beneficiaries. Anything left when you die can be paid to them as a lump sum or as income.

SAFETY IN CASH?

We feel it's important to consider holding some cash in or outside of your pension, to act as an income buffer. If the market or the income from your investments fall, you'll have a cash source to draw an income from.

If you plan to be in drawdown for fewer than five years, we believe you should generally stay clear of investments, as you run a higher risk of getting back less than you invest. Keeping everything as cash means you won't suffer from any market falls, and it's unlikely inflation will have enough time to significantly affect your buying power.

THE KEY RISKS

- **You could run out of money** if you withdraw too much, your investments don't perform as you'd hoped or you live longer than expected.
- **Income isn't secure**, it could fall or even stop completely.
- **It's possible you'll get back less than you originally invested**, as all investments can fall as well as rise in value.

If you plan to use drawdown for longer, you might choose to invest your money in the hope of greater returns. You don't have to invest, but remember, when interest rates are lower than inflation, the buying power of the cash in your pension will fall. For example, if inflation is 5% higher than your interest rate, it could halve your buying power in just 15 years.

HOW A BAD START CAN SET YOU BACK

We've created these examples to help illustrate the compound effects of withdrawals during market downturns.

SUMMARY
If you receive poor returns in the first few years, your fund could become depleted and unable to recover. This could leave you short of income later in retirement.

- Both investors start with a drawdown pot of £100,000 and withdraw £5,000 a year.
- The investment returns each year are different, but over the 10-year period the average is exactly the same (4% a year).
- Investor A experiences good years first, while investor B experiences bad years first.
- As a result, investor B has nearly £20,000 less in their account at the end of the 10 year period. And they have a much higher chance of running out of money as a result.

Unfortunately, it's impossible to know if we're approaching a period of growth or decline. But it's important you understand the possible impacts.

INVESTOR A

Year	Investment return (%)	Value of pension
1	10	£105,000
2	9	£109,450
3	8	£113,206
4	8	£117,262
5	7	£120,471
6	6	£122,699
7	5	£123,834
8	-1	£117,596
9	-2	£110,244
10	-10	£94,219

INVESTOR B

Year	Investment return (%)	Value of pension
1	-10	£85,000
2	-2	£78,300
3	-1	£72,517
4	5	£71,143
5	6	£70,411
6	7	£70,340
7	8	£70,967
8	8	£71,645
9	9	£73,093
10	10	£75,402

CHOOSING AN INCOME

Three main strategies

Before choosing where to invest, it's important to think about your strategy for taking an income and your goals for the future. The strategy you choose is likely to depend on factors like:

- How much income you need
- How long you need your pension to last
- If you want to pass your pension on to loved ones
- Your investment performance

If you need an income from your drawdown pension which needs to last your whole retirement (maybe 30 years or longer), you may need to be very cautious with your withdrawals. The same is true if your priority is to have money left over to pass on to loved ones.

If your investments perform poorly, you may want to lower your withdrawals so your portfolio has an opportunity to recover.

TAKE NO INCOME

You might just take your tax-free cash for now and put off making other withdrawals until a later date. This could be a tax efficient way of topping up your income if you're winding down your hours at work. You could even use it to pay off debt, like your mortgage, if you want to reduce your outgoings.

Pensions are extremely tax efficient and usually free from inheritance tax, so you might decide to use up your other sources of income first (like your ISA savings) before dipping into your pension for income.

However, these rules are expected to change following the Autumn Budget 2024. From April 2027, where an estate is valued over the Inheritance Tax Threshold, some pensions may incur inheritance tax.

You might be interested in funds which aim to grow over the long term. See page 11.

MAIN BENEFITS:

- Leaving your pension to hopefully grow can mean you'll increase your pension value and available income over time.
- Your loved ones could have more to inherit.

MAIN RISKS:

- There's no guarantee your investments will grow, they could fall.
- If you leave your plan in cash, rising prices may lower your buying power.
- If your plan is to buy an annuity at a later date, annuity rates may be lower than they are now.

TAKE THE INCOME YOUR INVESTMENTS PRODUCE

If you need an income from your drawdown pension, you're less likely to run out of money if you stick with this strategy.

Also known as taking the **natural yield**, this means you only take the income earned from your investments (which could include the interest paid from bonds and dividends awarded from shares, as well as the funds that invest in them). You don't sell investments to fund your income.

If you're looking for investment inspiration, our experts have picked three funds which aim to pay a high income on page 12.

