

Annuities

Cost of options



An annuity can be tailored to your needs by choosing from a range of benefits. Whatever benefit you choose, your income will be guaranteed for life. The table below shows the effect of various options on your income.

Value Protection %	Guaranteed period	Escalation % pa	Dependant's pension %	1,000	2,000	3,000	4,000
0	0	0	0	3,200			
0	5	0	0	3,159		98.7%	
0	5	0	50	2,680	83.8%		
0	10	0	0	3,028		94.6%	
0	10	0	50	2,627	82.1%		
0	0	3	0	2,437	76.2%		
0	0	RPI*	0	2,205	70%		
0	10	3	0	2,316	72.4%		
0	10	3	50	1,896	59.3%		
0	10	RPI*	50	1,667	52.1%		
0	10	RPI*	0	2,101	65.7%		
50	0	0	0	3,100		96.9%	
100	0	0	0	2,615	81.7%		

Table is for illustrative purposes only

Comparisons are based on a male age 65 (non-smoker, with diabetes, 1 med per day for high blood pressure and 1 med per day for cholesterol) with a healthy spouse age 62, payable monthly in arrears, £45,000 purchase price, no overlap where applicable.

Source: Just Retirement annuity rates, 06.03.12.

* Retail Prices Index (RPI) zero floor assumed. The RPI is a measure of the level of price increases in the UK and under this 'zero floor' option, the annuity income will not decrease if the RPI falls below zero.

Buying an annuity is a one off decision that cannot be changed. You therefore need to be sure about the choices you make before you commit.

See notes overleaf...

Guarantee Period

You can choose to have payments guaranteed for a period of up to 10 years. In the event of your death, payments will continue to be made to your estate or a nominated beneficiary for the remainder of the guarantee period. If not selected, payments will stop on your death (unless a dependant's pension or value protection has been included) even if this is shortly after the commencement of the plan. A guarantee period cannot be included if choosing to add value protection to your plan.

Escalation

Increases in the cost of living can take their toll on your income. Even in times of relatively low inflation, the fact that many people now live a very long time after retirement means the real value of income can be seriously depleted. Inflation at just 3% per year can reduce the purchasing power of a fixed income by 25% in just 10 years. An income which increases by a fixed percentage each year or follows movements in the Retail Prices Index can help you maintain a comfortable standard of living, however will be subject to a significantly lower initial income as a result.

Dependant's Pension

If you want to ensure the comfort and security of a loved one, this option guarantees that, should you die, your income will continue to be paid to your dependant. This can either be at the same level as your income or at a given percentage of your income for the rest of their life. Your dependant can be your spouse or civil partner or someone who is financially dependent on you.

Overlap

If a guarantee period and a dependant's pension have been selected, both benefits can be paid at the same time (with overlap) or the dependant's pension can commence after the guarantee period has finished (without overlap).

Value Protection

In the event of your death, your estate can receive a lump sum calculated as the chosen percentage of the purchase price of your income (from 0 to 100%), less total gross income payments made. It will be taxed, currently at 55%.

If you have chosen to have a dependant's pension, the lump sum is paid either on the death of the last survivor after all income payments have been made or at the time of your death, with the dependant's pension also being paid in full.

This information is intended as a guide only. For financial advice, please contact your financial intermediary or contact us on **0845 302 2287**.

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