Investing with confidence

Your guide to understanding investments including pensions

Easier-to-read information

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"The key thing to remember is that investing is for the long-term. With time on your side, you can potentially balance out the ups and downs of the market."

Lorna Shah
Managing Director of L&G Retail Retirement

Introduction

This guide is for anyone looking for financial advice on how to build savings throughout life.

At L&G, we know a lot about money and are here to help. Our advisers are trained to help you manage your money.

It's never too late to get advice that's just for you.

This guide will help you understand the basics of investing, so you know what to expect when you talk to one of our advisers.

All investments have some risk. This means you might get back less money than you put in, but you could also make more money. This can happen by managing risk, the stock market growing, and investing wisely over a long time.

What financial advice services do we offer?

Investment advice service

We help you understand investments and pensions. Our advisers will look at your situation and give you advice using products from different companies, not just L&G.

Investment review service

We can also help you check your investments to make sure they still match your goals and how much risk you want to take as things change over time.

Did you know?

The value of your investments can go down as well as up so you may get back less than you originally invested.

The way your investments are taxed will depend on your individual circumstances and tax laws may change in the future.

It's recommended to invest for a medium to long-term timeframe, instead of, for example, short-term saving to buy a car or go on holiday, which, in our view, are short-term goals.

Is investing right for you?

Choosing between investing and cash savings depends on your goals and your comfort with risk.

The key factor is how long you're planning to put your money away. If you think you'll need to access it within five years, cash savings might be more suitable as they can offer more stability.

But if you're looking to grow your money over a longer period, investing could provide a better opportunity for higher returns. Your adviser will help you identify how long you're willing to invest your money for.

Savings in cash

Stability: Cash savings are generally stable and low risk meaning you're less likely to lose your initial amount.

Easy access: Cash savings are usually more accessible making it simpler to withdraw money when needed.

Impact of inflation: Inflation can reduce the real value of cash savings if interest rates don't keep up with rising prices.

Investing

Higher growth potential: Investing offers the potential for higher returns over the long-term, though this comes with more risk.

Time commitment: Investments are typically best held for a longer (at least five years) to maximise growth and reduce short term volatility.

Impact of inflation: Investments have the potential to outpace inflation preserving and growing the value of your money over time.

The impact of inflation

Over time, if your savings do not grow at a rate that matches or exceeds inflation, the real value of your money will continue to decline.

Savings in cash

Let's say you have £1,000 in a cash savings account with a 0.5% interest rate.

- If inflation is at 2%, in one years' time that £1,000 would only have the buying power of £985 in todays terms.

Although the amount in your savings account still shows £1,000 it will not stretch as far because prices have increased.

Investing

Investments however, may offer the potential to outpace inflation.

- If you invest £1,000 in a fund with an average return of 4% and inflation remains at 2%, your money's real value grows by 2%, helping you to maintain or increase your purchasing power.

The value of investments can go down as well as up, and you may not get back the amount you originally invested.

Investing with confidence

Investing can be tricky. You need to pick the right product and the right funds. Our advisers are here to help you every step of the way. They will guide you through four important areas to make sure your choices match your money goals.

Financial goals

Your financial goals shape how you should plan your savings.

For example, if you're aiming to cover a child's education costs in five years, your approach will be different from someone setting money aside for their retirement that is still decades away.

By defining your realistic goals, we can help you create a plan that truly fits your timeline.

Time commitment

If you plan to set money aside for the medium to long-term, you may be able to consider investing. Holding your investments for the medium term (five years or more) or long-term (10 years or more), increases the potential to benefit from growth and to recover from any potential short-term falls in your investments value.

Whether your timeframe to invest is medium term or long term, it's important to review your investments as and when your circumstances change, to ensure they continue to be aligned with your attitude to risk and capacity for loss.

Capacity and reaction to losses

Before investing, consider how much you can set aside for growth over a medium to long-term. Higher-risk investments may offer greater rewards but are not ideal if you need the money in the short-term.

It's also important to consider how any potential short-term falls in the value of your investment might affect your financial situation. If losing money would put pressure on your finances, a more cautious approach may be more suitable.

Attitude to risk

When you're deciding where to invest, it's important for you to understand your attitude to investment risk. We believe there are four main factors that make up a person's attitude to risk:

- Do you prefer certainty with your money?
- How prepared you are to accept the ups and downs of investing – both in the short-term and the long-term?
- Are you willing to take on more risk for the potential of achieving higher returns over the long-term?
- What you want from your money and when.

Understanding asset classes

There are four main asset class groups that investment funds invest in. These are equities, property, bonds and cash. As you can see, they have different characteristics.

