

Managing investment volatility as you approach retirement

Hi there!

This annual newsletter has been sent to you by the Mercer Aspire team on behalf of the Trustees of your pension plan.

Our aim is to help you achieve a brighter retirement and improve your standard of living in later life.

In this edition, we're going to look at tips for investing your pension savings as you approach retirement, with a particular focus on the final years.



How investment works in a pension plan

Let's start with a quick recap of how your pension plan works in order to put investment decisions into context. This description of how a pension plan works applies to Defined Contribution or Additional Voluntary Contribution (AVC) plans. The exact rules may vary from plan to plan.

Contribute

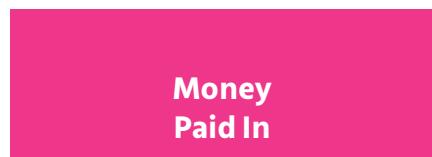
During your career any pension contributions made on your behalf are paid into your secure, personal, Retirement Account.

Grow

Your Retirement Account is invested, normally with the aim of growing over time.

Benefit

When you retire, the value of your Retirement Account provides an income above and beyond your State Pension.



Put simply: the more money you build up in your Retirement Account during your career, the more money you will have in retirement.

Most people make their money work harder for them by investing it with the aim of growth. Aiming for investment growth necessitates a certain level of risk, which can cause occasional sleepless nights, especially during turbulent periods in the market. In this newsletter we look at the best practices for managing that risk so you can sleep easy and focus on looking forward to your dream retirement.

Important

This newsletter offers best practice guidance and does not take your personal situation or financial objectives into account. It **does not** offer personal financial advice.

Why managing investment risk is so important close to retirement

As you get closer to retirement, it becomes increasingly important to protect your savings from potentially losing value due to short-term risks.

In order to grow your pension savings, and provide the level of income you want in retirement, it's considered best practice to invest for maximum growth early in your career.

When you invest for growth, you can expect to see the value of your savings go up and down in the short-term. This volatility is perfectly normal and is nothing to lose sleep over when you are far from retirement. Given a couple of years, pension savings normally recover in value from any short-term hiccups.

Exception: If you are planning to use your Retirement Account to invest in an Approved Retirement Fund, you will have the opportunity to continue investing after retirement, so you may wish to keep some of your savings invested in growth funds right up to retirement.

It's easier to manage investment risk than you might think

If you're not sure how to start managing investment risk, the good news is you don't have to make all the decisions, or manage a bunch of investment switches yourself.

The Do It For Me strategy (possibly called a Lifestyle Strategy or Lifestyle Option in your plan) can automatically manage the gradual transition of your savings on your behalf.

However, the closer you get to retirement, the greater the risk that your savings will not have enough time to recover from short-term falls before you need them.

This is why it is considered best practice to move to more conservative investment options at this time. While you might achieve less investment growth than you used to, it's more important to protect what have built up over your career.

Most investors will make a gradual move to conservative investments over the seven or so years before retirement. By transitioning little by little each year, they avoid the risk of locking in losses by making one big switch at a point when their funds are temporarily worth less.

Exception: If you are planning to use your Retirement Account to invest in an Approved Retirement Fund, you will have the opportunity to continue investing after retirement, so you may wish to keep some of your savings invested in growth funds right up to retirement.

The Do It For Me strategy is suitable for most people, but NOT everyone

The Do It For Me strategy assumes that you will retire at Normal Retirement Age (age 65 for most pension plans), and that you will use your Retirement Account to provide the specific pension benefits which the Trustees of your plan expect to be taken by the majority of members. If these assumptions do not reflect your plans for retirement, the Do It For Me strategy may not be right for you. Some examples include:

You are planning to retire before Normal Retirement Date (normally age 65)

The Do It For Me strategy may not be suitable for you. As you would be retiring before the strategy has finished moving to more conservative funds, your savings may be too heavily invested in volatile growth funds at your intended retirement date.

Exception: Your pension plan may allow you to nominate an alternative date (typically called a Do It For Me Target Date). Once nominated, the Do It For Me strategy will start to move your savings to more conservative investments relative to your nominated Target Date, rather than your official Normal Retirement Age.

You don't want to take the benefits targeted by the default Do It For Me strategy

If the package of retirement benefits targeted by your plan's default strategy isn't right for you, the default Do It For Me strategy may not be suitable for you as it may not be invested in a way that protects the value of the benefits you **do** want to take at retirement.

Exception: Your plan may offer more than one Do It For Me strategy. If so, you can pick an alternative Do It For Me strategy that will protect the value of the benefits you want to take at retirement.

