

it's what

you

make of it

Why save now?

Paying for retirement is likely to be the biggest expense you'll ever face. By saving today, you can help make a difference in your future. Use this guide to better understand the basics of investing and how your retirement plan can help you pursue your individual goals.

People are living longer

People today are living longer, healthier lives than they have in the past. In fact, if you retire at age 65, you may spend more than 20 years in retirement, which is a long time to go without a salary.

State pension may not be enough

The money you receive from the State each year will replace only a portion of what you earned during your working years. Your savings need to make up the difference if you expect to maintain your current lifestyle in retirement.

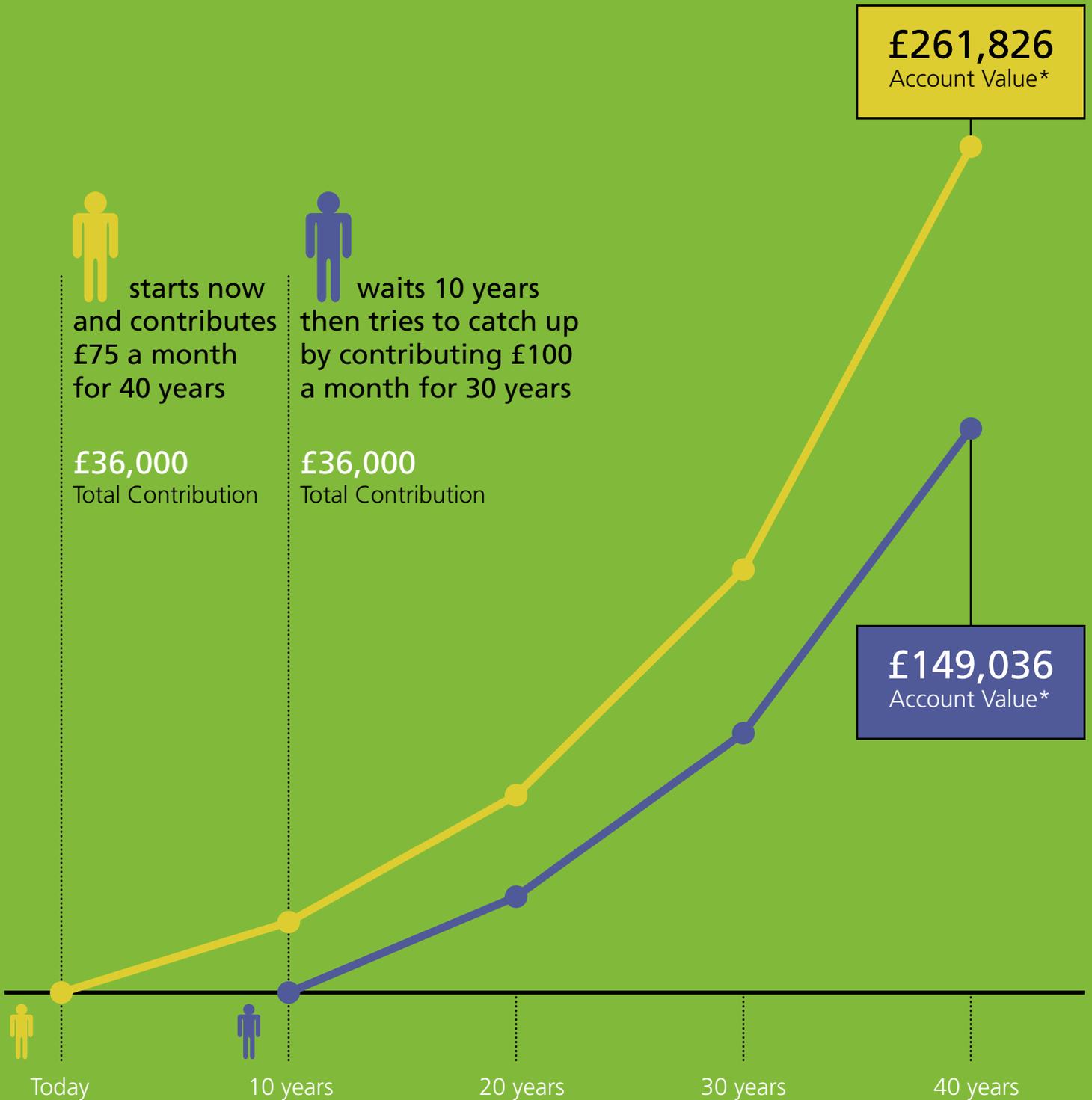
Your expenses may not go down as much as you think

Although some expenses may go away in retirement – you may pay off the mortgage, for example – others may take their place, including healthcare costs or travel.

