

HARDING ROBERTS AND Co.

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BUYING YOUR ANNUITY

AN IMPORTANT ONE-OFF DECISION THAT HAS LONG-TERM CONSEQUENCES
IF YOU GET IT WRONG



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If you save through a private pension, when you approach retirement age you'll have to decide what to do with the pension fund you have built up. If applicable to you, one option is to buy an annuity. It's important to find an annuity that suits you and provides the best deal because, after your property, an annuity is probably the biggest purchase you will ever make.

An annuity is the annual pension that many people buy with their private pension pots when they retire. Purchasing your annuity is an important one-off decision that has long-term consequences if you get it wrong. You may not receive the best deal if you just take the annuity offered by the insurer that has been investing your money.

Lack of advice might be costly

You only have one opportunity to shop around for your annuity. Once you have committed to an annuity provider and started to receive an income, the decision can't be reversed. So it is essential that you shop around and obtain professional financial advice to help you through the process.

In 2012, the National Association of Pension Funds (NAPF) announced that the lack of advice in this area might be costing half a million retirees each year as much as £1bn in future pension income.

Failure to shop around

The NAPF pointed out that the failure of someone to shop around – or being unaware they were able to do so – might reduce their annual pension income by a third.

The insurance industry has now agreed to reform its annuity practices, and from 1 March 2013 insurers now have to conform to new guidelines set down by the Association of British Insurers (ABI).

New guidelines will require insurers to:

- Provide clear and consistent information, including details on how to shop around for an annuity
- Highlight the details of enhanced annuities – the higher pension income available to those with shorter life expectancy
- Signpost clients to external advice and support that is available
- Give a clear picture of how their products fit into the wider annuity market

The point of retirement

Insurers have been obliged since 2002 to draw their clients' attention to the fact that they can shop around for an annuity at the point of retirement.

One of the ways in which people may end up with too small an annuity is by not taking into account their own medical circumstances. Having conditions as seemingly manageable as high blood pressure or diabetes could qualify you for an enhanced annuity, which could pay you more income because your average life expectancy may be less.

Key points about annuities

- Make the right decision now, because you cannot reverse it later
- Don't just accept the annuity your pension provider gives you
- Shop around – it could be worth up to a third more income per month for you
- You can combine multiple pension pots into one annuity
- Common health issues, including smoking, high blood pressure and diabetes, can lead to an even higher monthly income



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Lack of knowledge

Getting the best annuity rate is just the tip of the iceberg. There are many important issues which, if ignored, could have a detrimental effect on your annuity income. At present, many people who cash in their pensions simply sign up to the annuity provided by their insurer, but this is rarely the best offer.

Live better in retirement

If you are approaching your retirement we can take you through the process step by step to find the best annuity for you. Your retirement should be a special time when you do those things you never had the opportunity to do before. So it's essential you think and plan carefully, as the decisions you take now cannot be undone later. If you are concerned about your retirement provision, please contact us to review your current situation.



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Buying your annuity can be a complex process. If you are at all uncertain about its suitability for your circumstances you should seek professional financial advice. The fund value may fluctuate and can go down as well as up. You may not get back your original investment. Past performance is not an indication of future performance. Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. This is for your general information and use only and is not intended to address your particular requirements. It should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice.

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