

# Retirement Bulletin

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## Annuity rates - a window of opportunity?

There have been 22 rate increases in the last three months (see the main risers overleaf).

We cannot predict whether annuity rates will remain at this level or possibly even improve. The only thing we can be sure of is that annuity rates, although poor, are more attractive than they have been for some time.

### Is a year's delay a financially sound decision?

If you wait a year to buy an annuity you may get a slightly better income because:

- 1: You are older.
- 2: Annuity rates may rise.

However, you will have foregone an entire year's income and it will take several years of higher income to recoup it. Annuity rates can rise or fall in the future and quotations are only guaranteed for a limited time. Once set up, they cannot usually be changed.

If you are ready to retire it might be worth letting us quote you for an annuity now with no obligation – visit [www.hl.co.uk/annuity](http://www.hl.co.uk/annuity) You'll also find our 'cost of delay' calculator which could show you how long it could take to make up any lost income.



## What affects annuity rates? Why have they risen?

Annuity rates are primarily affected by two factors. One is how long you are expected to live (life expectancy). The other is the yield available on fixed interest investments such as gilts.

Gilts (government bonds) are an investment that annuity companies use to ensure a guaranteed income. Gilt yields broadly tend to rise and fall in line with interest rates. If interest rates are low, gilt yields and annuity rates tend to be low.

Gilt yields have risen of late leading to increased annuity rates, as well as an increase in the amount you can take from income drawdown (see below for details). This is despite low interest rates.

See our graph showing annuity rates, drawdown rates and gilt yields overleaf »

Why not get your retirement quote on the latest rates? [www.hl.co.uk/annuity](http://www.hl.co.uk/annuity)

**IMPORTANT NOTES:** Annuity quotes are only guaranteed for a limited time; annuity rates can change regularly and may go up or down in future. An annuity is a long term investment. Once set up, income cannot normally be changed or cancelled so it is important to consider your options carefully. It is important to consider the effects of inflation when setting up an annuity income. Drawdown is a complex product, the income is not secure and your pension remains invested. If the value of the investment falls, your fund value and your income can be reduced, potentially leaving you short of income later in retirement. This bulletin is not advice. If you are unsure of the suitability of any investment please contact us for financial advice. Pension rules are subject to change. Correct as at 17.09.13. May not be reproduced without permission.

## An alternative if you don't need secure income

Please don't forget there is an alternative to an annuity many are choosing today. It is known as income drawdown, but it is higher risk.

It allows you to take up to 25% tax-free cash (as an annuity does) but then draw a variable income directly from the pension fund, within limits. You choose when and how you draw an income and can pause and continue it at will. You control where the pension is invested, and to whom the pension is paid when you die.

If your investments perform well, you can generate a rising income which could help combat inflation and take changing

circumstances into account. However unlike an annuity, the income is not secure. If you withdraw too much income, or if your investments don't perform the way you want, your retirement income could dwindle or even run out.

> To find out more, visit [www.hl.co.uk/drawdown](http://www.hl.co.uk/drawdown)

### Income Drawdown update:

The maximum income you can take from a drawdown plan increased again on 1 September.

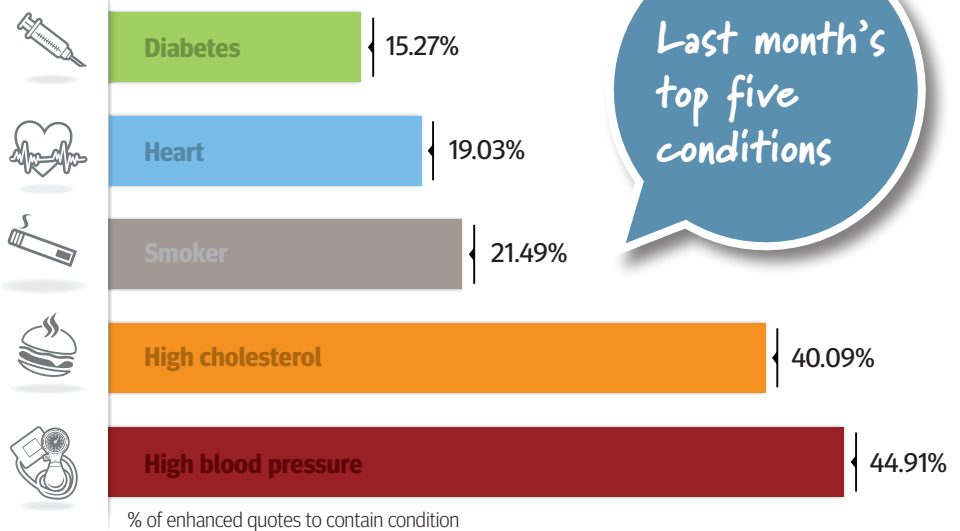
> Get your updated drawdown illustration today: [www.hl.co.uk/drawdown](http://www.hl.co.uk/drawdown)

