

An investor's guide for Self Invested Personal Pension customers



Hello.

*Planning for
your retirement*

Pages 3-4

*Your
investment
options*

Page 5-7

*Types of
charges*

Page 8

When actively planning for your retirement, choosing where to invest is probably the most important decision you will have to make.

After all, the money you'll aim to build up in your retirement fund will be used to provide all, or a part of your income in retirement. Therefore, it's crucial that you make the right investment choices to try to match your retirement planning goals.

We offer you access to a wide range of investment options which aim to give you the opportunity to build an investment portfolio designed to meet your retirement planning objectives. You decide which funds to invest in and can easily change them if your investment goals or personal circumstances change.

In this document we aim to explain the main types of funds which can be held within your plan and some of the terminology you might see. Not everything discussed applies to all funds.

To make the most of your plan you should:

- Take time to pick your funds and understand the risks
- Keep track of how your funds are performing – you can do this online at customerzone. We have sent you details about how to access customerzone.
- Take a look at the factsheets for your funds – you can do this online at www.standardlife.co.uk
- Speak to your financial adviser regularly – they can help you aim to keep your pension on track

Glossary

Page11

This guide is designed to give you basic information, but if you are unsure which investments to choose you should seek professional financial advice.

Having access to a wide range of funds can help you achieve a balance between the amount of risk you are willing to take and the potential returns you want to achieve.

Planning for retirement

Our Self Invested Personal Pension (SIPP) is a versatile plan designed to meet your changing financial circumstances. You can invest in a range of funds which aim to offer you potentially higher returns than if you simply placed your money into a savings account. However, you should remember that these types of investments can move up and down in value. You may get back less than you pay in.

Balancing potential risk and returns

One of the first questions you will need to ask yourself is what level of risk are you comfortable taking with your investment.

Traditionally, higher risk investment options (i.e. equities) may offer you the potential for higher growth over the longer term than lower risk investment options (i.e. fixed interest securities. These are also called bonds or gilts). However, you should remember that higher risk investments options are likely to be less stable and carry the increased risk that they may sharply and quickly rise and fall in value.

Similarly, lower risk investment options are likely to be more stable and are therefore potentially less likely to suddenly and quickly rise and fall in value. However, lower risk investment options may offer you less potential for higher growth in the longer term. Past performance is not a reliable guide to future performance.

Volatility ratings

The volatility rating of a fund is an indicator of how much the fund price might vary relative to other funds. The higher the volatility rating, the less stable the fund price is likely to be. You can use this to help you decide how much risk you're comfortable taking with your investments.



We allocate ratings using the judgement of our experts, taking into account data on:

- how the fund price has varied from month to month in the past, relative to other funds available
- how investments in similar asset classes vary from month to month and the investment policy of the fund.

Typically, the higher the volatility rating, the greater the potential investment returns over the longer term. However, high volatility funds can suddenly fall or rise in value. The volatility ratings for funds are kept under review and may change. The volatility rating is not the only factor you should consider when selecting a fund. If you are unsure of which funds to choose you may wish to seek advice from a financial adviser.

What are asset classes?

An asset class is a specific category of assets or investments, such as equities, property, bonds or money market instruments (including cash). Assets within the same class generally exhibit similar characteristics. Please note that the value of investments in every asset class can fall as well as rise and is not guaranteed – you may get back less than you pay in. Past performance is not a reliable guide to future performance.

