

Core Explore



Lifestyling Strategies - available to Complete Solutions Personal and Company Pension clients

What is Lifestyling?

Lifestyling is a new approach to pension investing for your clients as they journey to retirement. Lifestyling involves moving your client's original fund choice to medium risk funds in a gradual manner as your client moves closer to retirement. The gradual movement should be viewed as a switch to medium risk funds in general as opposed to a profit maximisation tool. Lifestyling also involves gradually moving 25% of your clients funds into our Global Cash Fund (low risk) in the final six years before retirement.

In the final years of Lifestyling, the investor will be switched into certain funds, based on their objectives for their retirement funds. A description of these Strategies and the funds linked to these Strategies are available in the Complete Solutions booklet.

Lifestyling and Risk

As you know, we risk profile our funds on a 1 (low risk) to 7 (high risk) volatility scale. The volatility and risk level of the pre-determined funds within the Lifestyling Strategies are as follows:

	Volatility	Risk Level
Annuity Lifestyling Strategy		
Own fund choice	1 to 7	Low/Medium/High
Stability Fund	3	Medium
Annuity Fund	3	Medium
Global Cash Fund	1	Low
ARF Income Lifestyling Strategy		
Own fund choice	1 to 7	Low/Medium/High
Stability Fund	3	Medium
ARF Fund	3	Medium
Global Cash Fund	1	Low
ARF Investment Lifestyling Strategy*		
Own fund choice	1 to 7	Low/Medium/High
Stability Fund	3	Medium
Core	4	Medium
Global Cash Fund	1	Low

* The ARF Investment Lifestyling Strategy is only available under the Complete Solutions Personal and Company Pension products.

The majority of long term pension investors understand that holding equities and other high risk assets are important in order to benefit from growth opportunities in pension investing. Many investors wish to have exposure to these asset classes when investing for the long term - pension investing is long term in most cases.

The pre-determined funds under the Lifestyling Strategies are medium risk funds in general and may not be suitable for investors with a low risk appetite. For example, if your client wishes to invest in a fund with a volatility rating of 1 or 2, Lifestyling will switch into higher risk funds and hence they may not be comfortable with that. If your client wishes to invest in a fund with a volatility rating of 3, then Lifestyling will switch into a fund with the same (or higher) risk rating. Lifestyling is ideally suitable for people looking to invest in funds with volatility levels between 4 and 7 and subsequently wish to switch their allocation to medium risk funds in general as they approach retirement.



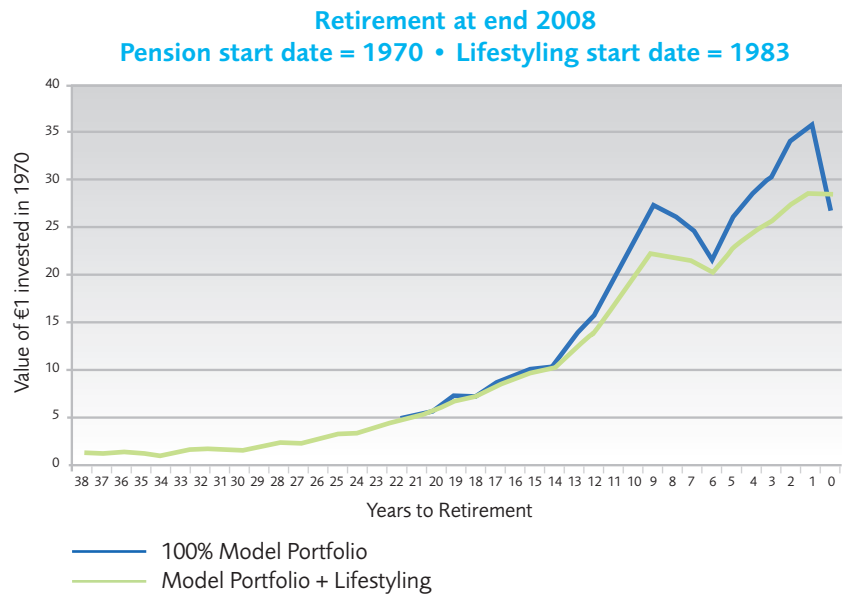


Why is Lifestyling in demand?

2008 witnessed one of the worst years in history for equity markets. The average pension managed fund declined by 40% during the financial crisis. Many people at retirement age or close to retirement felt they were in assets far too risky given they were near retirement age.

Most investors accept equities are the key to funding for retirement when taking a long-term perspective but desire a less volatile, more stable asset allocation as they near retirement. Lifestyling helps to meet this need.

The chart below shows how a model portfolio of 65% equities, 15% bonds, 10% property and 10% cash might have performed from 1970 to 2008. This model portfolio's asset allocation is similar to the average pension managed fund and reflects a high risk profile. By utilising the Lifestyling Strategy i.e. moving the model portfolio into less risky assets such as bonds and cash as the investor nears retirement, the losses in 2008 would have been minimal when compared to holding 100% in the model portfolio.



It is important to note that Lifestyling will lead to a lower value pension fund if equity markets are rising in the years approaching retirement. Lifestyling works well if there is a shock to the markets in the years leading up to retirement as the funds are switching into bonds and cash, protecting the value of the retirement plan.