Your earning years are your best opportunity to save

While some people imagine they will be working later in life to provide income during retirement, the fact is that most people retire before age 65, often due to unexpected reasons. By saving as much as you can during your working years, you can help maintain your current lifestyle once you finish working.

Save in your plan today because waiting could cost you in the long run



* This illustration is intended solely to demonstrate the comparative effect of compounding on current versus delayed investments. It assumes the investor makes contributions at the end of each month and that the investment earns a hypothetical 8% nominal rate of return compounded monthly (the effective return is 8.30%). It does not reflect the return of any investment in your plan, which will fluctuate, and hence does not reflect any charges. Regular investing does not ensure a profit or protect against a loss in declining markets.

Why save in the plan?

Your plan is a great way to save for retirement. It offers tax benefits and convenience you can't find anywhere else.

Your contributions are automatic

To help build your income for the future, both you and your employer can pay into your retirement account. Your contributions are automatically deducted from your salary.

You pay less in tax now

The plan allows you to save money before it is taxed and the amount you save reduces your current taxable income. As a result, you'll pay less in tax each pay period and may have more money to invest. You won't pay tax on your savings until you take the money out at retirement, at which point you may be in a lower tax bracket.

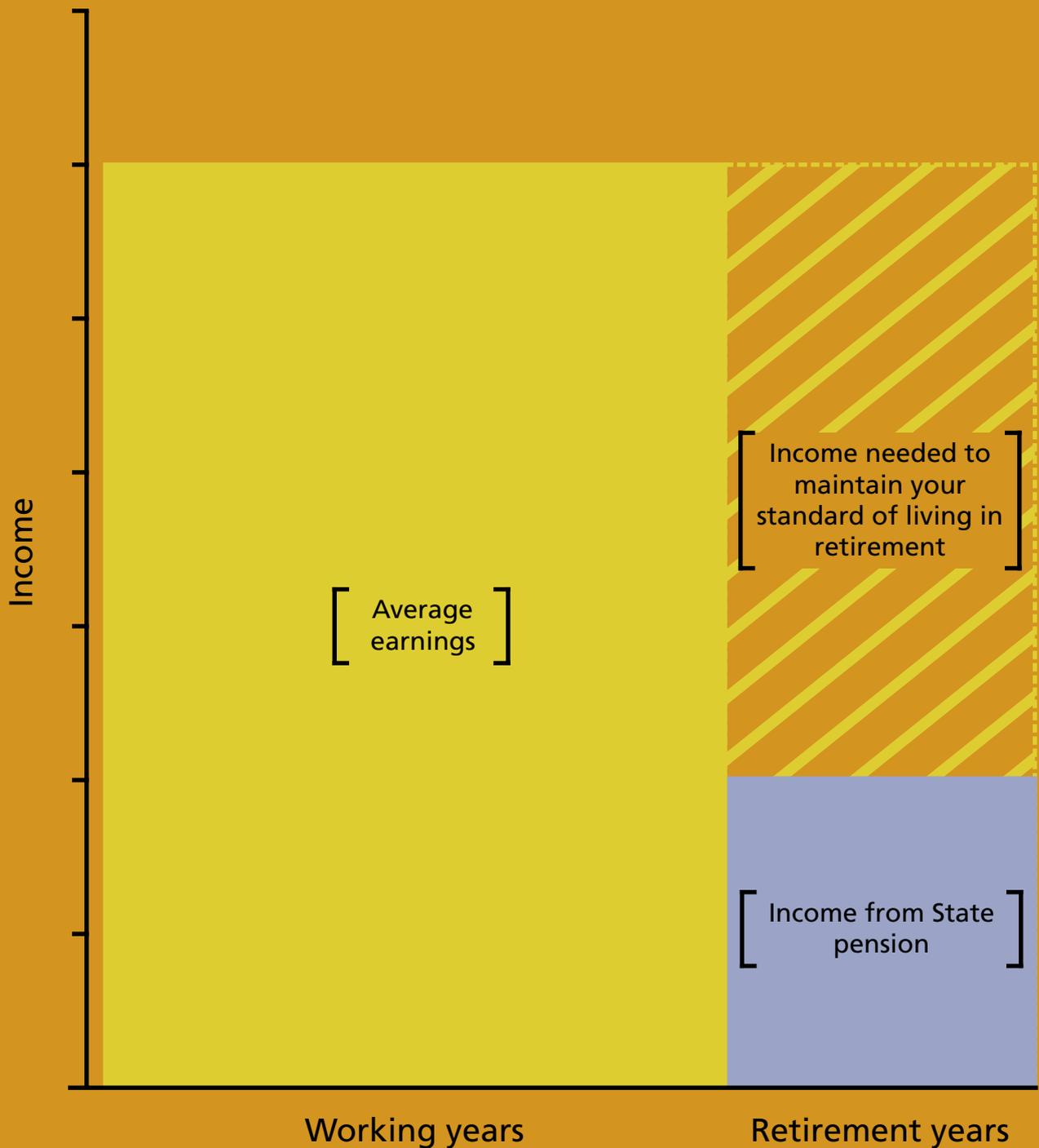
Your savings build up tax efficiently

As your retirement account accumulates, your money can earn an investment return on both the amount you invested and the earnings – an effect known as compounding. Compounding is even more valuable because tax doesn't eat away at your account until you withdraw the money.

You can take your savings with you

The ability to transfer your savings from one employer's retirement plan to another means you can build your retirement savings throughout your career.

Save as much as you can during your working years to help avoid an income gap after you retire



The basics of investing

Equities, bonds and cash are the building blocks of most investments, and all three can play valuable roles in helping you pursue your retirement goals.

Equities offer the potential to build wealth

Equities (or company shares) represent part ownership of a company, including its earnings and assets. As a company grows and earns greater profits, its shares can increase in value, sometimes dramatically over the long term. Historically, equities have been the best way to grow the value of an investment over the long term and to protect savings from inflation. However, they can fall in value as well as rise and have also been more likely to lose money in any given year.