MAIN BENEFIT:

- Improves the chances of a growing pension over time that will continue to provide an income (which could be very important if you want your income to last for a long time and/or you want to pass money on to loved ones).

MAIN RISKS:

- The income your investments give will go up and down, it could reduce or even stop.
- You may be taking less income than possible, by not selling your investments, so potentially giving yourself a poorer standard of living.

TAKE A PLANNED INCOME

If you need an income but you don't think the natural yield will be enough, you might consider selling your investments to fund your withdrawals (also known as **drawing from capital**).

The amount you sell and withdraw is up to you. But it's likely to depend on how much income you need, how long you need your plan to last, how much you want to pass on to loved ones and the performance of your investments.

If you're looking for investment inspiration, our experts have picked three funds on page 13 which aim to protect the value of your money, though like all investments they can still fall in value.

MAIN BENEFITS:

- Your income and the value of your investments could still increase over time, if you're cautious about how much you withdraw.
- You could receive more income than you would have by just taking the natural yield.

MAIN RISKS:

- There's a much higher chance of running out of money.
- You might need to significantly reduce your withdrawals after a market downturn.
- Continuing to sell your investments after they've fallen in value will damage your portfolio's ability to recover.
- Selling too much could run down your fund value and leave you short of income in the future.

DON'T FORGET ABOUT TAX

After taking any tax-free cash, your withdrawals will be taxed as income. The income you take will be added to any other income you receive each tax year, so taking large withdrawals could push you into a higher tax bracket. Remember, tax rules can change and benefits depend on your circumstances.

Try our calculator to see how much tax you could pay by going to **www.hl.co.uk/pension-income-tax**

YOUR INVESTMENT OPTIONS

How to build a portfolio

How comfortable you are making investment decisions, and how you feel about taking risks will probably determine how you choose to build your investment portfolio. We believe that, because of the diversity they can offer, funds are a good place to start.

If you're not sure about an investment decision, you should take personal advice.

Investment Pathways

If you've thought about your drawdown goals, but are unsure how to achieve them, you may want to consider investment pathways.

There are four pathways to choose from, and each matches a potential retirement goal with an investment option. For more information on investment pathways, see page 14.

CHOOSE READY-MADE INVESTING

Our portfolio funds can be used as all-in-one investments. Pick one from the different risk levels and you're good to go. You'll just need to check in every now and then to make sure it still meets your needs and circumstances.

Once you've chosen a portfolio fund, you can relax in the knowledge that our experts will manage the investment from there. They'll look to maximise returns according to the level of risk chosen.

Whichever level of risk you choose, it's important to remember that the funds can go down as well as up in value.

To find out more about ready-made investing visit **www.hl.co.uk/funds/leave-it-to-an-expert**

Our charges are confirmed at **www.hl.co.uk/drawdown-charges**

MAKE SURE YOU STAY ON TRACK

Over time your circumstances and goals are likely to change. To make sure your drawdown plan continues to help you achieve your goals, you need to review it regularly. This includes checking you're happy with your investment performance and income withdrawals, and making changes when necessary.

REVIEWING YOUR INCOME STRATEGY

One of the main benefits of drawdown is that it's flexible. You can start, stop or change the amount of income you take at any time. It's important you keep reviewing your income strategy to make sure it's still suitable for your goals, and that any income you're taking is sustainable.

REVIEWING YOUR INVESTMENTS

If your income strategy changes, you may also need to make changes to your investment choices so they complement this new strategy. Even if your strategy doesn't change, it's important to review your investments regularly to make sure your portfolio stays diversified and that your investments are performing as you'd hoped.

CHANGING CIRCUMSTANCES

You don't have to stay in drawdown for life if you don't want, or can't afford to. If you decide you need more secure income you can always use some, or all, of your drawdown plan to buy an annuity (which provides a guaranteed income for life, with no worries that it could fall).

You may also wish to set up a lasting power of attorney to ensure your finances are taken care of if you become unable to manage your plan. More information about how to do this can be found at **www.gov.uk/power-of-attorney**

PICK YOUR OWN INVESTMENTS

If you'd like to choose your own investments, it's important to remember that diversity is key.

Different types of investments and sectors perform well at different times, and so do different stock markets around the world. While investment risk can't be eliminated altogether, making sure that your portfolio has a good variety of investments across a range of assets, regions and sectors can help shelter you when some areas don't perform as well as others.