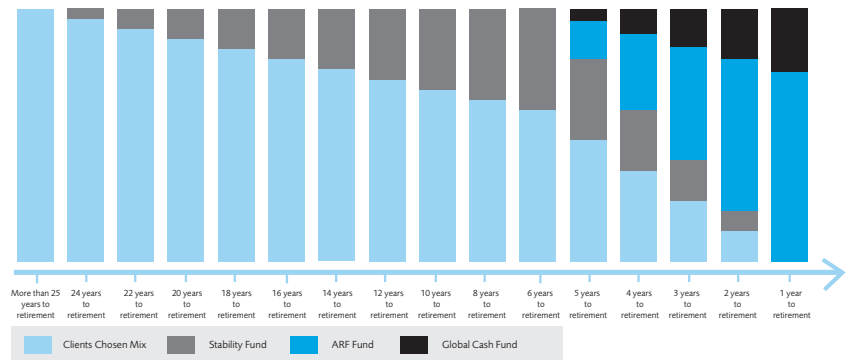


How Lifestyling works

- If your client is more than 25 years from their chosen retirement date, we fully invest the client's contributions in the funds of their choice.
- Between 25 years to six years before the investor retires, we will switch 2% of their chosen funds into the Stability Fund every year. When the investor is six years before retirement, 60% of their funds will be invested in their chosen funds and 40% in the Stability Fund.
- From six years before retirement until one year before retirement, we begin to gradually switch the proceeds and future contributions into the Global Cash Fund with the remainder invested in accordance with the strategy chosen by the investor (see overleaf).
- For the final year before retirement, 25% will be invested in the Global Cash Fund with the remaining 75% invested in accordance with the relevant Strategy.

The following tables illustrate the timeline process, using the ARF Income Lifestyling Strategy as an example.

ARF Income Lifestyling Strategy



Note: It should be noted that if a client chooses one of the ARF Lifestyling Strategies, a larger percentage will be allocated to riskier assets, such as equities and bonds than if they choose the Annuity Lifestyling Strategy, increasing the volatility levels as a result.

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The Lifestyling Strategies

Annuity Lifestyling Strategy

- This strategy is suitable for pension investors prior to retirement who ultimately wish to buy an annuity with their pension fund at their chosen retirement date.
- The fund linked to this strategy is the Annuity Fund which is a medium risk fund that invests in medium-term government bonds.

ARF Income Lifestyling Strategy

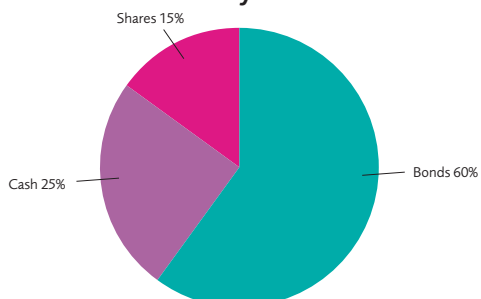
- This strategy is suitable if the investor plans to invest their retirement fund in an Approved Retirement Fund (ARF) after their chosen retirement date and intends to make withdrawals from their ARF in retirement.
- The fund linked to this strategy is the ARF Fund, a medium risk fund that is largely a bond and cash fund with 30% allocated to equities and alternatives.

ARF Investment Lifestyling Strategy

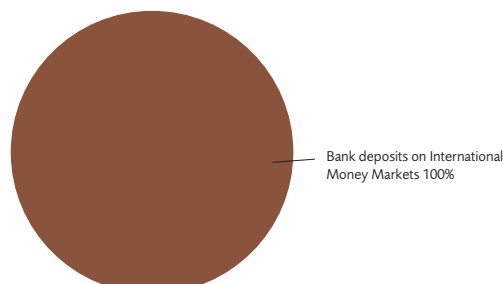
- This strategy is suitable if the investor plans to invest their retirement fund in an Approved Retirement Fund (ARF) after their chosen retirement date and does not intend to make withdrawals from their ARF in retirement.
- The fund linked to this strategy is the Core Fund which is a medium risk fund that invests in equities, bonds, cash and alternatives.

Note the Stability Fund and the Global Cash Fund are common to all three Lifestyling Strategies. The Stability Fund is a medium risk fund which is largely a bond and cash fund with 15% allocated to equities and alternatives. The Global Cash Fund is a low risk fund which invests in bank deposits and short-term investments on international money markets.

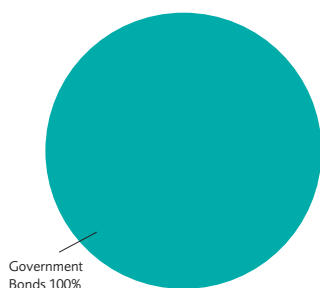
Stability Fund



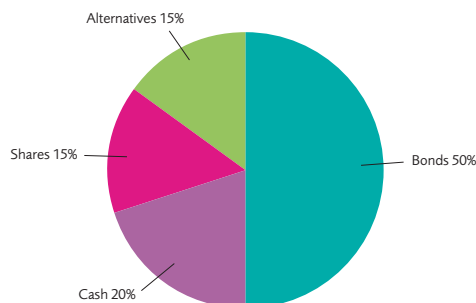
Global Cash Fund



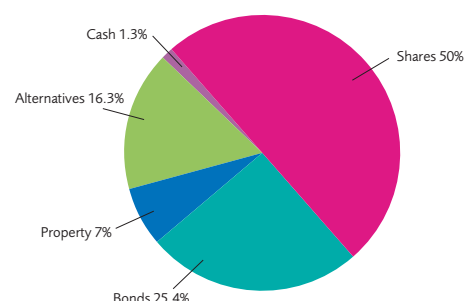
Annuity Lifestyling Strategy
(Invests in Annuity Fund)



ARF Income Lifestyling Strategy
(Invests in ARF Fund)



ARF Investment Lifestyling Strategy
(Invests in Core Fund)



The asset allocation of the funds will change from time to time.

Warning: The value of this investment may go down as well as up. Past performance is not a reliable guide to future performance. These funds may be affected by changes in currency exchange rates.

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