BOOLERS
TECHNICAL UPDATE

Annuity Options
When considering an annuity purchase it is important to understand the different options that can be elected. At their core, annuities are a simple contract, with guaranteed income for life, but as ever there are complications that should not be ignored. This document is designed to give you an introduction to some of these annuity features.

Joint-life annuities
These provide an ongoing income, of up to 100%, to a dependant/spouse/partner following the death of the original annuitant. Any requirement for income to continue after death is likely to reduce the initial income available to the annuitant.

Guaranteed period
A guarantee protects against the early death of an annuitant, with the income continuing to be paid to someone else or their estate following the annuitant's death and for the remainder of the guarantee period. The costs for securing a guarantee, i.e. the reduction on the income available, are normally not too significant.

Value protection
Annuity or capital protection allows a lump sum to be returned to beneficiaries in the event of an early death. This is normally an expensive option, however, and its costs are reflective of the age and health of the annuitant when the policy is established.

Protecting against inflation
Inflationary pressures reduce the value of a pound today over time. Annuity policies can be established to increase in line with inflation, or at a specified set rate. This will again reduce the level of the starting income, however it will help protect against rising costs in the future.

Investment-linked and variable or flexible annuities
If control over the ongoing investments is required these annuities allow for the funds to be actively invested, with income dependent on the success of the underlying investments. Some policies have a guaranteed minimum, however they are complex products with ongoing advice needed.

Fixed term
Fixed term annuities normally provide a guaranteed level of income, like a standard annuity, however they end after the agreed period (normally five or ten years). On maturity they will pay out a capital sum, which is used to purchase a standard annuity or invest into another product. This could be of benefit if the expectation is that annuity rates will rise in the future or if an annuitant's health is likely to decrease in the future, at which point an enhanced annuity would be available.

Boolers provides advice in connection with retirement options and are able to obtain the best rates available across the annuity market.

If you require further information, please contact us:

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This technical document is for illustrative purposes only and should not be construed as advice or guidance. It is based on our understanding of current taxation, law and practice (August 2016), which is subject to change.