

“Advisers Must Consider Alternatives To Rip-Off Annuities.”

Longer life expectancy and consistent increases in the cost of living, together with reducing state benefits means that it is now imperative for retirees to ensure that their plans for their retirement income are ‘fit for purpose’, and despite the fact that there may be better alternatives available, the preferred choice for many still appears to be a conventional annuity.

Whilst its appeal may lie in its simplicity, in addition to its offer of a guaranteed income stream, any rate on offer no matter how attractive will be fixed for life– with the result being the inability to adapt to any future changes in circumstance.

Whilst the ABI’s new code of conduct on retirement choices has forced insurers to make clearer the Open Market Option, and in doing so has discouraged the consumer from taking it for granted that the rate on offer is the best available, there is no hiding from their lifetime locked-in nature.

Concentrating purely on an initial rate not only fails to take into account any potential changes in circumstances, but any consequences arising from the decision to ‘lock in’ to a conventional annuity could not only affect the annuitant for the rest of their retirement, but may impact upon their spouse also.

What is needed is a system that encourages people to shop around across the entire retirement market not only at the start but also allows them to review on a regular basis. Reviewable annuities allow IFAs/clients to shop around for the best rate throughout the duration of the contract in a similar way to reviewing your car insurance on an annual basis.

Reviewable annuities allow clients to shop around for the best annuity rate available at the time without locking them in for life. If clients qualify for enhanced rates and their health deteriorates with age (as expected) then purchasing a reviewable annuity that allows them to uplift their income as they go might make more sense than buying a “lifetime lock-in” enhanced annuity.

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Notes to Editors

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