

# Annuity Purchase

There are various options available at retirement for pension savings, however we often find that our clients favour an annuity purchase. The key attraction of conventional annuity purchase is that it guarantees an income for life, and other features can be built in such as inflationary increases and dependants' pensions.

Despite annuity income often varying between insurers by up to 25%, government statistics suggest that over two-thirds of defined contribution (DC) pension savers accept annuities from their existing pension provider. This represents a significant missed opportunity for maximising the value of accumulated pension savings.

Annuity income differs because insurers specialise in specific areas and will be more competitive to particular groups. Insurers also periodically re-assess their competitiveness in order to increase or reduce market share. An important part of the annuity purchase process is therefore to obtain a wide range of quotes.

Another important factor with annuity purchases is the health and lifestyle of the potential annuitant. Through annuity purchase, access can be obtained to enhanced/impaired life annuity rates for regular smokers or others with certain medical conditions. This can further increase annuity income.



We guide our clients through every step of the annuity process to ensure that the annuity purchase features are suitable and the level of income is competitive.

## CASE STUDY

Our client had accumulated a substantial sum within a personal pension plan. Due to significant additional non-pension wealth, the client instructed us to source the most competitive provider of a single life, non-increasing, lifetime annuity.

The client was previously unaware that DC pension savings from different arrangements could be consolidated, and subsequently requested that we also include AVCs from a defined benefit (DB) pension scheme.

We undertook a market review and recommended the most competitive insurer, who in this case offered approximately 10% higher income than the client's personal pension plan provider.

We arranged for the funds to be transferred and all documentation to be completed within the quotation guarantee date, thereby securing the original rate quoted even though the insurer's annuity rates had worsened in the interim.

### For further information

Or to discuss how we may be able to help you, please contact your usual Barnett Waddingham contact or email:

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