Fund managers also use a variety of strategies and favour different asset classes (even if their funds have similar objectives). At different times, in different market conditions, some managers will outperform others. To help spread risk, you could consider choosing a number of fund managers so you're not relying on a single approach or asset class to be successful.

Funds

A fund is an investment that pools together the money from many individuals. Fund managers then use this pool of money to invest in a range of assets such as shares, bonds or property depending on the investment objective of the fund. This offers an easy and convenient way to diversify your portfolio across a number of investments, and access to the skills of a professional.

Shares

Buying a share means buying a (usually very small) stake in a specific business, with the potential benefit of receiving dividends. A dividend is a payment by the company to shareholders, and usually represents a share of the profits. Successful companies can raise their dividend payments over time, as profits increase. They can also lower or stop them altogether. Being a shareholder might also give you certain rights and benefits; for example the right to vote on company matters at the Annual General Meeting. Historically shares have generally been more volatile than other investments.

Bonds

When you buy a bond you are, in effect, lending a company or government money. In return you receive interest and the issuer promises to pay back the loan on a specified date. These include corporate bonds and government bonds (gilts).

Remember the value of all investments, and any income they produce, can fall as well as rise. There's potential for growth, but it's also possible to get back less than you invest.

HELP GETTING STARTED

If you want help getting started, the Wealth Shortlist is our analysts' selection of funds they believe have the potential to outperform their peers over the long term.

The Wealth Shortlist includes funds across a range of sectors, and risk levels that won't be right for everyone – it isn't personal advice. A change to the list isn't a recommendation to buy or sell. You'll need to consider your own goals, attitude to risk and wider portfolio before making any investment decisions. Funds can fall as well as rise in value and you could get back less than you invest.

To see our full list visit **www.hl.co.uk/funds/help-choosing-funds/wealth-shortlist**

PICKING INVESTMENTS

To match your income strategy and goals

INVESTING FOR LONG-TERM GROWTH

If you don't need an income yet, a common approach is to choose investments that aim for long-term growth. Often this includes funds that invest in a wide range of companies, either in the UK or across the globe. It might also include higher-risk smaller companies with the potential to grow into market leaders.

On page 11, we've included a selection of funds from our Wealth Shortlist which all aim for long-term growth.

INVESTING FOR INCOME

If you want an income, and you're happy to just take the natural yield, a sensible tactic could be to seek out investments which focus on generating income. Some fund managers specifically choose underlying investments which they think will pay high dividends or income, though this isn't guaranteed. If they're successful, this could help increase the amount of income you're able to withdraw using this strategy.

On page 12, we've included some funds from our Wealth Shortlist which all aim to pay an income.

DEFENDING AGAINST MARKET FALLS

If you're planning on taking a set income, and selling your investments to fund withdrawals, you'll need to be particularly wary of market falls. A sharp fall in value could spell disaster if you keep selling investments to fund your withdrawals. Ultimately it could result in your pension running out while you still need it. Some fund managers use specific techniques to try and minimise the impact of falling markets, which could help defend against big losses in value. While these funds try to protect value, it can mean they don't grow as quickly when markets are performing well.

On page 13 we've included some funds from our Wealth Shortlist which aim to defend against drastic falls.

The funds on the next three pages are ideas for you to consider but they aren't personal advice. They're just a handful of the many investments available. Make sure any investment you choose is suitable for your circumstances and goals. Seek advice if you aren't sure.

Before you invest in a fund you should read its Key Investor Information and check you're happy with the charges. This can be found for each of these funds by going to **www.hl.co.uk/drawdown-investment-ideas**

INVESTING FOR LONG-TERM GROWTH

Here are three funds which aim for growth in the long-term. As with all investments, their value can fall as well as rise so you could get back less than you originally invest. There's no guarantee that any investment will give you the long-term growth you hope to receive.

Find out more about these funds at **www.hl.co.uk/drawdown-investment-ideas**

Rathbones
Look forward

RATHBONE GLOBAL OPPORTUNITIES

- Invests in mostly large and medium-sized companies with the potential for growth and dominance in developed markets, such as the US, UK and Europe. The fund also has the flexibility to invest in smaller companies and emerging markets, both of which are higher risk.

Legal & General

L&G FUTURE WORLD ESG TILTED & OPTIMISED EMERGING MARKETS

- Invests mainly in large and medium-sized companies from higher-risk emerging markets such as China, India and Taiwan, while being mindful of environmental, social and governance (ESG) issues. While it's diversified across many countries and sectors, it may have more ups and downs compared to similar growth-orientated funds that invest in developed markets. This fund can also invest in higher-risk smaller companies.