Asset Class	Description
Equities	Equities (otherwise known as stocks or shares) represent part ownership in a company. The return received from equities is a combination of any dividend income and any changes in the capital value. Equities are one of the more volatile asset classes and can therefore suffer sudden sharp falls or rises. Equities can offer good growth potential over the longer term but may have a higher volatility than other asset classes.
Property	Property investments can either be direct (e.g. property or land) or indirect (e.g. shares in property companies or collective investment schemes). The return received from property is a combination of income from rent and any changes in the capital value of the property. The values of different types of property do not necessarily move in line with each other. For example, house values could be rising at the same time that the value of commercial properties is falling. The value of properties held in any property fund is generally a matter of the valuer's opinion and not fact. If you decide to invest in a property fund, you should be aware that property can be difficult to sell, so you might not be able to sell your investment when you want to.
Bonds	Bonds are loans to a government or a company for a set period of time. UK Government bonds are known as 'gilts'. Bonds from companies are known as corporate bonds. The return received from bonds is a combination of any interest received and any changes in the capital value. The value of a bond may fall if, for example, the company or government issuing the bond is unable to pay, or delays the payment of, interest when it is due, or is unable to pay back the loan amount when it is supposed to.
Money Market Instruments (including cash)	Money Market Instruments include not only bank and building society deposits but also a variety of other instruments such as Certificates of Deposit and Floating Rate Notes. The return received from Money Market Instruments is a combination of interest and any changes in the capital value. It is important to note that some of these assets are not the same as cash deposit accounts and there are circumstances where their values will fall.

Alternative investments – there are other types of investments, outside the main asset classes described above, which you may wish to consider to provide extra diversification to your portfolio. An example would be a commodities fund that invests in gold and other metals.

Asset classes are not the only factor you should consider when choosing a fund. If you are unsure which fund(s) to choose you may wish to seek advice from a financial adviser.

Managed Funds – risk groupings

To help you select the managed funds which best meet your needs, we have categorised them into three different risk groups – Cautious, Balanced and Opportunity. Splitting the funds into risk groups can help you decide how much volatility you are comfortable with and which funds to invest in.

Cautious group of funds

The Cautious group offers some potential for growth. While this growth may be limited compared to the Balanced and Opportunity groups, the Cautious group is expected to be less risky.

Balanced group of funds

The Balanced group offers more potential for growth than the Cautious group, but in turn is expected to be more risky.

Opportunity group of funds

The Opportunity group offers the greatest potential for growth, but it is expected to carry the greatest risk.

Types of funds

Here we talk about pension funds and mutual funds

They're both run by professional investment managers and invest in a range of assets. In this way, they're very much the same. Where they mainly differ is how they're set up for legal and tax purposes.

Pension Funds

We offer you over 160 pension funds to choose from.

We call these funds SLIP (Standard Life Investment Policy) funds. This includes funds managed by both Standard Life Investments and a number of other fund managers.

To help you choose the most appropriate fund(s) for you, we've categorised all our SLIP funds as either Managed or Sector funds or Lifestyle profiles.

Managed funds

You can choose from two types of managed funds:

- **Managed funds** – these funds are usually managed by a single fund manager. The fund manager will decide what percentage of your money to place in different types of assets (depending on the risk group, please see the section 'Risk Groupings' on page 6), such as equities (also known as stocks or shares) and bonds (which are loans to governments or companies).
- **Manager of Manager Funds** – these funds are run by an independent investment expert (known as a manager of managers) who researches fund managers from around the world and selects managers for the different parts of the fund. For example, different fund managers may be chosen for their expertise in different types of assets such as equities, property, money market instruments (including cash) and bonds. The manager of managers monitors each individual fund manager and will decide whether any individual fund manager should be replaced. This fund may be suitable for investors who want to spread their investments over a number of fund managers without having to actively manage their choice of funds.

Sector funds

You can choose from a number of Sector funds to build your portfolio. These allow you to choose from one, or a combination of asset classes, including Equities (including UK Equities, European Equities, North American Equities, Far East Equities and Global Equities), Bonds, Property and Money Market Instruments (including cash).

Lifestyle profiles

Lifestyle profiles are an option that automatically change the funds you are invested in depending on the length of time until your selected retirement date. As you get closer to retirement, they move the emphasis away from growth funds to funds that prepare your pension investments for your pension benefits at your selected retirement date.

This aims to align your pension funds with your plans for retirement and reduce the effect on your fund of changes in the value of investment markets. Such changes could affect the level of retirement benefits your investments can achieve when you come to retire.

Please note these profiles may not be suitable for everyone (e.g. they may not be suitable for customers who aren't considering annuity purchase, or those who intend to buy a pension that increases each year at a rate linked with inflation, or those who do not intend to retire at their selected retirement age).

