



The Options Workplace Pension Trust

The Impact of Recent Market Volatility on your Pension Fund

2023 saw some improvements on 2022 but was still a difficult year for markets, with a variety of factors causing uncertainty, and you may find that this has affected your pension fund.

What has happened?

High global inflation was still a continued factor but has dampened as energy prices have fallen somewhat. Wider global supply chain issues contributed and were particularly exacerbated in the UK due to added trade barriers with the EU.

In an attempt to tackle high inflation central banks around the world raised interest rates at often unprecedented speeds in late 2022 and these have continued in 2023 at a slower pace. This had a huge knock-on effect on the value of existing corporate and government bonds (in the UK referred to as Gilts), which saw significant falls in value and were generally the most affected asset classes.

How does this affect you?

It's disheartening to see your pension fund go down in value. But, if you are not planning to retire in the next few years, remember that leaving your fund invested will give it time to recover from this downturn.

If you are nearer to retirement, it's likely that your pension fund contains a larger amount of bonds and gilts as traditionally these are less risky assets. Unfortunately, you are likely to have seen quite large reductions in the value of your fund. This can be very worrying, especially if you have been planning to take your pension benefits soon. Please remember that you have a variety of retirement options – including how and when you take your benefits. We encourage you to contact Money Helper (see below) for free guidance to help you with decisions about your pension benefits.

- ✔ **You may decide that you can put off taking your benefits** to allow time for your pension fund value to recover.
- ✔ **If you're planning to buy an annuity**, you may find that the income you can receive from the annuity has not been affected by the difficult financial markets. This is because the same factors which affect government Gilts also affect annuity prices – making annuities more affordable. As with any purchase, you should compare prices from different providers before buying – and we strongly recommend taking guidance from Pension Wise or independent financial advice.
- ✔ **If you are planning to transfer to another pension arrangement so that your fund remains invested while you take a regular income (often called “drawdown”)** then the part of your pension fund which is still investment has the chance to grow and recover losses seen over the last year.
- ✔ **If you're planning to take cash** from your pension fund, you might consider putting this off and leaving your pension fund invested for longer to give your fund a chance to recover losses.

Important

It's disappointing when your pension fund falls in value. But remember that pensions are long term investments, and over your working life you should expect to benefit from being invested in the Options Mastertrust. However, it is worth remembering that like all investments, pensions can go down as well as up from time to time. We would like to remind you that the best thing you can do to improve your pensions outcomes is to invest more money as early as possible if you can afford to do so, as the longer your funds are invested the longer, they have time to grow.

If you are about to retire and have changed your plans, please let us know by contacting us – and of course we're always available to answer questions about your Options pension:

☎ **Telephone:** 0330 124 1510

✉ **Email:** workplacepensions@optionspensions.co.uk

The UK government helps provides free support through Money Helper, more information is available on their website at <https://www.moneyhelper.org.uk>.



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