Fidelity
INTERNATIONAL

FIDELITY SPECIAL SITUATIONS

- Invests in large, medium-sized and higher-risk UK smaller companies that are often unloved by other investors but have the potential to return to favour and recover and see their share price rise. The fund can use derivatives, which adds risk.

INVESTING FOR INCOME

Here are some funds that aim to pay a high yield.

The value of all investments, as well as the income they produce, can fall as well as rise. You could still get back less than you invest and there's no guarantee the yield they aim for will be achieved. All of these funds take their charges from capital, which means that whilst they aim to pay a high income, capital growth can be reduced.

Find out more about these funds at **www.hl.co.uk/drawdown-investment-ideas**

ARTEMIS HIGH INCOME

- The fund invests flexibly across the fixed-interest markets, from government bonds to higher-risk high yield bonds. It also invests in some UK company shares, which could boost long-term income and growth. Investments in high yield bonds are higher risk and can add volatility to returns.

SCHRODER INCOME

- The fund invests in shares of UK companies, and aims to provide a high dividend income. It has a clear value style bias and contrarian approach, which means it can look different to the wider stock market at times. The managers invest in a relatively small number of companies, meaning each investment can have a larger impact on overall performance, which adds risk.

BAILLIE GIFFORD MONTHLY INCOME

- The fund invests in a combination of shares, bonds and alternatives such as listed infrastructure and real estate investment trusts (REITs). This wide range of assets means that the income profile has the potential to be more resilient over time compared to investing in a single asset class. The fund invests in high yield bonds, emerging markets and derivatives, all of which add risk.

DEFENSIVE INVESTMENTS

Here are three funds that aim to defend against big losses of value during market falls.

The value of these funds can still fall. As always there are no guarantees and you could get back less than you invest.

Find out more about these funds at **www.hl.co.uk/drawdown-investment-ideas**

PYRFORD GLOBAL TOTAL RETURN

- A sensible investment approach. This fund invests in a combination of shares, government bonds and cash with the aim of achieving long-term growth with less volatility than the stock market. The fund also has the flexibility to feature investment in higher risk emerging markets. Please note this fund is an offshore fund so investors are not normally protected by the UK Financial Services Compensation Scheme.

TROY TROJAN

- Aims to help shelter investors' money during the tough times and grow it over the long term. This fund contains the shares of quality companies, and the manager increases exposure to bonds, gold and cash when he thinks the stock market has less potential to grow and the outlook is less certain. The fund holds a small number of investments including smaller companies, both these factors increase risk.

INVESCO TACTICAL BOND

- The team can invest in all types of bonds, with very few constraints placed on them. The performance of the fund hinges on the managers ability to interpret the bigger economic picture. They aim to shelter the fund when they see tough times ahead; and seek strong returns as more opportunities become available. While the main focus is on sheltering the fund, they can invest in high yield bonds and use derivatives, both of which add risk.

INVESTMENT PATHWAYS

WHAT ARE INVESTMENT PATHWAYS?

Investment pathways help you choose the right investment strategy for your pension. They match your goals for the next five years with an investment option which could help you get there. You can switch out of a pathway whenever you want, but be sure to understand how it might impact your money.

The Pathways don't consider your personal situation or how much risk you're comfortable with. You should aim to pick the one that best fits your plans, but it might help to think about:

- Your ability to wait for markets to recover if they fall.
- How getting back less than you invest would affect your personal finances.
- Do you have other sources of income which you can rely on if things don't go to plan?

Important information – What you do with your pension is an important decision that you might not be able to change. Check you're making the right decision for you, and that you understand all your options and their risks. The government's free and impartial Pension Wise at www.hl.co.uk/retirement/preparing/pension-wise service can help you and we also offer personal advice at www.hl.co.uk/financial-advice/financial-planning/retirement-advice. You can compare pathways from other providers using the Money Helper tool at www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/drawdown-investment-pathways. The information on our website isn't personal advice.

INVESTMENT PATHWAYS

HOW IT WORKS

Choose the pathway objective that best fits your goals. Invest in the fund option if you're happy with how it might perform and its risks.

