The Aviva Smooth Managed Fund

As the UK enters unprecedented times, many investors are understandably cautious about short-term market movements - but still need their money to work hard for their future, with interest rates remaining low. In this climate, Aviva’s Smooth Managed Fund brings much-needed choice to a market place where investors are currently short of options. The Fund is designed to deliver growth over the medium to long term. It seeks to reduce the impact of volatility by investing globally, also taking care to spread investments across a range of asset classes. But diversification isn’t the Fund’s only weapon as it strives to achieve steady growth. It employs a ‘smoothing’ process which aims to shelter investors from some of the impact of short-term market movements.

Paul and Barbara’s story

Paul and Barbara have worked hard all of their lives – her as a nurse, and him as a builder. Aged 65 and 62, they own their home and have built up savings of £400,000.

Although they don’t have a significant amount in pensions, they own a second property that provides a small rental income and want to take an income from their savings, too. The value of their properties has increased significantly over the last 10 years and they are concerned about leaving an inheritance tax bill for their children.

Paul and Barbara need to draw £12,000 per year from their savings to top up the small pensions they have. They want to retain control over how the money is invested, understanding that they have to take some risk for the potential for higher returns. They want to keep some flexibility around who they give the money to when they die as they want to ensure any future grandchildren also benefit.

The couple speak to their financial adviser and agree to put their £400,000 into an Aviva Select Investment Bond under a Discretionary Discounted Gift Trust. They can take advantage of the tax deferred withdrawals to create the £12,000 income they need to supplement their retirement income by taking 3% per annum from the Bond. There would be a chargeable lifetime transfer (CLT) and as the value would fall within their own nil rate band, there would be no immediate charge to Inheritance Tax (IHT.) Also there would be no IHT to pay if they survived for 7 years.

The Smooth Managed Fund on the Bond has a Smooth Growth Rate of 4% plus Bank of England Base Rate. If markets don’t perform well, Paul and Barbara understand that at some point a price adjustment may need to be applied to bring the Smooth Price back in line. However, they agree with their adviser that over the long term, 3% withdrawals should not eat significantly into their capital and they should be able to leave a healthy lump sum for their children and any future grandchildren when they both die.

This is a fictitious case study and assumes that Paul and Barbara have not made any other gifts in the last seven years. You can find out more about the latest performance information in this Smooth Managed Fund sales aid.
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The value of the investment in the Smooth Managed Fund can go down as well as up and investors may get back less than has been paid in. As with all funds of this type, fund price adjustments could cause a fall in fund value.

For investors seeking a Fund that has the potential to offer them more than deposit accounts, while aiming to provide some shelter from short-term market movements, the Aviva Smooth Managed Fund could be an appropriate option.

The fund does not target the Smooth Growth Rate and may earn more or less than the Bank of England base rate + 4% per year.

Find out more at aviva.co.uk/advisers