

# Don't be misled by today's best fixed-term annuity rates – or you could end up losing out in the long-term

London & Colonial is urging those approaching retirement to avoid locking themselves into a 'fixed' rate when taking out an annuity, as the rates which may appear to be the best available now will not necessarily remain the most competitive as they get older.

London & Colonial have highlighted this following the introduction of the Association of British Insurers (ABI's) Code of Conduct earlier in the year, which now requires insurers to disclose the Open Market option (OMO) to all customers, in order to prevent them from automatically accepting whatever rate their own insurer is offering. Especially when those rates have been proven to be far from the best available - hence the new rules.

A recent thematic review from the FSA found that consumers may be disadvantaged as a result of not shopping around when purchasing an annuity, and in the very worst cases consumers could be losing out on tens of thousands of pounds of lost income over the duration of their retirement.

Also, with any income received being consistently subjected to the corrosive effects of inflation, the buying power of this income in real terms will be drastically reduced over time as prices increase but the annuity income remains static.

With this in mind it is more important than ever for consumers to ensure that any income they do receive is the best available; and throughout the whole of their retirement, not just at one particular moment in time.

Adam Wrench, Head of Product and Business Development at London & Colonial, said:

"Choosing the right annuity is one of the most important decisions anyone approaching their retirement will have to make, and with a 'fixed rate' annuity any consequences arising from their choice will be irreversible and the effects felt for the remainder of their life".

"We would therefore urge IFAs to consider reviewable flexible annuities as a viable alternative to a lifetime lock-in. Those who lock into a conventional annuity at 65 will be unable to benefit from any increases in the annuity rates, which are currently at a historic all time low, nor benefit from an enhanced rate in their later years should their health deteriorate over time".

"We would always recommend that, in addition to the OMO, advisers should seriously consider the use of reviewable annuities, which can be reassessed on a regular basis to enable the annuitant to benefit from any age-related rate increases, or future health issues".

“It’s high time there was a far greater awareness of not only the need to shop around when it comes to choosing an annuity, but to also give serious consideration to those which are both flexible and reviewable, and provide the potential for substantially higher levels of retirement income over time”.

“Choosing an annuity is not a decision that should be taken lightly, and the adviser community has a moral duty to ensure that an annuitant’s choice has been carefully considered and that they have been made fully aware of the best rates available to them.”

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## Notes to Editors

### About London & Colonial

London & Colonial specialises in self-invested products for both UK residents and persons resident overseas.

The London & Colonial Group includes

- (1) London & Colonial Holdings Limited – UK parent company
- (2) London & Colonial Services Limited which is regulated by the UK Financial Services Authority and operates SIPPs and SSASs
- (3) London & Colonial Assurance PLC which is regulated by the Gibraltar Financial Services Commission (matching UK standards) and which offers Open Annuities, QROP Annuities and Open Offshore Bonds
- (4) L&C (Administration Services 2) Limited and London & Colonial (Trustee Services) Limited which are both based in Gibraltar and offer the EU SIPP.

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