The four pathway objectives are:

1. I have no plans to touch my money in the next five years.
2. I plan to use my money to set up a guaranteed income (annuity) in the next five years.
3. I plan to start taking my money as a long-term income in the next five years.
4. I plan to take out all my money in the next five years.

We've chosen investment options we think will help meet each goal. For the three matched funds, we considered everything from where your money goes to how much its value is likely to change, and the funds' sustainability credentials.

But, as the pathways aren't personal advice, it's really important you check your chosen pathway matches your own goals before you invest. If you're not sure of the suitability of an option for your circumstances, seek advice.

Our Independent Governance Committee (IGC) works to protect your interests as a drawdown pathway investor and assess whether you're receiving value for money. Find out more by visiting **www.hl.co.uk/workplace/independent-governance-committee**

Before you invest in a fund you should read its Key Investor Information and check you're happy with the charges. You can find this information at **www.hl.co.uk/investment-pathways**

INVESTMENT PATHWAYS – AT A GLANCE

- They're matched to funds or options most likely to achieve a specific goal
- Choose them based on what you want to achieve in the coming few years
- They don't consider your circumstances, attitude to or capacity for risk

Pathway 1

I have no plans to touch my money in the next five years

Investment: BlackRock MyMap 4 fund

Description

This pathway is designed to grow your money for the next five years and beyond.

It spreads your money between different investments, typically with around half in bonds (loans to companies and governments) and half in company shares. The fund can also hold other types of investment, such as gold, other commodities, or property. Holding a balanced mix of investments helps to spread the risks. It's likely to be lower risk compared to a fund which focuses more on investing in shares, for example a pension default fund or a global fund.

The fund aims to limit the ups and downs of investing over 5-year periods. This balanced risk approach might mean the fund offers some shelter when the stock market falls, but smaller returns in better times. The fund offers a diverse investment in one place at a competitive annual charge.

Risks

- Your money is invested – you could get back less than you started with
- If you plan on investing for longer than 5 years, you may be able to get a better return if you are happy to take a higher risk approach, although there are no guarantees.
- The fund invests in emerging markets and uses derivatives, both of which add risk.

Volatility

How its value might change

- Aims to limit the variation in investment returns over time.
- Can still go up and down, possibly by as much or more than the stock market.

Diversification

Where and how it invests

The fund typically invests in a balanced mix of shares and bonds, and a small amount in commodities. It invests globally to spread out your investments. It often invests in shares from companies in emerging markets which adds risk.

Scan the QR code to see the key investor information and factsheet, including charges.

www.hl.co.uk/funds/fund-discounts,-prices--and--factsheets/search-results/b/blackrock-mymap-4-class-s-accumulation

Pathway 2

I plan to use my money to set up a guaranteed income (annuity) within the next 5 years

Investment: Fidelity Pre-Retirement Bond fund

Description

This pathway invests your money until you're ready to buy an annuity in the next five years.

The fund aims to invest in bonds that will move in line with changing annuity rates. This aim means the amount invested in this fund should have the same annuity purchasing power, or similar, when you decide to purchase an annuity in the future, regardless of what happens to annuity rates in between.

If you don't expect to buy an annuity within the next 5 years, you should consider whether a fund designed to offer long-term growth or income is better suited to your goals.

Remember – you need to buy an annuity when you're ready. This pathway does not provide an annuity automatically.

Risks

- Your money is invested - you could get back less than you started with
- There is no guarantee that your annuity purchasing power will be maintained.
- The fund uses derivatives which adds risk.

Volatility

How its value might change

- If annuity rates go up, the fund price is likely to go down.
- If annuity rates go down, the fund price is likely to go up.
- The price movements can be sharp sometimes, so you may see the value of your pension change considerably.

Diversification

Where and how it invests

- The fund typically invests around half in developed nation government bonds. It tends to favour those issued by the UK government because annuity rates are closely related to how these bonds perform.
- The other half is typically invested in other bond types which can be riskier. This helps to spread out the investment and deliver on the funds aims.

Scan the QR code to see the key investor information and factsheet, including charges.

www.hl.co.uk/funds/fund-discounts,-prices--and--factsheets/search-results/f/fidelity-pre-retirement-bond-class-h-accumulation

Pathway 3

I plan to start taking my money as a long-term income within the next 5 years

Investment: Baillie Gifford Monthly Income Fund

Description

This pathway aims to provide a resilient income from your investments for the next five years and beyond.

The fund invests with the aim of generating income which keeps up with inflation over five-year periods. The fund pays out the income produced by its investments and manages the payments so your income is smoothed out over the year.