Bonds offer the potential for greater stability

Bonds represent loans to companies or governments that are repaid to investors (lenders) over time with interest. Although a bond's price can fluctuate with changes in the financial markets, particularly in response to changes in interest rates, bond prices historically have fluctuated less than shares. In the long term bonds are unlikely to grow fast enough to meet your long-term savings goals.

Cash is a safe haven

Cash means money on deposit and in short dated money market securities. Cash is considered a low risk investment and typically delivers lower returns than any of the other asset classes over the medium to long term. In addition, inflation may reduce the real value of the cash investment.

Remember

- There's not always a 'right' answer when it comes to investment. Often it will depend on your own view of how much risk you can afford to take or feel comfortable taking.
- You cannot predict the future by looking at what has happened in the past. Most of the funds you can invest in can fall in value as well as rise, so you could lose some of the original money invested.

Strategies for the long term

Investing for retirement requires careful planning and ongoing maintenance. Although your individual goals are unique, there are some investment principles that apply to every long-term investor. You may wish to consult an independent financial advisor for detailed investment advice.

Funds offer a convenient way to invest

A fund pools your money with that of other investors to buy a variety of assets in a single, professionally managed portfolio. A mixed fund can have a combination of equities, bonds and cash.

Diversify to smooth out the market's ups and downs

At any given time, economic and market conditions will favour one type of investment over others. Since it is impossible to predict which will produce the best returns in the short term, by choosing a variety of investments – a practice called diversification – you can avoid being too exposed to poor performers.

Rebalance your portfolio to keep it in line with your goals

Over time, gains in some types of investments and losses in others could cause your portfolio to shift from your intended strategy. Rebalancing your portfolio – selling some of your investments that have grown and investing more in the areas that have fallen behind – can help you to maintain the level of investment risk that you intended.

Stick to your plan through market cycles

It is natural when your investments are going up to want to buy more of the best performers – or when your investments are going down to want to sell the worst performers. However, history has shown that maintaining a diversified portfolio that is rebalanced through up and down markets is a more effective way to try to manage risk over time.

The choices in your plan

Your plan offers two ways to build a diversified portfolio. You can choose a lifestyle option or you can mix your own portfolio.

