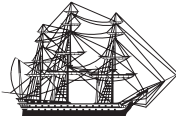


# The Vanguard Personal Pension

Media Pack

DECEMBER 2019



**Vanguard**<sup>®</sup>

## Key facts and figures

The Vanguard Personal Pension is a self-invested personal pension (SIPP) designed to make saving for retirement simpler and less expensive for all investors, whether they've just started saving or have been investing for decades.

The Vanguard Personal Pension offers excellent value, with an account fee of just 0.15% capped at £375 a year. This account fee cap applies across all Personal Pension, ISA and general account holdings on Vanguard Personal Investor.

For the average (median) British pension holder not yet in drawdown, the Vanguard Personal Pension will be the lowest-cost self-invested personal pension on the market, according to independent research from Plaforum (analysis as of November 2019).

For the full details, see:  
<https://www.vanguardinvestor.co.uk/articles/latest-thoughts/retirement/get-ready-for-the-vanguard-personal-pension>

**“ We want to offer investors the clarity, peace of mind and value for money they deserve, through a service that is simple, effective, transparent and fairly priced. ”**

Sean Hagerty  
 Head of Europe, Vanguard

## What you need to know

<b>How much does it cost?</b>	<b>0.15%</b> account fee capped at £375 <sup>1</sup>
<b>Where can I invest?</b>	Access to <b>76 funds and ETFs</b> on Vanguard Personal Investor
<b>How much can I invest?</b>	Invest from <b>£100 a month</b> or a lump sum of at least £500
<b>Why should I invest?</b>	<b>“ The lowest-cost self-invested personal pension on the market for the average (median) British pension holder who has not yet drawn on their pension.<sup>2</sup> ”</b>
<b>When is it launching?</b>	<b>Early 2020</b> for investors who are building up their pensions <sup>3</sup> ; the 2020-21 tax year for customers who wish to take payments from their pensions

<sup>1</sup> Applies across all holdings in the name of the holder on Vanguard Personal Investor (including SIPP, ISA and general account, but excluding JISA).  
<sup>2</sup> Source: Plaforum data and analysis as at November 2019. The average (median) British pension holder not yet in drawdown has a pot of £40,500 (ONS, February 2018).  
<sup>3</sup> From early 2020, we will also be able to support annuity purchases and the payment of tax-free cash when a customer purchases an annuity. We will also support transfers for customers looking to take drawdown options elsewhere.

## What is the Vanguard Personal Pension?

The Vanguard Personal Pension is an excellent value self-invested personal pension (SIPP) that will be available through Vanguard Personal Investor ([www.vanguardinvestor.co.uk](http://www.vanguardinvestor.co.uk)) as of early 2020. The SIPP will charge Vanguard's standard annual account fee of just 0.15%, capped at £375 a year. This account fee (and cap) applies across the combined balance of all holdings in an investor's name on the Vanguard Personal Investor platform, including Vanguard Personal Pension, ISAs, and general account holdings, making it one of lowest cost platforms for investors throughout their investing lives.<sup>4</sup>

The Vanguard Personal Pension is **designed to make saving for retirement simpler and less expensive for all investors, regardless of their experience or wealth.** The average (median) British pension holder not yet in drawdown has a pot of £40,500 (ONS, February 2018). For these investors, the Vanguard Personal Pension will be the lowest-cost self-invested personal pension on the market, according to independent research from Platform (November 2019).

From early next year, the Vanguard Personal Pension will be open to all investors not yet drawing down their pensions. Drawdown capabilities will be added in due course during the 2020/21 tax year.

## Why is Vanguard launching the Vanguard Personal Pension?



Sean Hagerty,  
Head of Europe, Vanguard comments:

“The Vanguard Personal Pension is designed to reduce the cost and complexity of saving for retirement. An individual's savings often represent a lifetime's effort, yet many investors and retirees continue to be charged far too much on the proceeds of their own hard work. Fees can have a sizeable impact on investment returns, and consequently on the quality of life in retirement.

We want to offer investors the clarity, peace of mind and value for money they deserve, through a service that is simple, effective, transparent and fairly priced.”

## What does the Vanguard Personal Pension offer?

The Vanguard Personal Pension is a straightforward SIPP through which investors can choose from 76 funds and ETFs available on Vanguard Personal Investor, including Vanguard Target Retirement Funds and the popular LifeStrategy range. Its aim is to help investors build up a sum of money in a tax efficient way to help them meet their future retirement needs.