The focus is on preserving the money value of the income payments to give more certainty over the income produced. As a general guide, we expect the income to be around £4 per £100 invested per year. The income is not guaranteed. The fund also aims to grow the value of your initial investment in line with inflation over 5-year periods, but this is not guaranteed.

To subsidise your income, you can sell parts of your investment. If you plan to do this, the timing of your sales can have a big impact on how long your money lasts in retirement – especially if the stock market falls in the early years of you drawing income. For that reason, you should take financial advice if you are interested in this approach.

Remember – you need to set up your income instruction separately. You can do this in your online account after we've processed your application.

Risks

- Your money is invested – you could get back less than you started with.
- The fund may not offer enough income for your needs.
- You could run out of money if you sell units in your investment to generate more income.
- The fund invests in emerging markets, high yield bonds and uses derivatives, all of which add risk.
- The fund takes its charges from the underlying investments instead of the income they produce – this can increase the income on offer but reduce the potential for growth.

Volatility

How its value might change

- The fund's value will go up and down, typically by between half and two-thirds as much as the wider stock market although there are no guarantees.

Diversification

Where and how it invests

The fund spreads its investments into three broadly equal buckets: company shares, bonds, and real assets (such as infrastructure and property). This approach creates three different sources of income which improves its resilience over time.

Scan the QR code to see the key investor information and factsheet, including charges.

www.hl.co.uk/funds/fund-discounts,-prices--and--factsheets/search-results/b/baillie-gifford-monthly-income-class-h-income

Pathway 4

I plan to take out all my money within the next 5 years

Investment: Uninvested (cash – no fund)

Description

This pathway gives you easy access to your money over the next five years.

It won't be invested – so while it's easier to take out, it won't grow apart from any interest added – see the current level of interest at www.hl.co.uk/charges-and-interest-rates.

Its value could also be affected by inflation. Because of this you should have a clear idea of when you'll use your money and not leave it uninvested if you won't need to use it in the next five years.

Any cash you have in your drawdown account will automatically be classed as part of this pathway if you choose it. This includes money you already have, and money raised from selling investments. You'll be able to see this in your online account.

Risks

- Inflation can reduce the buying power of your money.
- The longer you leave it, the bigger the impact inflation can have.

Volatility

How its value might change

- The value of your cash won't fall. It will rise slowly as interest is added.

Diversification

Where and how it invests

- This pathway will not invest. Your money is held as cash.

Remember, the pathway options aren't personal advice. It's really important you check your chosen pathway matches your own goals before you invest. If you're unsure, seek advice.

As a drawdown pathway investor, the Independent Governance Committee (IGC) works to protect your interests. They assess whether you're receiving value for money each year Find out more on how the IGC protects pathway investors. www.hl.co.uk/workplace/independent-governance-committee.

How is ESG integrated into Investment Pathways?

We believe investing with Environmental, Social and Governance (ESG) considerations in mind simply makes good investment sense. Issues related to the way a company is managed, or its effect on the environment and society can cause reputational damage, impact profits and drag down a company's share price. We believe proper ESG analysis can help investors avoid and mitigate these issues, thereby improving investment returns.

When selecting funds for our Investment Pathways solution, we considered the way those funds integrate ESG analysis. We also meet the managers on an annual basis (or more often where needed). Following each fund manager meeting, we consider whether the manager is fully taking account of the ESG risks applicable to their portfolio, and if they're supported to do so by the fund group they work for. We also consider the level of risk posed to the portfolio by climate change. Our views are shared with investors through annual fund updates.

We outline how each fund integrates ESG analysis below.

Blackrock MyMap 4

This fund invests in a range of tracker funds and ETFs (exchange traded funds) managed in-house at BlackRock.

The BlackRock MyMap 4 fund is not managed to an ESG objective, but a number of the funds held in the portfolio apply 'ESG tilts', meaning they increase investments in companies that score well on ESG measures, and reduce investments in those that don't. Some also exclude companies in the most controversial industries.

BlackRock was an early signatory to the Principles for Responsible Investment and has offered ESG integrated funds for years. In January 2020, it made a company-wide commitment to ESG, promising to expand ESG-focused ETFs, screen thermal coal companies from actively managed funds, and require all fund managers to consider ESG risks.