The Do It For Me strategy is suitable for most people, but NOT everyone (continued)

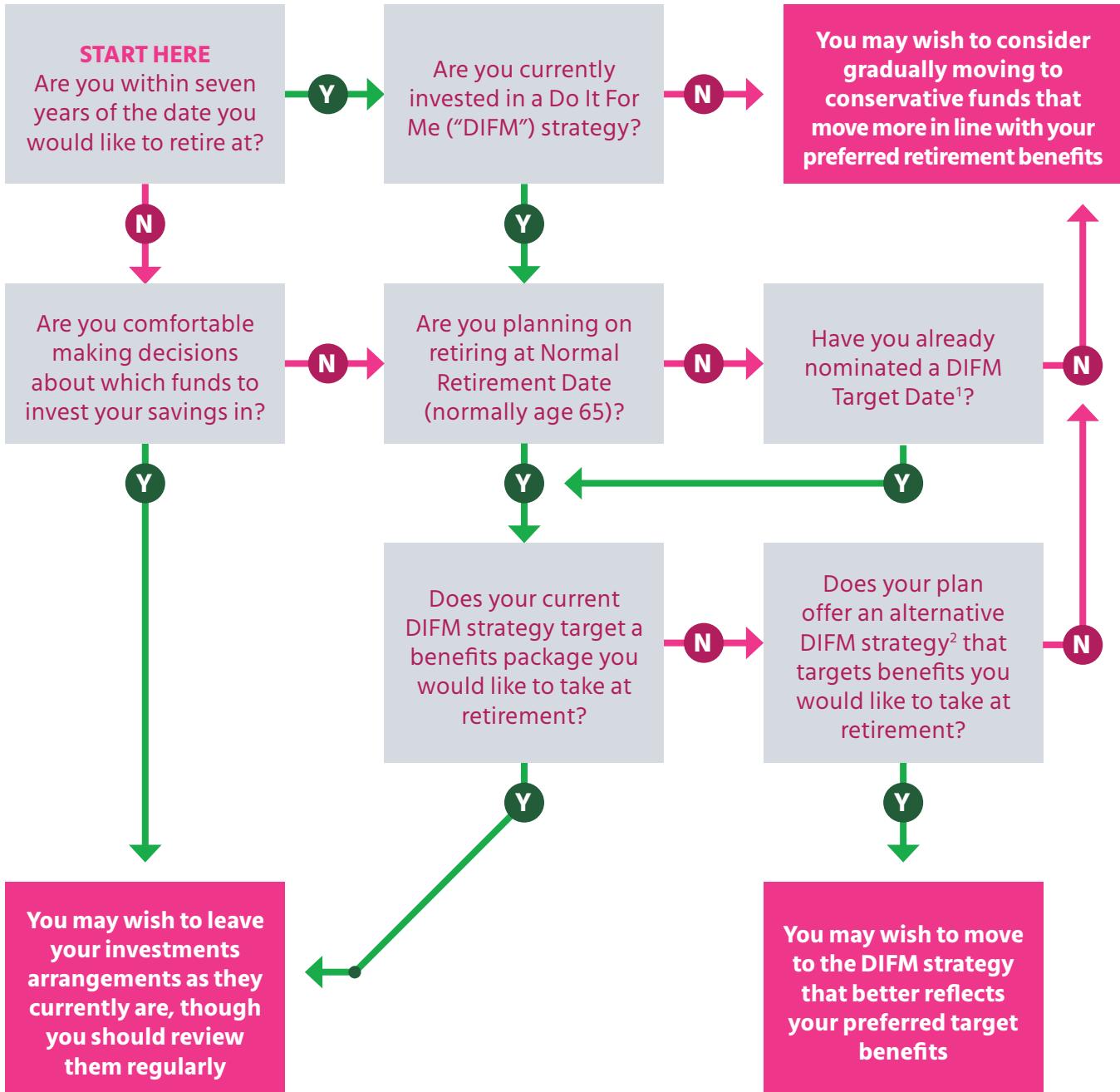
You are already within seven years of retirement

If you are already within a couple of years of the date you would like to retire, making any changes to your investment arrangements should be considered carefully. Making abrupt changes to your investments could expose your pension savings to short-term

movements in the market and permanently lock in temporary losses. This is one of the reasons why it is best practice to consider your retirement objectives in advance and put a plan in place to target those objectives before you get close to retirement.

Navigating investment risk as you approach retirement

The flowchart below provides a visual summary of the best practices of managing investment risk as you approach retirement.



¹ The option to nominate a Do It For Me Target Date is not available in every plan.

² Some plans may not offer more than one Do It For Me strategy.

Important

Please contact a Qualified Financial Advisor for personal advice before taking any action.



Got questions about your pension plan?

If your plan is administered by Mercer

Contact our JustASK member helpline on **+353 (0)1 4118505** or at **JustASKmercер.com** and we will be happy to assist.

If your plan is administered by Zurich

Call **(01) 799 2941** or email aspire@zurich.com

Help from Mercer during the COVID-19 pandemic

Every year we send you a newsletter on a different aspect of planning for retirement. One of the main reasons we wanted to address market volatility in this edition of your annual newsletter is the recent impact on the stock market of the COVID-19 pandemic.

We understand that this is a worrying time and that many people have questions about whether the disruption to the stock market caused by the pandemic could affect their pension savings.

As well as this newsletter, we have also prepared a video and a flyer to help answer those questions and offer best practice guidance on the actions that you may wish to consider.

Investing in Uncertain Times



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Note: This link is case sensitive



Coronavirus Outbreak Investment Implications



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