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Risks with investing in a pension

Introduction

Your Raindrop Accounts are used for investment purposes. As we provide an execution only service, we do not provide any financial advice or make recommendations which means that any decision is made by you or on the advice of a financial adviser which you have appointed. If you are in any doubt you should consult a professional financial adviser.

All investments carry an element of risk. There are general risks that apply to all investments and some which are specific to an individual fund or type of investment. Listed below is important information about the risks of investing, please note that this is not an exhaustive list of all the risks associated with any particular investment.

You should read the relevant Raindrop Account Key Features Document and Charges Guide and the Key Investor Information Document (KIID), Key Information Document (KID) or Prospectus for any Fund or PRIIP you wish to invest in as these will contain important information that could influence your decision.

Capital Risk

Pensions are a long-term investment. The retirement benefits you receive from your pension plan will depend on a number of factors including the value of your plan when you decide to take your benefits which isn't guaranteed and can go down as well as up. The value of your plan could fall below the amount(s) paid in.

Past performance is not a guide to future performance. Future returns are not guaranteed. What you receive when you sell your Investments is not guaranteed, it depends on how your investment performs and the charges applied.

High levels of pension encashments or income may not be sustainable and in some cases could reduce the value of your pension to zero. You should consider the impact this might have on your income in retirement.

Tax Risk

Laws and tax rules may change in the future without notice. This information takes no account of your personal circumstances which may have an impact on tax treatment.

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Emerging Markets Risk

Foreign markets involve different risks from the UK market. Investments in emerging markets or less developed countries may have less regulatory control and less supervision of their financial markets, and consequently less investor protection.

Transaction costs, commissions and local taxes may be higher than in more developed financial markets. This may all mean your money is at greater risk.

Foreign Exchange Risk

Investments which are denominated in a currency other than Sterling may be affected by movements in exchange rates. Consequently, the value of an investment may rise or fall in line with exchange rates.

Interest Rate Risk

Investments may be adversely affected by changes in interest rates and expectations of inflation. They may be subject to credit, liquidity, and duration risks.

Credit Risk

Adverse changes in the financial position of an issuer to repay their debt or have their credit rating reduced. Generally, the higher perceived credit risk of the issuer, the higher the rate of interest.

Liquidity Risk

Illiquid securities can take a lot longer to sell than other types of investment so you may not be able to sell when you want to. Illiquid securities, like equities, can rise or fall sharply at any time.

Derivative Risk

Funds may invest in Derivatives. Derivatives are used to protect against currencies, credit, and interest rate movements or for investment purposes. There is therefore a risk that losses could be made on derivative positions or that the counterparties could fail to complete on transactions.