Are you looking after your workplace pension plan?

Are you one of the 8 million UK employees who has been auto-enrolled into a workplace pension?

Do you know how much you're saving?

Do you want to save more?

Do you know what funds you are invested in?

Are you happy these funds are right for your Attitude to Risk and personal circumstances?

If you'd like to better understand where your workplace pension is invested, or you think you could benefit from moving your pension savings to more actively managed funds, we can help you explore the pros and cons.

Saving for your retirement by paying into your workplace pension plan is almost invariably sound financial planning. But did you know that the contributions you, and your employer, are putting into your plan will most likely be invested into the same default fund as that of all of your work colleagues?

The problem with this default approach is that you may be very different from your colleagues. You'll be different ages, have different risk appetites and different reasons for investing. So it's important to take a closer look at what you're investing in, to see if it might benefit you to change funds to one that more closely matches your individual circumstances.

Example 1 - the fund you are invested in suits the profile of an older, cautious investor, but you are younger and your pension savings will be invested over a longer time period.
If you are investing over a longer term, eg. from 5 to 10 years and beyond, investing in higher-risk funds gives the potential for greater long-term growth than funds carrying a lower risk. Of course, with all investments, the value of your money can go down as well as up and you could get back less than you pay in. However, this risk is generally reduced the longer your money is invested for, because your investment has a better chance of recovering from any volatility.

Example 2 – your fund is invested in what's called a passive fund and not benefiting from being managed by a top fund manager
To minimise the costs of running a pension scheme, default funds typically invest in what are known as "passive funds". These are funds that are not actively managed by a fund manager but instead simply invest across a particular market, often using a computer algorithm, with the aim of just matching the performance of that market.

Passive funds should not be considered to be a bad investment and their use in workplace pensions as a default fund makes sense when you consider that the fund is seeking to provide an investment for such a broad group of people and where a close eye is kept on costs.

But, active funds - where a fund manager is monitoring the fund and making regular adjustments - can offer the potential for greater investment returns, particularly in certain market sectors. Of course, this active management comes at a higher cost, but they seek to provide a return that's greater than passive funds even after the additional cost is taken into account. As such, they can offer the potential to add more value to a pension fund than one that's completely invested in passive funds.

Is it time to review your workplace pension plan?
If there's a mismatch between your age and the length of time you have to go until retirement, or your fund is not being actively managed, you might want to consider changing from your workplace pension "one size fits all" default fund to a bespoke range of funds that can still be held within your workplace pension.

This isn't a decision that should be taken lightly. That's why getting professional financial advice makes sense regardless of how much or how little investment experience you have.

In this document, workplace pension plan refers to a defined contribution (DC) pension scheme where an individual's final pension fund is dependent on their specific choices over where the contributions are invested. It does not relate to defined benefit (DB) pension schemes where the value of the final pension available to the employee is guaranteed.

The value of investments and any income from them can go down as well as up and you may not get back the original amount invested. Past performance is not a guide to future performance and should not be relied upon.

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