Mutual Funds

We offer you over 1500 mutual funds to choose from within the SIPP. These include funds which are actively managed by both Standard Life Investments and a number of other fund managers.

Mutual funds give you the option to invest in either accumulation or income shares. Some may offer the option to invest in both.

Accumulation shares – when you invest in this type of fund any income generated by the fund is re-invested in the fund and consequently increases the share price of the fund.

Income shares – when you invest in this type of fund any income received by the fund is paid to your SIPP on the distribution date(s). The amount of income will depend on the fund performance and the frequency of this income payment will depend upon the fund itself but it could be every month, every three months, every six months or every year. Please note that the value of investments can fall as well as rise and is not guaranteed – you may get back less than you pay in. Past performance is not a reliable guide to future performance.

Fund charges

All funds have charges. You can see these on 'active money SIPP' fund lists (SLIP5c and SLIP5d). Below we provide you with more information about the types of charge. Please remember, charges are regularly reviewed and may be increased to reflect increases in overall costs and/or changes in the assumptions made. Any increases in charges will not increase Standard Life's profit margins above reasonable levels.

You may see the following charges:

Fund Management Charge

- This is sometimes known as the Annual Management Charge.
- This is set as an annual percentage of the value of your funds.
- The fund management charge for your pension plan varies if you invest in different funds.

Initial Charge

- If you invest in a fund with an initial charge, this charge applies each time you invest in that particular fund.
- It's deducted from the amount you invest at the time you invest, or if you invest in a unit trust, it will be reflected in the price you pay as unit trusts are priced differently.

Additional Expenses

- Fund Managers may charge 'additional expenses' to cover costs such as trustees', auditors', registrars' and regulators' fees.
- Where this charge applies, it is taken directly from the fund and included in the unit price.
- Additional expenses are likely to vary.

Fund ratings

A number of our funds have independently been allocated fund ratings. You can find more information on these ratings below. Please remember that ratings are subject to change and are not a guarantee of future performance.

You may see the following ratings for some funds.

- **FinEx Crown Fund Rating**

Financial Express (FinEx) is an authority on performance measurement, providing data, advice and consultation to fund management professionals and financial advisers.

Finex crown ratings are designed to highlight funds which have had superior and consistent performance in relation to risk levels relevant to their peer groups.

However, you should remember that past performance may not be a reliable guide to future performance.

Funds that have been assessed by FinEx are awarded a rating of between 1 and 3 crowns, with 3 crowns being the highest rating.

- **OBSR Fund Rating**

Old Broad Street Research (OBSR) aims to provide professional intermediaries with a clear set of fund recommendations and alternatives to dovetail with their financial planning process. OBSR only rate mutual funds.

In addition to the pension funds and mutual funds we offer, one of the main advantages of our SIPP is the wide range of other investment opportunities it makes available to you.

What else can I invest in within a SIPP?

You can choose one or a combination of the following investment options depending on which are the most appropriate for you.

Stocks and Shares	Commercial Property
OEICs	Traded Endowments
Unit Trusts	Warrants
Fixed Interest Securities	Investment Trusts
Convertible Securities	Deposit Accounts
Offshore Bonds	Trustee Investment Plans
Hedge Funds	
Permanent Interest Bearing Stocks	

As with all investments, the value of your investment can go down as well as up and you may not get back as much as you invest. Some types of investments (like commercial property) may take longer to sell. You'll need to take this into account when planning to take your benefits.

You should seek professional financial advice before deciding to invest in any of the above investment options.

Glossary

Other terms you might see on our fund lists.

Fund Code – this is an internal fund code used by Standard Life. Please ensure you insert it in full in the appropriate box when completing an application form.

Citi Code – this is the external fund code used by external fund managers when processing your application or investment. Please ensure you put both the fund name and citi code in the appropriate boxes when applying/investing.

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If you'd like further information on this or any of our other products, or if there is anything more about Standard Life we can help you with, just call us on this number, or visit our website. Call charges may vary and your call may be recorded or monitored to improve our service.

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