Initially, the Vanguard Personal Pension will only be open to investors in the accumulation stage of their savings journeys. That means all those that have not yet started to draw down their pensions. Drawdown capabilities will be added in due course during the 2020/21 tax year. We are disclosing the details of both the accumulation and drawdown parts of the Vanguard Personal Pension at this stage so investors can see the full proposition – for example, there will be no charges for going into drawdown in the Vanguard Personal Pension.

## What are the requirements and minimums?

The Vanguard Personal Pension is available to individual applicants aged 18 or over who reside in the UK, pay tax in the UK, and have a UK bank account.

The minimums are the same as for the broader UK Personal Investor platform: an initial lump sum contribution of at least £500 or a £100 minimum contribution under a regular savings plan.

## How competitive is the Vanguard Personal Pension?

Trying to calculate the total cost of investing for UK SIPP investors is complicated. Platforms use different pricing models and many charge supplementary fees beyond account fees, fund fees and transaction costs. Vanguard commissioned independent research company Platform to calculate the Vanguard Personal Pension's competitiveness compared with the SIPPs offered by 14 other leading platforms, across a range of investment scenarios.



Jeremy Fawcett,  
Head of Platform, comments:

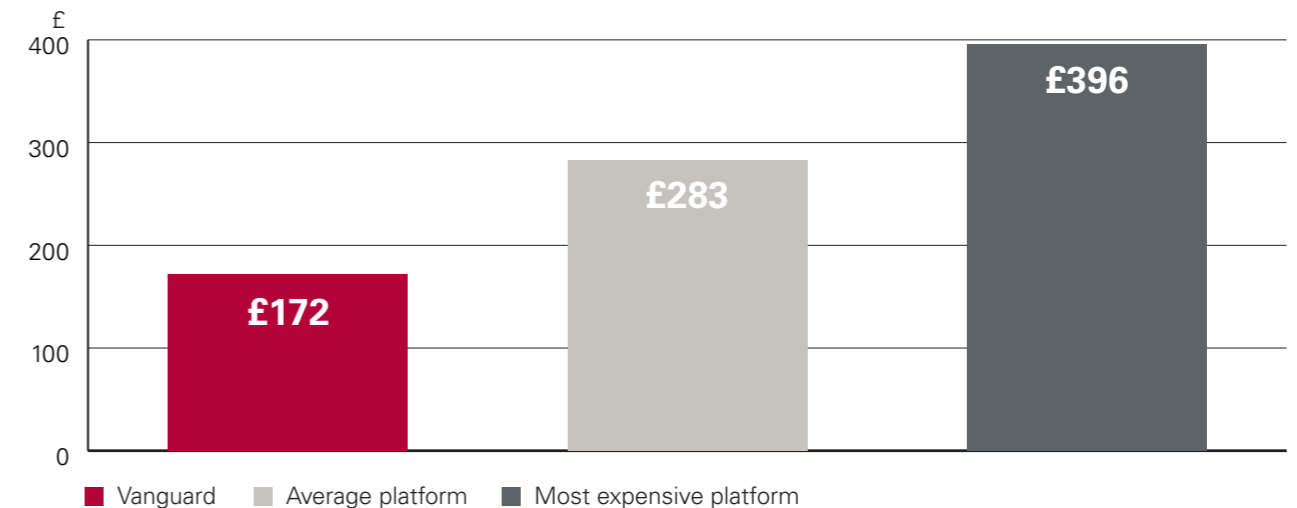
“Pension investing is a long-term activity and outcomes are significantly improved when fees are pegged back. The Vanguard SIPP is one of the lowest cost options in the market, especially for those at the beginning of their investing journey.”

## Keeping costs low is key to investment success

As an example, Platform looked at the fees for an investor able to invest the maximum £40,000 annual SIPP contribution<sup>5</sup> in one of Vanguard's single-fund retirement solutions – Vanguard's Target Retirement Funds – and compared the cost of doing so through the Vanguard Personal Pension vs SIPPS on 14 other investment platforms.

It calculated that an investor would pay just £172 a year in total charges, including fund fees, transaction costs, and SIPP charges, when investing in a Vanguard Target Retirement Fund through the Vanguard Personal Pension. Investing the same amount in the same fund through a SIPP on a different platform would cost an average of £283 or as much as £396 via the most expensive platform.

Figure 1. Fees: £40k annual contribution in a Vanguard TRF across platforms



Source: Platform data and analysis as at November 2019.

