

Annuities

Are you throwing away £24,000?



It might come as a shock, but that's how much it could cost if you don't shop around to find the best income for your retirement.

Benefiting from the Open Market Option

Not all annuity providers are equal. So, while your pension provider may be a good place to save for retirement, that doesn't necessarily make it the best choice for your annuity when the time comes to retire.

In fact, if you are healthy, you might be able to increase your income by as much as 20%¹ by using your right to shop around for a better annuity, known as the Open Market Option. To put this into perspective, with a fund of £45,000 that's roughly the same as someone adding about £9,300 to your pension fund pot. And don't forget, any extra income you can secure is guaranteed to last for your lifetime.

This comes at no extra cost whatsoever. Using your Open Market Option simply allows you to make the very most of your existing pension fund by finding a better annuity deal.

But it doesn't stop there...

You could be one of the estimated 60% of people who could qualify for an enhanced annuity. Depending on your medical situation you could improve your lifetime income by around 50%³, and for specific conditions it could be even higher.

In the case of a fund of £45,000 that works out about the same as having your fund boosted by over £24,000. Whether you could receive more or less than this depends on the health or lifestyle condition(s) you have.

Why use the Open Market Option?

- Don't be tempted by the first quotation you get, shop around to find the annuity that suits you best
- Qualify for an Enhanced Annuity and you could boost your retirement income by around 50%³, and for specific conditions it could be even higher.
- Speak to your financial intermediary to discuss your options in more detail

Purchasing Power of the Open Market Option: What a pension fund of £45,000 could buy you



¹ Source: Avelo Exchange 6th March 2012

² with high level of enhancement for more serious health and lifestyle related conditions. Rate taken from Just Retirement 6th March 2012

³ compared to the lowest standard annuity rate offered via the Avelo exchange 6th March 2012
Data: Male, single life, aged 65, £45,000 pension fund, 5 year guarantee, monthly in advance, no escalation, no value protection, based on RH2 7RU postcode.

Could you qualify for an enhanced annuity?

The simple and only reliable way to check whether you will qualify for an enhanced annuity is to ask a financial intermediary to help you check whether you will qualify. This will require the completion of one form which is accepted by all enhanced annuity providers, enabling your financial intermediary to get a full range of quotations and ensuring that the best rate available is found for your individual circumstances. With our research showing that the majority of retirees could qualify for an enhanced annuity, and with over 1,500 conditions and lifestyle factors taken into account, this should be the first consideration in your retirement income plans. You won't even be asked to attend a medical examination which means there is no undue delay in receiving your money. So you can just concentrate on looking forward to enjoying your retirement.

Who can use their right to shop for a better pension annuity?

Almost anyone with a Defined Contribution¹ pension can shop around for the best annuity in one form or other. Members of Defined Benefit² or Final Salary schemes do not normally have the option to shop around. This is because the scheme promises to pay them a certain level of pension.

Defined Contribution pensions may be referred to under one of the following names. If you have taken out one of these types of pension in the past, you may be able to use your Open Market Option to get a higher income at no extra cost:

- Personal Pension
- Stakeholder Pension
- Additional Voluntary Contribution (AVC) or Free-Standing Additional Voluntary Contribution (FSAVC)
- Retirement Annuity Contracts (Section 226), where an Open Market Option is available under the terms of the contract

- Section 32 or Buy Out Plans, where an Open Market Option is available under the terms of the contract
- Occupational money purchase schemes
- Self Invested Personal Pensions (SIPPs)

We can also take monies from drawdown pensions, both capped and flexible drawdown.

How to get more information

You can speak to your financial intermediary to discuss the options available to you in more detail. If you have pension schemes with previous employers you, or your financial intermediary, should contact them for details of the scheme. Alternatively, you can contact the Pension Tracing Service to help you get in touch with a lost pension.

www.pensionsadvisoryservice.org.uk/helpful-organisations/pension-tracing-service

The Money Advice Service (set up by the government and funded by a levy on the financial services industry) provides free guides to your retirement options. You can get these by calling **0300 500 5000** or by downloading them from www.moneyadvice.org.uk

1 Defined Contribution pension (also known as a money purchase scheme)

This is a term given to a pension which you and/or your employer contribute into, and can be either a personal pension or an occupational pension. The amounts you and your employer pay into your pension fund while you are working are set. The value of the pension fund at the time you plan to retire is not set and may carry investment risk

2 Defined Benefit pension (also known as a final salary scheme)

With this type of pension, the amount of retirement income you get is set in advance. The amount of income you get is based on the number of years you have worked for your employer and your salary.

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