

Savings in the Investment Builder

Video transcript

In this section, we'll focus on what happens to your contributions once they're in the Investment Builder. In terms of where your money in your Investment Builder pot is invested, you have a choice. There are two investment routes to choose from, the Do It For Me option and the Let Me Do It option. You can see these investment options in My USS.

Both these options include an option for you to invest in ethical options that are designed to reflect USS's members' ethical preferences, and that's in line with the Investment Builder ethical guidelines, which can be found on the USS website.

The first of these two investment routes, the Do It For Me option, is where USS manages the investments for you. Or there's the Let Me Do It option, and that's where you make your own investment choices, and we're going to have a look at these two options now.

First of all, in the Do It For Me options. If you choose this option, it's where USS manage your investments for you so you do not have to. Within the Do It For Me option, you can decide whether you want to invest in the Default Lifestyle Option or the Ethical Lifestyle Option depending on your investment objectives and beliefs. The Default Lifestyle Option is where USS will automatically invest your money for you if you do not make a choice at all.

The Ethical Lifestyle Option works in the same way as the Default Lifestyle Option, but the investments within it meet these Investment Builder Ethical Investment Guidelines, and there's more information about these guidelines in My USS.

But what do I actually mean by lifestyle options? The way that lifestyle options work is that USS gradually move your investments over time from generally higher-risk funds to generally lower-risk funds over the 10 years prior to your Target Retirement Age. As you approach your Target Retirement Age, USS will automatically start to move your investments into these lower-risk funds, and the aim of this is to reduce the possibility of large changes in the value of your Investment Builder savings pot.

Higher-risk funds mean that there's generally more chance of higher returns, but there is a risk that your investments will fall as well. Lower-risk funds mean there's generally less chance of higher returns, but less

risk that your investments will go down. Just to note, your investments can go down as well as up and therefore the value of your pot is not guaranteed.

But within lifestyling, this movement from higher to lower-risk investments is called lifestyling. So USS will write to you to let you know that these lifestyle investment switches are about to start when you're 10 years away from your Target Retirement Age. Both the Default Lifestyle Option and the Ethical Lifestyle Option follow this pattern.

So as a reminder, the Default Lifestyle Option is where USS will automatically invest your money if you do not make a choice, and the Ethical Lifestyle Option works in the same way, but specific investments are slightly different and are in line with the Investment Builder Ethical Investment Guidelines.

What do I mean by Target Retirement Age? Your Target Retirement Age is the age that you might want to start taking your Investment Builder savings, and it tells USS when to start moving your Investment Builder savings into these lower-risk investments. It also tells USS when they should contact you about accessing your savings, and this could be at the same time or a different time from taking your Retirement Income Builder benefits.

Your Target Retirement Age does not mean you have to retire at this age or even take your benefits at this age, and it does not indicate to your employer when you are planning on retiring from your employment. Your Target Retirement Age is purely there in relation to your Investment Builder savings. Your Target Retirement Age is not the same as your Normal Pension Age, which is the age at which you can start taking your Retirement Income Builder benefits in full, unreduced.

To set your Target Retirement Age, just go into My USS and you can go into the main Investment Builder page and then scroll down to change your Target Retirement Age. If you do not set it, your Target Retirement Age will automatically be set to age 66 for most people, which is the current Normal Pension Age in the Retirement Income Builder.

Your Target Retirement Age though may have been set to age 65 if you've been saving in the Investment Builder for a while and have not set one yourself. It is possible to change your Target Retirement Age at any point, but for members invested in a lifestyle option, it does let USS know when to move your investments to those low-risk funds as you get closer to taking them, so it is important that your Target Retirement Age matches your plans.

If your Target Retirement Age is earlier or later than you plan to take your savings, your investments might not move at the appropriate time and then will be in higher or lower risk investments for longer. So that could result in them not being worth what you expect when you come to take them due to market fluctuation.

So for example, if your Target Retirement Age is set to age 65, but you take your Investment Builder savings at age 67, your savings would have been in the lower-risk investments for an additional two years, which might be depriving you of investment growth. Planning ahead can also help prevent unnecessary disinvestments and reinvestments because USS look to match your investments to the stage that you're in, in the investment lifestyle. But sometimes circumstances change.

We've so far just talked about the Do It For Me option where USS invests your money in the Investment Builder for you in one of the lifestyling options. But if you'd prefer to make your own investment decisions and manage your investments yourself, you can choose the Let Me Do It option.

In the Let Me Do It option, you choose which funds you would like to invest in and manage any changes yourself, and there's a range of funds for you to choose from. You can invest in those funds that have a level of risk and return that you're comfortable with. And the funds range from lower-risk funds with possible lower returns to higher-risk funds with potentially higher returns.

But it's your responsibility to understand those funds' strategies and to monitor how the funds are performing and make any necessary adjustments yourself. Unlike with the Do It For Me option, your investments will not automatically move over time to a more cautious approach.

The USS website has a range of resources to help you manage your investments if you're in the Let Me Do It option. However, it's still important if you're in the Let Me Do It option to complete your Target Retirement Age in My USS so it matches your plans.

Now, USS will get in touch with you about your Investment Builder options when you're approaching your Target Retirement Age. You can log on to My USS to see where your savings are invested and those options that are available to you.

Now, when it comes to defined contribution schemes like the Investment Builder, investment management fees apply to the funds that you have invested. However, in USS, your employer currently subsidises the investment management fees that you would otherwise pay in most cases. If your Investment Builder savings are from earning above the salary threshold, if they're from making additional contributions, or they're because you switched your Money Purchase AVC arrangement with Prudential into the Investment Builder, you will not pay investment management fees on those savings because they're currently subsidised.

However, when you transfer in savings from another pension scheme into USS and into the Investment Builder, your employer does not subsidise the fees on this portion. Now this subsidy and not-subsidised fees applies to all the funds under the Do It For Me and the Let Me Do It options.

So, in My USS you can see what the investment management fees are for the transfers in from other schemes by looking at transfer-in charges, and this shows the fees both pre-subsidy and post-subsidy. And it shows the pre- and post-subsidised fees for both the Do It For Me and the Let Me Do It funds.