

Getting the Best Annuity

Get a better annuity from Better Retirement

As you approach retirement you will have to make a number of important choices about how to convert your personal or company pension pot into income. In fact you are about to make one of the most important financial decisions of your life and it is important you make the right decisions.

When you retire you can normally take a tax free cash sum of 25% from your pension pot and the balance is used to buy an annuity. An annuity is a financial contract that guarantees to pay a secure income for the rest of your life, no matter how long you live. In fact an annuity is your pension and not many people realize that.

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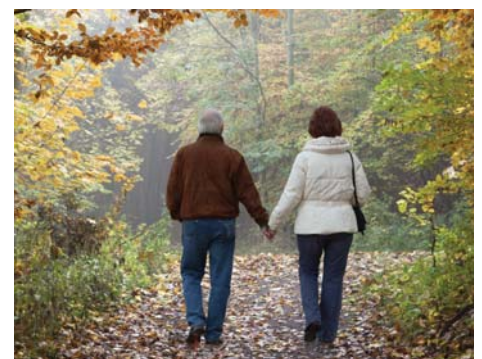


Next step

If you would like a free annuity quotation or would like to discuss any aspect of your pension/annuity please contact us. There is no initial charge or obligation for using our services and you can speak to one of

our annuity experts anytime during normal office hours:

Better Retirement 020 7636 7278 ❖



Better Retirement Group is one of the UK's leading annuity experts and therefore uniquely placed to help you arrange the most suitable annuity for your circumstances and maximise your pension income.

The company is run by Tim Eadon who was previously CEO of the Personal Finance Society, the foremost professional body for financial advisers in the UK, and Billy Burrows who set up William Burrows Annuities which is now incorporated into BRG.

With over 20 years experience of advising clients about annuities we are recognised as one of the UK's leading annuity specialists.

Getting the best annuity income

Annuity income differs from company to company depending on their competitive position and choice of options. Annuity rates can vary by up to 20% between the best and worst annuity companies and if you qualify for an enhanced annuity because you smoke, take prescription medication or are in poor health you may qualify for a higher annuity from a specialist annuity company.

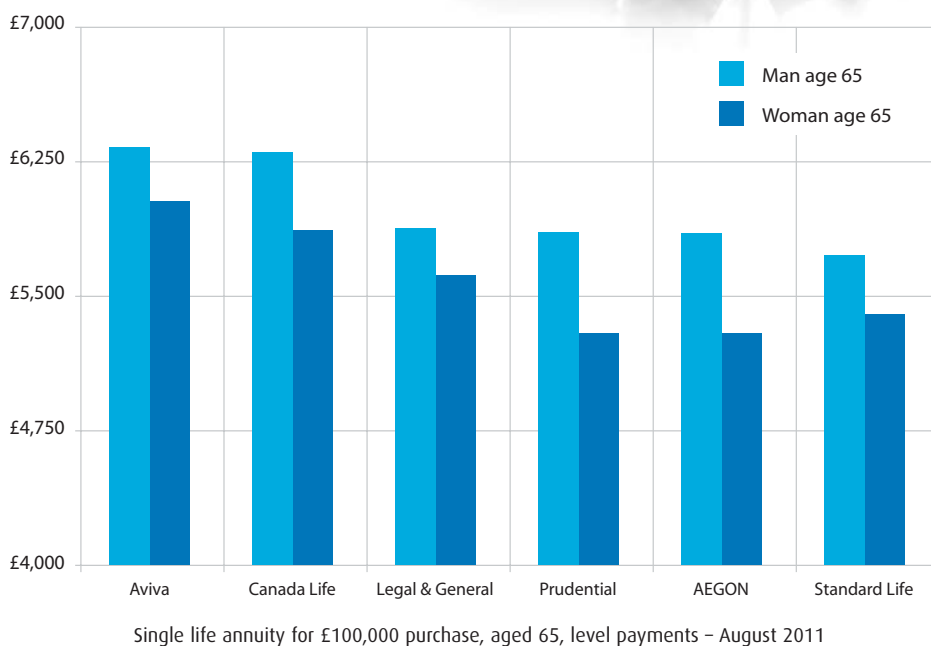


The Open Market Option

You do not have to take the annuity from the company with which you have accumulated your pension and you should shop around for the best annuity rate. This is called the open market option and pension companies are legally obliged to tell their customers that they have the option to buy their annuity from the company offering the best annuity rate.

There should be no charge for exercising this option but you should make sure that your existing pension company does not offer special terms (guaranteed annuity rates) or will apply an early surrender penalty.

