

## **Standard Life Stakeholder - when is a with profits fund not a with profits fund?!**

20 January 2008

I have recently come across something which shocked me. Quite simply, Standard Life's Stakeholder With Profits Fund is in reality a Managed Fund with a bit of smoothing.

In Standard's guide "Understanding with profits" they say "We do not pay regular or final bonuses on Stakeholder plans. The investment Performance is reflected in the value of your units." And "We do not guarantee investment performance. The value of your units may go down as well as up. In some circumstances you could get back less than you invested."

Now, I know that I have only worked in pensions for 31 years, but I always thought that with profits meant that you got a guaranteed amount (on unitised with profits what you paid in, sometimes with interest added) and that bonuses once added could not be taken away. Not so with Standard!

And, in case you thought this was just terminology take a look at what Standard did to their Stakeholder with profits policyholders in December:

### **Standard Life stakeholder with-profits payouts slashed by 10pc**

Helen Pow - 06-Jan-2009

"Standard Life has confirmed that its stakeholder with-profits payouts values plummeted by around 10 per cent after it reduced the amount of smoothing on the fund last month. The firm says it reduced the amount of smoothing on December 11, 2008 in light of "severe equity market falls". It adds that the move resulted in an "overnight reduction" in all payout values of around 10 per cent."

### **Standard Life with-profits savers suffer - James Salmon, Money Mail 7 January 2009**

Tens of thousands of investors in Standard Life's multi billion pound [with-profits](#) fund have seen more than 10% snatched from their pension savings without warning.

### **Falling standards: Standard Life is punishing investors**

The stealth raid affects all those in the firm's Stakeholder plan, part of its giant £41bn with-profits fund. The firm says tumbling stock markets have forced it to slash payouts for anyone wanting to get their money out.

A spokesman says: 'On December 11 we reduced the level of smoothing to play catch up with the recent severe equity market falls. This resulted in an overnight reduction in all stakeholder with-profits payout value of around 10%.'

The reduction in the level of smoothing hits people transferring, just as an mvr does, but it also hits those reaching maturity because the value of all with profits units has been reduced. Oh and in case any of you wondered, the "With profits" fund is the default fund for all stakeholder Pensions!