Equities

Shares in the value of a company.

If the value of a company goes up, the value of each individual share will increase. Equally, if the value of a company goes down, the value of each individual share will decrease.

The price of a share can be very volatile. This means it can go down or up in value often and, sometimes, by large amounts compared to other less volatile investments. In return, they offer the potential for growth over the medium to long-term and should be held normally for at least five years.

Property

Commercial property such as offices, shops, warehouses, factories, and other business buildings.

You can earn money from commercial property investments in two ways. Through income from renting to a tenant and from potential capital growth from an increase in the value of the property. Both rental income and property price increases are not guaranteed and can be volatile. These investments should be held normally for more than five years.

Corporate bonds and gilts

A loan which can be returned on a specified future date. Also known as corporate bonds (loans to companies) and 'gilts' (loans to governments).

Although they are sensitive to interest rate movements and inflation, bonds tend to be less volatile than investments in equities or property.

The value of your investments may fall if interest rates rise and could increase if interest rates fall. Therefore, the bonds value can rise above its original purchase price or fall below it.

Cash

Short-term deposits with governments and financial institutions such as banks and building societies.

Cash is widely regarded as the least volatile investment asset. Although the rate of interest on cash deposits is normally quite low.

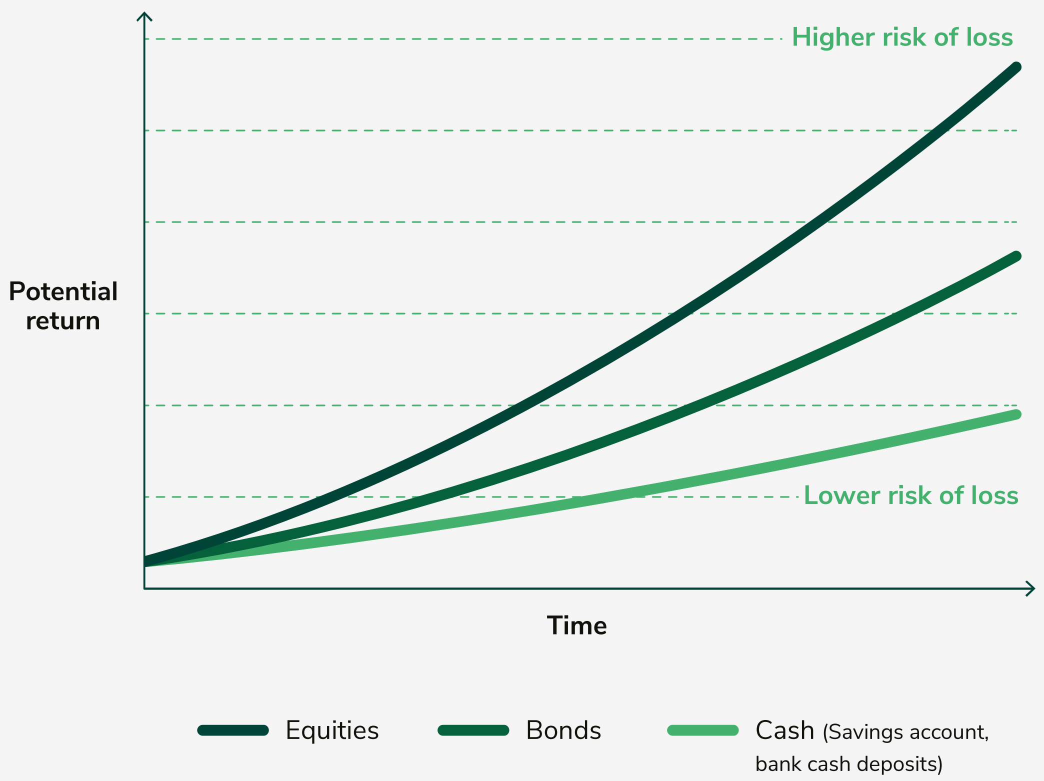
If the interest earned fails to keep pace with the rate of inflation, the spending power of your money will fall.

Balancing risk and reward

High-risk funds can grow a lot, but they can also go up and down more. Low-risk funds are steadier but may not grow as much. Sometimes you could lose part or all of your money.

When you invest, trying to get high returns usually means taking a bit more risk. Simply put, if you want your savings to grow a lot over time, there's also a greater chance they might go down in value more often or by larger amounts.

This balance between risk and reward helps you choose what feels right for you - whether you want steady returns or are okay with more risk to try for higher growth.



Don't worry, your adviser will explain this further during your fact-finding call.