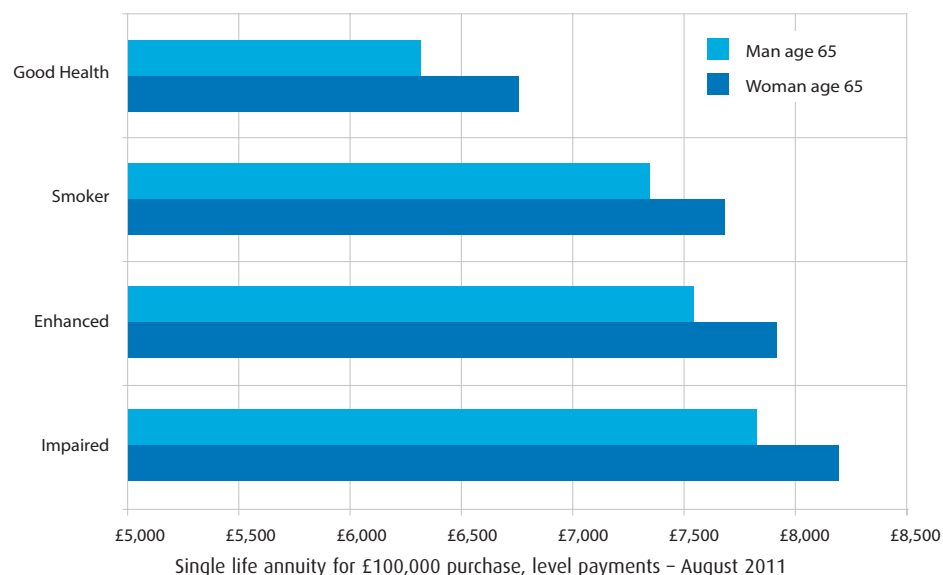
Better Retirement Group offers a free service whereby we get the most suitable annuity rates for your circumstances and ensure that you will be better off by arranging your annuity with another company.



You can see a list of the current best buy annuity tables at: www.brgl.co.uk

How is your health?

Standard annuities assume that you are in good health but if you have below average life expectancy you can apply for an enhanced annuity which will pay a higher income at the outset.



You may qualify for an enhanced annuity if you can answer yes to one of the following questions:

- Do you smoke?
- Are you taking prescription medication?
- Have you been to hospital recently for a medical condition?

The amount of extra income you will get depends on the state of your health but generally a smoker can get an increase of up to 15% more and if you have had a heart attack you might get up to 25% more income.

It is very easy to apply for an enhanced annuity. All you have to do is provide us with details of your health and we will apply on your behalf. There is normally no need for a medical report or for you to visit your doctor.

Annuity options

There are a number of different annuity options to choose from. The most basic annuity stops when you die so there are options where payments can continue after your death. There are also options to increase your payments every year.

The two most important choices are between a single or joint life annuity and between level payments or escalating payments.



Single or joint life

A single life annuity pays a high level of income, but stops when you die. If you are married, or in a civil partnership, you can choose to have a joint life annuity which will continue to your partner if you die first. You can choose how much income your partner will get should you predecease them.

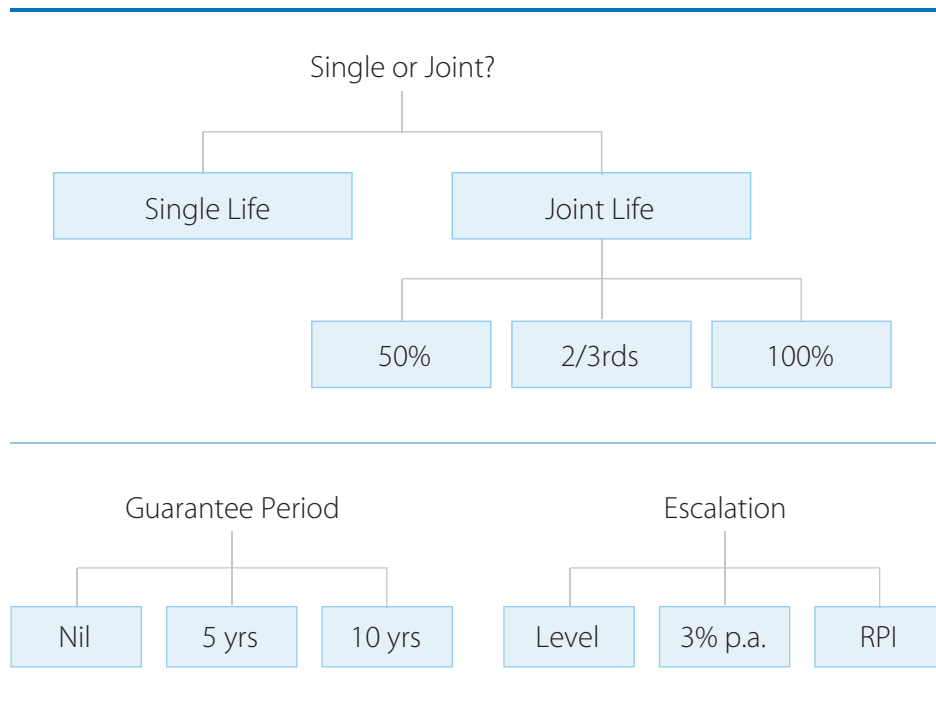
For example if you choose a joint life annuity with 50% dependant's pension your partner will receive 50% of your pension if you die first. Other options include 2/3rds or 100% joint life income.