The Investment Stewardship Team aims to vote at all meetings where it has authority to do so and engages with companies alongside fund managers. However, BlackRock has faced criticism for not supporting enough shareholder resolutions on climate change in recent times – this is something we're watching closely.

Fidelity Pre-Retirement Bond

This fund invests across government and investment grade corporate bonds, aiming to track the performance of a custom benchmark, which is not ESG-focused. However, while bond investors do not have voting rights, the managers and their team engage with the companies they invest in. They feel this helps them glean insights that aren't available elsewhere, and encourage positive change, which should add long-term value.

Fidelity has committed to developing its firm-wide approach to ESG in recent years. The firm developed a structured engagement program which allows it to be more systematic in its engagement on environmental and social issues, became involved in more collaborative engagement initiatives and introduced ESG data into fund managers' quarterly reviews to raise awareness of ESG issues. The firm also bolstered its dedicated ESG team, which writes regular ESG reports on companies held by Fidelity fund managers.

Baillie Gifford Monthly Income

This fund aims to provide a resilient income by investing across a diversified range of assets, including shares, real assets and bonds. The amount invested in each asset changes over time based on the managers' long and shorter-term views of the world. However, over the long term the fund will have roughly a third of its assets in each of these sections.

The fund applies a screening process to avoid companies that are subject to UN Security Council sanctions or non-compliant with the UN Global Compact initiative. They also screen out companies that have revenues above particular thresholds coming from fossil fuel extraction and production, thermal coal distribution, tobacco production, controversial weapons and armaments.

As part of their company assessments, the managers consider a number of different sustainability metrics and assign each company an overall score. This helps them to compare different companies' sustainability credentials. Those that are considered leaders within their sector are preferred. However, they won't invest in the lowest scoring companies.

All Baillie Gifford funds are run with a long-term investment horizon in mind – they see themselves as long-term owners of a business, not short-term renters. Dedicated ESG analysts sit with and report into their respective investment teams, and the firm's ESG efforts are supported by a dedicated climate specialist team, an ESG Services team (responsible for voting operations and ESG data) and an ESG Client team (responsible for ESG-related client communications). Individual investment teams are responsible for voting and engagement for the companies they invest in.

GUIDANCE AND ADVICE

Check that what you plan to do is right for you

What you do with your pension, and where you choose to invest, are important decisions.

The choices you make now could affect your future income and lifestyle. And if your partner or loved ones rely on your income, what you decide to do could impact them too.

To avoid making any expensive mistakes, we strongly recommend you seek out guidance or, if your circumstances are complicated, personal advice.

FREE GUIDANCE

Getting some guidance on how pensions work, what you can do with them and what kind of pension you have, can all help you make more informed decisions that are right for your circumstances.

The government's Pension Wise service offers free, impartial guidance to help you make sense of your options. It's not personal advice, but you'll find lots of useful information on their website and can even book a face-to-face, or telephone, consultation with one of their pension specialists.

To find out more visit **www.pensionwise.gov.uk**

It's also important to shop around for drawdown and compare investment pathways from other providers. The MoneyHelper investment pathways comparison tool available on **www.moneyhelper.org.uk/pathways** could help.

Find out more at **www.moneyhelper.org.uk**

PAYING FOR PERSONAL ADVICE

Your financial situation might be complex. You may need more help working out the best solutions for your finances, or you might just want reassurance that what you plan to do is right for your circumstances.

There are many forms of advice, and the costs often depend on the level of advice you choose. You might decide you'd like a professional to look at your finances just as a one-off, you might want personal recommendations for investing, or even on-going financial reviews. Whatever level of support you need, make sure you're clear on what you're paying for before you go ahead.

To find out more about our advisory service visit **www.hl.co.uk/advice**

Financial Planners
Chartered

REASONS TO CHOOSE HARGREAVES LANSDOWN

- **Our friendly and knowledgeable team** is ready to answer your questions no matter how big or small.
- **24-hour online access.** Monitor your account around the clock and place investment instructions with a click, or the swipe of a finger on our mobile apps.
- **No time restrictions.** You can stay in drawdown indefinitely, or buy a secure income at any time. Unlike some other providers, we won't force you out at any age.
- **Help choosing investments.** Get research on a wide range of investments, including popular shares and funds.
- **Advice if you need it.** You can manage the account yourself, take personal advice or pick and mix the level of help and advice you need.


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HOW WE CAN HELP

We're Hargreaves Lansdown – a financially secure company, trusted by over 1.9 million clients. We take account security seriously and have over 40 years' experience in empowering people to save and invest for a brighter future.

