



DIFFERENT TYPES OF ANNUITY

Choosing the right option for you

In the UK, there are basically two types of annuity:

- Pension annuities (compulsory purchase)
- Purchased life annuities (voluntary purchase)

All annuities share the following characteristics:

- They pay a level of guaranteed income
- They turn a lump sum into a stream of future income
- Lifetime annuities guarantee to pay an income for as long as you are alive, no matter how long you live
- When you die, payments stop, unless you have chosen a joint-life annuity, a guaranteed payment period or a value protected (money back) annuity

TAILORING THE INCOME TO MEET YOUR PERSONAL CIRCUMSTANCES

Annuities have a number of important and valuable options that allow you to tailor the income to meet your personal circumstances.

SINGLE OR JOINT

As you approach retirement, you'll need to decide how you want to take an income from your pension fund. One key thing to decide is whether you want an income just for yourself (individual) or one that would continue to pay out to a partner or dependant if you were to die (joint). Your choice of income could make a big difference to you and a partner or dependant, so it's important to consider your options.

FIXED-TERM ANNUITIES

If you need an income in retirement, but are unwilling to commit to an annuity

for the rest of your life, you can use all, or part, of your pension fund to buy an annuity for a set number of years. These are called 'fixed-term annuities'.

FIXED OR INCREASING ANNUITIES

If you're buying an annuity to provide you with a retirement income, one of the key choices you must make is whether to opt for an annuity that provides a fixed pension income or one that increases each year. You'll initially get more with a fixed retirement income than with an increasing one, but its buying power will go down over time.

INVESTMENT-LINKED ANNUITIES

With an investment-linked annuity, your pension income varies to reflect changes in the value of investments, such as stocks and shares. This means you can benefit from stock market growth after your retirement. There's also a risk that the value of your income could fall, but most investment-linked annuities limit this risk.

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PROFESSIONAL FINANCIAL ADVICE YOU CAN TRUST

You may be at the point of retiring or just reducing the amount of time you are at work. If so, you may also want to access the pension you have built up and convert it into an income. Setting up an annuity is easy and straightforward, enabling your income needs to be met with no need for ongoing support or advice. To find out more about annuities and the vital role they could still play in effective retirement planning, please contact us to discuss your requirements.