The importance of diversification

What are investment funds?

Investment funds collect money from many people and use it to buy different things like stocks, bonds, and property.

For more information, refer to the Understanding Asset Classes page in this brochure.

Diversification

Diversification means spreading your money across different types of investments. It's like not putting all your eggs in one basket. If one investment doesn't do well, others might do better and balance it out.

Equities can give you more money over time but are riskier. Property, bonds, and cash are safer but don't grow as much. Our fund recommendations mix stocks, property, bonds, and cash. Higher-risk funds have more stocks than lower-risk funds.

Pooling investments

When you invest alone, you can only buy a few things. But if you join an investment fund with other people, you can buy a bigger mix of investments. This helps reduce risk more than investing by yourself.

Investing aligned with your risk profile

With so many investment fund options out there deciding where to invest can feel like a big task - but you don't have to do it alone.

Choosing from many investment options can feel confusing, but our advisers are here to help. By understanding how much risk you are comfortable with, your knowledge of investing, and how you can handle losses, we create a plan just for you.

To help with this, we sent you a risk questionnaire with this brochure. Filling it out before meeting your adviser can help you understand your preferences and priorities.

These pie charts show a typical mix of asset classes depending on how much risk you are willing to take.

Bonds	67%
Property/other	8%
Cash	6%
Equities	20%

Bonds	38%
Property/other	9%
Cash	1%
Equities	53%

Bonds	25%
Property/other	9%
Cash	2%
Equities	65%

The impact of charges on investments

Our advisers are here to help you understand how fees for investments can affect how your money grows over time. They make sure every decision helps you reach your financial goals.

Charges can play a significant role in the long-term performance of your investment or pension. Different types of charges apply depending on the product with the most common being:

- **Annual management charge (AMC)** which covers the cost of managing your investment
- **Fund management charge (FMC)** reflects the fees associated with the specific investment funds you're invested in.

Charges reduce the overall returns on your investment, meaning less money is available to benefit from growth over time.

- For example, a higher annual fee might seem minimal in the short-term but could noticeably impact your savings if invested for the long-term.

This is where understanding the types of charges and comparing options becomes valuable to your financial goals.

Our advisers are here to help you make sense of these charges. They can provide guidance on managing these fees effectively, giving you more confidence that your savings are working harder for you.

You may also see an Ongoing charges figure (OCF) or Total expense ratio (TER) listed.

These terms aim to show the total cost of managing your investment by bundling together the AMC with other smaller fees such as administrative and legal costs to give you a clearer picture.

Active and passive fund management

Depending on the investment funds recommended for you, they may be managed by fund managers in two different ways: active or passive. Each way aims to help your investment grow in unique ways.

Active funds

Active funds invest in a mix of assets and employ a management team to actively make investment decisions.

The management team buys and sells assets to try to outperform the market.

However, active management has higher charges and success in outperforming the market is not guaranteed.

Passive or index funds

Passive funds, or index funds, have lower fees as they are designed to track a market or sector, for example the FTSE 100 Index.

These funds offer lower charges due to less reliance on fund managers to make active investment choices.

Passive funds aren’t designed to beat the wider market, but instead match the performance of a particular market or sector.

Pensions, Stocks and Shares ISAs, Investment Bonds and Collective Investment Accounts

L&G Financial advice have access to 4 different types of wrapper available to hold your investments in. Depending on your objectives, more than one of them may be suitable for your circumstances. Our advisers are here to help you understand all the options available, including the tax benefits.

Tax-efficient Accounts

Pensions

Pensions are a tax efficient way to save money for retirement. Your money grows over time with extra help from tax relief. You can usually access the money from age 55 (rising to 57 in 2028). There are different types of pension available, each having their own benefits to help you save for retirement.

Stocks and Shares ISAs

Stocks and Shares ISAs let you invest in a range of asset classes such as equities, via a wide variety of investment funds. Any money you make from these investments grows without you having to pay capital gains tax or income tax. They are great for people who want their investments to grow over a long period of time without paying extra taxes.

Investment Bond

Investments Bonds allow you to hold money in investment funds for the long-term. They also allow any taxes to be deferred until a later date and can be beneficial for people looking to take a fixed income from their investment.

Flexible Investment option

Collective Investment Accounts (CIAs)

If you want to invest more than a Stocks and Shares ISA or Pension allows, CIAs let you invest without limits. Whilst CIAs don't hold the same tax advantages as Stocks and Shares ISAs and Pensions, they can fund future subscriptions to these products. Just remember that you might have to pay capital gains tax when you withdraw or transfer the money.

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