Smart Pension

With-profits

What is a with-profits investment?

A with-profits investment is a long-term investment that:

- Potentially helps protect the plan value from short-term market fluctuations
- Pays out a guaranteed amount in certain circumstances

During the time you are invested in the with-profits fund, the investment manager adopts an approach known as smoothing, where the objective is:

- To protect investors from short-term market fluctuations
- By ensuring they benefit from financial market highs, and do not immediately suffer when there are lows

Policyholders can also benefit from the following bonuses:

Regular

- **Variable** - variable bonus based on investment performance
- **Guaranteed** - contract stipulates a guaranteed minimum level of regular bonus is payable

Once regular bonuses are added to the policyholder's value, these cannot be taken away.

Final

- A final bonus might be payable at the end of the policy term or when an investor decides to surrender

It is important to note that depending on market conditions, the smoothed with-profits approach adopted may be temporarily reduced or switched off from time to time. Additionally, a transfer penalty known as a 'Market Value Reduction' (MVR) or 'Market Value Adjustment' (MVA) could be applied, meaning your final surrender value could be lower than your actual plan value.

With-Profits - Pros and Cons

Pros

- Once regular bonuses are added, they cannot be taken away
- Investment approach can protect investors against short-term market fluctuations
- Well-run with-profits funds can offer investors the ideal mix of consistent returns, whilst keeping reserves back so these can be maintained during periods of downward market volatility

- The final bonus, whilst not guaranteed, has the potential to significantly increase the final encashment value

Cons

- Some funds / policies are paying low and in some cases zero regular bonuses, with little prospect this will change going forward
- Market Value Reduction (MVR) or Market Value Adjustment can be applied without notice, meaning that investors could be stuck in the fund just when they want to encash
- Potentially not suited to those investors who are willing to adopt higher investment risk, with the aim of achieving higher returns (and accepting there is greater risk of seeing higher losses when markets go down)
- No guarantee a final bonus will be payable

Can I transfer my existing with-profits investment to my Smart Pension?

Smart Pension will **not** accept a with-profits investment. If you decide to transfer any funds currently invested in with-profits, this will need to be encashed prior to being paid as a 'cash' transfer value to Smart Pension.

If you have any guaranteed investment and / or bonus rates included, we will require you to seek independent financial advice before accepting the transfer.