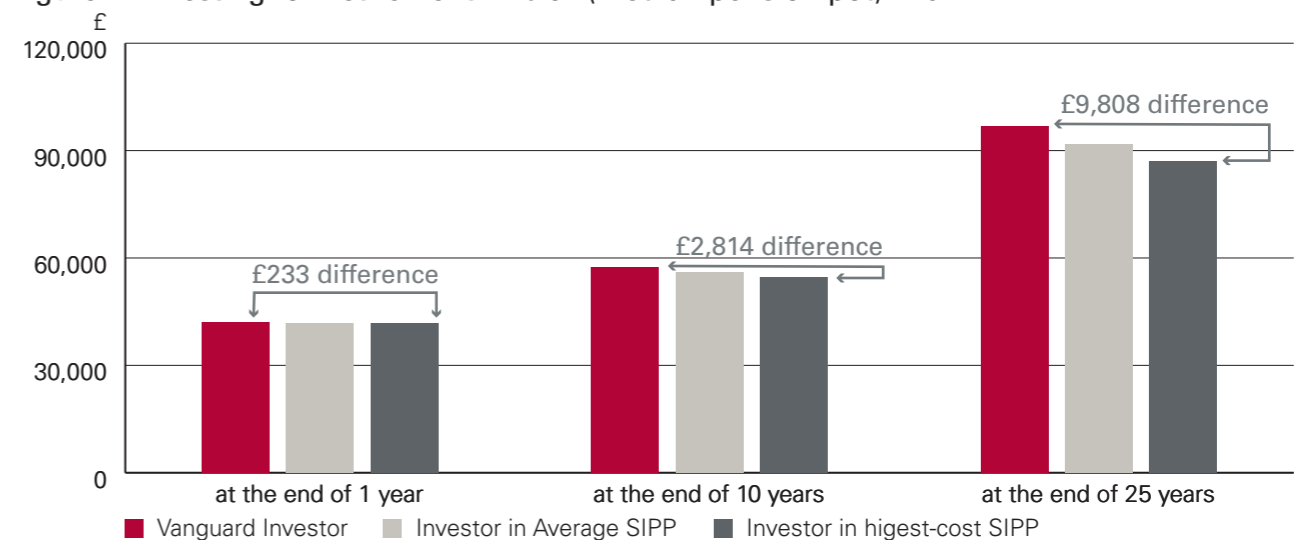
## Fees in accumulation:

The potential impact of SIPP fees over an investment lifetime is considerable. Take, for example, a 43-year-old looking to invest a pension pot of £40,500 for retirement (median pension pot for a British investor not yet in drawdown). Imagine they invest through a SIPP in the Vanguard Target Retirement Fund 2045 and retire 25 years later at the state

pension age of 68, having earned a return of 4% per annum on their investments.

In this scenario, investing via the Vanguard Personal Pension would leave the investor £9,808 better off than the same investment held in the highest-cost SIPP on the market (Vanguard calculations, Platform data as at November 2019).

Figure 2. Investing for Retirement: £40.5k (median pension pot) in a TRF



Source: Platform data and analysis as at November 2019.

<sup>4</sup> Please note that JISA Holdings are not included.

<sup>5</sup> We felt £40,000 was a sensible figure to base price comparisons on. Not only is it the maximum annual SIPP contribution, it's also very close to the £40,500 median pension pot for a British investor not yet in drawdown. (Source Pension Wealth: Wealth in Great Britain, ONS, February 2018).

## How competitive will the Vanguard Personal Pension be in drawdown, once decumulation is available?

From age 55 investors can enter drawdown, should they wish, and take a percentage of their pension savings out of their SIPP accounts each year tax free.

Platforum ran the numbers for an investor with a £210,000 sum (the median pension in payment for a 65-69 year old in the UK)<sup>6</sup> in a Vanguard Target Retirement Fund who is looking to draw down 4% per year after fees and charges for 10 years. According to their calculations, investors using the Vanguard Personal Pension in this scenario could expect to have £3,975 more remaining in their pot vs the highest-cost SIPP in the market, having saved £5,089 in fees to withdraw the same amount of money (calculations as at November 2019).

## About Self Invested Personal Pensions (SIPPs)

SIPPs are a type of 'defined contribution' pension popular with personal investors. Designed to give more choice and control than other pension wrappers, investors benefit from tax relief on savings into a SIPP – currently up to an annual allowance of £40,000 per tax year in most circumstances. The Money Advice Service provides a comprehensive description of SIPPs, allowances, and tax relief on its website.