Choose a lifestyle option for one-step diversification

A lifestyle option may be right for you if you want to:

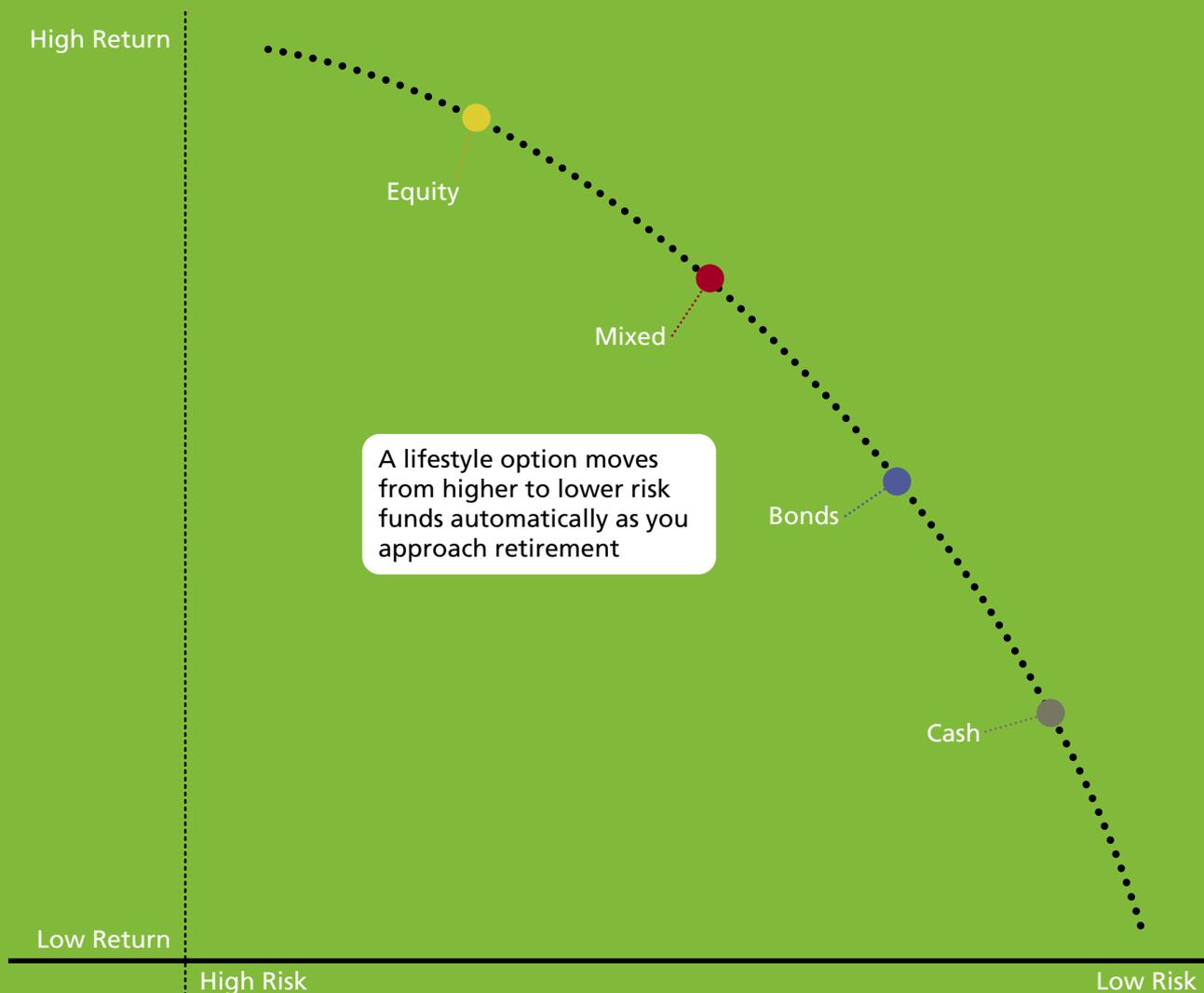
- Make a single investment choice
- Invest in a complete portfolio, diversified across a mix of assets
- Have your portfolio automatically rebalanced for you on an ongoing basis
- Automatically move to a lower risk strategy as you approach retirement.

Mix your own portfolio for a custom approach

The mix-your-own portfolio approach may be right for you if you want to:

- Take the time to learn about your individual fund options
- Choose your own combination of funds to match your specific goals and attitude to risk
- Personally make adjustments to your portfolio's risk level on an ongoing basis.

Choose an investment approach that best matches your goals



Get started

Use *Guide 2: investing in your plan* to apply what you've learned and take advantage of all your plan has to offer.

Need help or more information?

Log on to Mercer Online:



www.merceroneview.co.uk

Call the Mercer Helpline:



0345 600 1168

About Mercer

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We know your retirement plan is one of your most important benefits, and we are committed to helping you make the most of it.

Other formats

If you find it difficult to read the information provided, please contact the Helpline who will endeavour to provide you with a suitable alternative format.