Our clients like the wide investment choice, and how easy it is to manage their pension online and with our app. Our Helpdesk is here to help.

EXPLORE MORE
You can continue your research by using our drawdown calculator to see how long your pension could last:
www.hl.co.uk/drawdown-calculator

Learn more about drawdown:
www.hl.co.uk/drawdown

Learn more about annuities, and get quotes: **www.hl.co.uk/annuities**

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and Saturday 9:30am-12:30pm.

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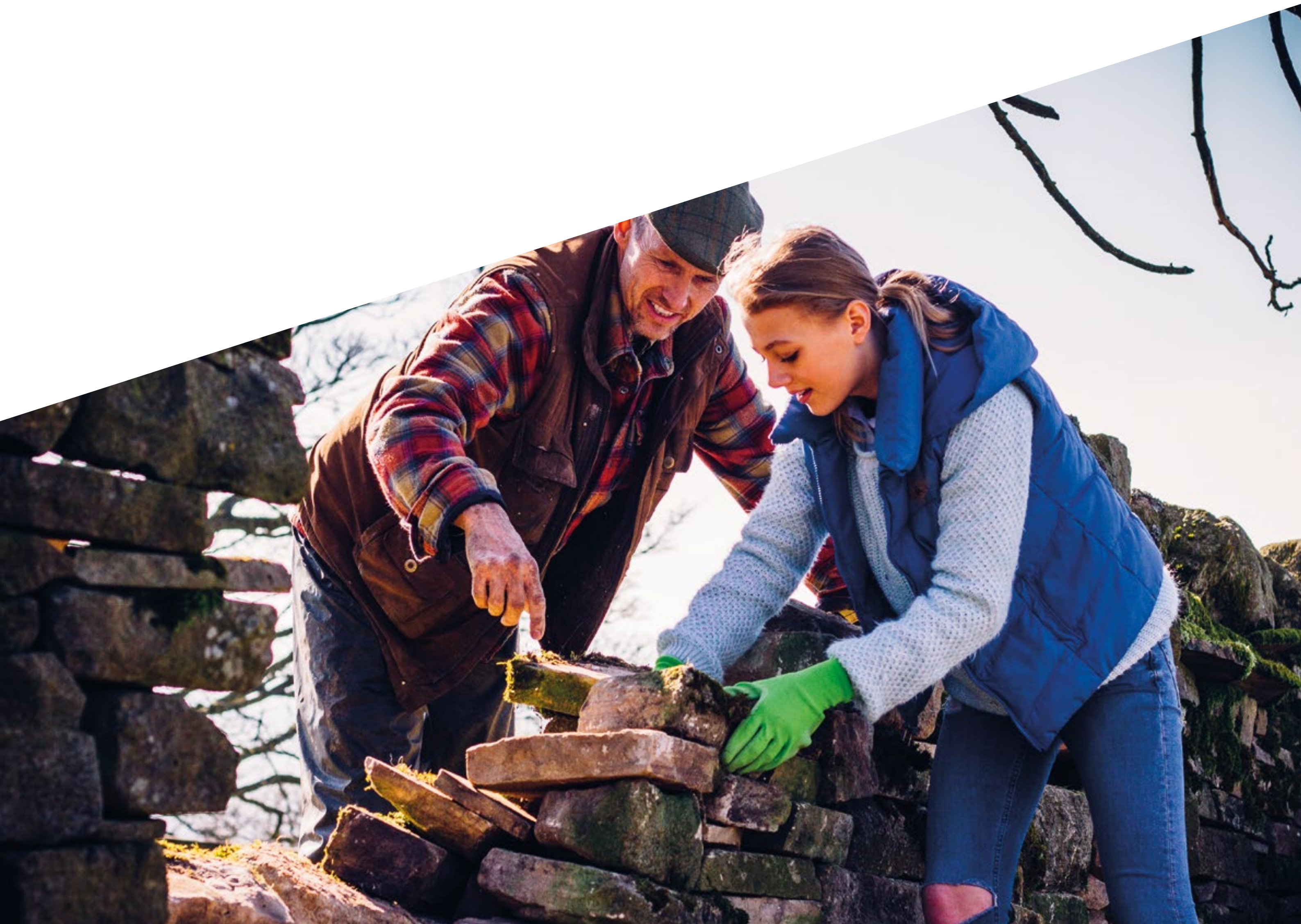

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