Level or increasing

The other important decision is between a level annuity which pays the highest income but will not increase in the future or an annuity that pays a lower income but will increase each year in the future.

There are two types of escalating annuities; those that increase with inflation and those that increase by a fixed percentage, e.g. 3% each year. Generally speaking, inflation linked annuities starts 30% – 35% lower than a level annuity and it takes over 10 years, depending on age, to catch up with the level annuity.

Although it is tempting to take the higher income it is important to remember that future inflation will erode the spending power of a level annuity.



Guarantee periods

A guaranteed period ensures annuity payment are paid for a minimum term even if you and your partner die during that period.

If you select a 5 year guarantee (this is the norm) and died after 2 years, your dependants would continue receiving an income for the next 3 years.

If you had chosen a 10 year guarantee, the payments would continue for another 8 years.

Payment frequency

Annuities can be paid monthly, quarterly, half yearly or annually. You can also choose to have payments at the beginning (in advance) or at the end (in arrears) of the payment period.

Most annuities are paid monthly in arrears which means that you get your payment at the end of the month. ❖

Please visit www.brgl.co.uk for more information.

Investment linked Annuities

Although most annuities pay a guaranteed income for life, there are annuities where future income payments will rise or fall depending on future investment returns. These are called investment linked or flexible annuities.

The rationale for investment backed annuities is that an annuity is a long term policy which can often be paid for 20/30 years or more and therefore annuities should be invested with the long term in

mind. Fixed interest funds are long term but over time inflation will reduce the spending power of a fixed income whereas stock market investments have potential for growth which can result in a higher income



to help to offset the effects of inflation. However stock market investments can be risky and volatile and the future income could be less rather than more so these types of annuities are only for those who can take a risk.

Insurance companies such as Prudential and MGM offer investment backed annuities and more details can be found on our website.

Fixed Term annuities are another type of annuity where you are paid a guaranteed income for a fixed period, say 5 or 10 years and at the end of the term you will receive a guaranteed maturity amount which is typically between 80% and 85% of the initial sum invested.

One of the advantages is that if annuity rates increase or your health deteriorates, you may be able to get a higher annuity or enhanced annuity. ❖

Pension Drawdown

Pension Drawdown allows you to make income withdrawals direct from your pension fund instead of buying an annuity.

If you invest in a drawdown plan you will have the flexibility to change your income from year to year subject to a maximum limit. You will also have control over your investments as you can invest in a wide range of assets. For many the main advantage of drawdown is the choice of death benefits including the option for a lump sum death benefit (less 55% tax).

New rules for drawdown came into force on 6th April 2011 formally ending the effective compulsion to buy annuities by

age 75 and created two new types of Drawdown

Flexible Drawdown which means that if you can meet the Minimum Income Requirements (MIR) of £ 20,000 per annum of secured income you will be allowed to take unlimited amounts of income from your pension funds but this will be taxed at your marginal rate.

Capped Drawdown will be available to everybody and allows you to draw an

income from your pension fund for as long as you like with no age restrictions. The maximum income will be 100% of the specially produced rates from the Government Actuaries Department (GAD).

The basic rules for drawdown are simple, but it is a complex option because of the risks. When you buy an annuity you give up control of your pension fund in return for a secure income.

With drawdown you maintain control of the pension fund but your income will not be secure and the amount of your future income will depend on investment returns. ❖

Next Step

Purchasing an annuity or investing in a pension drawdown plan will be one of the most important financial decisions that you will ever have to make so it is important that you speak to a specialist adviser.

If you would like a free annuity/drawdown illustration or to discuss any aspect of your annuity/drawdown options please contact Better Retirement Group.

Please contact us at:

Better Retirement Group

020 7636 7278

www.brgl.co.uk