## About Vanguard

Since establishing the first indexed mutual fund in the U.S. in 1976, The Vanguard Group., has grown into one of the world's largest and most respected investment management companies. Globally, Vanguard manages £4.5 trillion on behalf of over 30 million investors worldwide. (Source: Vanguard, as at 31 October 2019)

## About Vanguard Personal Investor

The Vanguard Personal Investor service (www.vanguardinvestor.co.uk) was launched in May 2017 to help simplify and lower the cost of investing in the UK. Since launch it has attracted over £2 billion in AUM, with over 75,000 investors using the platform to manage their investments (as at 30 November 2019).

## Which? Recommended Provider



This year Vanguard Personal Investor has been named the top-rated investment platform for customer satisfaction and value for money in the UK by Which? the consumer champion.

<sup>6</sup> Source: Pension Wealth: Wealth in Great Britain, ONS, February 2018.

<sup>7</sup> Investors who buy or sell an ETF through our optional Quote and Deal service will be charged a fixed fee of £7.50 to cover the cost of our nominated stockbroker.

## Are these fees (fund fees, transaction costs, account fee) the only charges for using the Vanguard Personal Pension?

Yes. Across the industry pricing is often complicated and opaque, making it very difficult for investors to understand exactly what they are paying for and why. We wanted our pricing to be as clear as possible. The table below demonstrates what the Vanguard Personal Pension on Vanguard Personal Investor does charge for, compared with the fees levied by other SIPPs and platforms.

### Vanguard charges

Account fee	<b>0.15%</b>
Fund fee	✓
Fund transaction costs	✓
Optional Quote and Deal ETF service <sup>7</sup> (standard ETF bulk dealing service is free)	✓

### Vanguard does not charge for

SIPP wrapper charge	✗
SIPP set up charge	✗
Exit fees	✗
Transfers in	✗
Transfers out and annuity	✗
Selling funds	✗
Valuation statements	✗
Account activity	✗
Reinvestment of income	✗
Dealing fees	✗
Account closure	✗
Death processing	✗
Divorce	✗
Contributions	✗

Source Vanguard, as at 1 December 2019.

## Disclaimers

This article is issued for journalists in their professional capacity. The information contained herein does not constitute an offer or solicitation and may not be treated as an offer or solicitation in any jurisdiction where such an offer or solicitation is against the law, or to anyone to whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so. The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

### Investment risk information:

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Eligibility to invest in a Vanguard Personal Pension depends on your individual circumstances. Please be aware that pension and tax rules may change in the future and the value of investments can go down as well as up, so you might get back less than you invested. You cannot usually access your pension savings or make any withdrawals until the age of 55.

Your pension transfer will be sent to us as cash. During this period you will be out of the market (not invested) so you could miss out on any increase in the value of your pension fund should the market rise.

If you are not sure of the suitability or appropriateness of any investment, product or service you should consult an authorised financial adviser. Please note this may incur a charge. Some funds invest in emerging markets which can be more volatile than more established markets. As a result the value of your investment may rise or fall.

Investments in smaller companies may be more volatile than investments in well-established blue chip companies.

The fund(s) may invest in financial derivative instruments that could increase or reduce exposure to underlying assets and result in greater fluctuations of the fund's Net Asset Value. Some derivatives give rise to increased potential for loss where the fund's counterparty defaults in meeting its payment obligations.

The Vanguard Target Retirement Funds may invest in Exchange Traded Fund (ETF) shares.

ETF shares can be bought or sold only through a broker. Investing in ETFs entails stockbroker commission and a bid-offer spread which should be considered fully before investing.

Some funds invest in securities which are denominated in different currencies. Movements in currency exchange rates can affect the return of investments.

Funds investing in fixed interest securities carry the risk of default on repayment and erosion of the capital value of your investment and the level of income may fluctuate. Movements in interest rates are likely to affect the capital value of fixed interest securities. Corporate bonds may provide higher yields but as such may carry greater credit risk increasing the risk of default on repayment and erosion of the capital value of your investment. The level of income may fluctuate and movements in interest rates are likely to affect the capital value of bonds.

**Important Information:**

The Authorised Corporate Director for Vanguard Investment Funds ICVC is Vanguard Investments UK, Limited. Vanguard Asset Management, Limited is a distributor of Vanguard Investment Funds ICVC.

For further information on the fund's investment policy, please refer to the Key Investor Information Document ("KIIDs"). The KIID and the Prospectus for this fund is available from Vanguard via our website <https://www.vanguardinvestor.co.uk>

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