## How Mrs H from London got 117% more

Adding information about your health and lifestyle can significantly increase your annuity income. Smoking, high blood pressure, cholesterol and more serious conditions can all count. In fact it's estimated up to 70%+ of people at retirement should qualify. The most common conditions our clients used to increase annuity income in August are shown in the graph to the right.

99% of our clients who provided these details increased their income by at least 10%\*. Mrs H, who entered her medical details got 117% more. Find out how much more you could get at [www.hl.co.uk/enhanced-annuities](http://www.hl.co.uk/enhanced-annuities)

\*Source: Based on the difference between the top and bottom client annuity quote using our online enhanced annuity service from 1 – 31 August 2013 (2,700 open market results analysed). Actual enhancements depend on your health, lifestyle, and existing pension provider's quotation. † Source: MGM Advantage



Last month's top five conditions

44.91% of enhanced quotes in August were for high blood pressure: see if you qualify [www.hl.co.uk/enhanced-annuities](http://www.hl.co.uk/enhanced-annuities)

### AT A GLANCE ...

**GENERAL ANNUITY RATES - NOTE, POSTCODE IS AN IMPORTANT FACTOR SO BE SURE TO OBTAIN A QUOTE USING YOURS**

Age	Basic annuity guaranteed for 5 years	With inflation proofing	With 50% spouse's pension
60	£5,544	£2,999	£5,215
65	£6,219	£3,645	£5,710
70	£7,063	£4,526	£6,426

Male and female rates equal. Annuity gross income per annum for £100,000 purchase price, paid monthly in advance and an average rated postcode, for non-smoking healthy individual. Spouse assumed 3 years younger. HL Annuity Calculator 12 September 2013.

**SEPTEMBER INCOME LIMITS FOR INCOME DRAWDOWN**

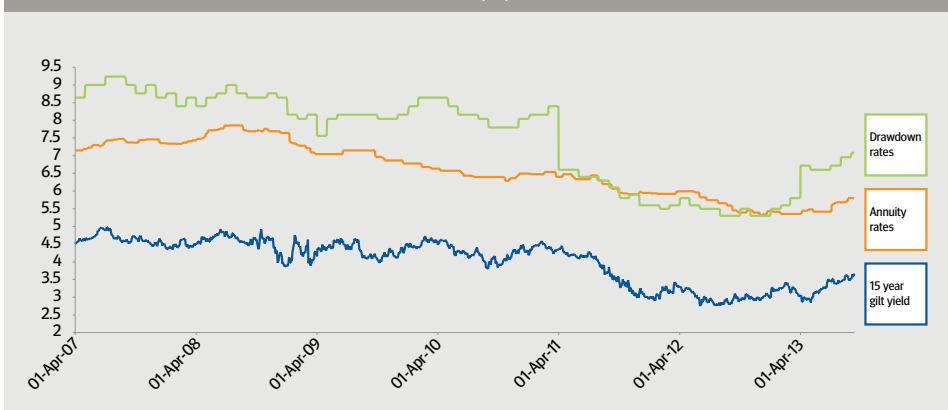
Age	Maximum capped drawdown	Minimum	Flexible drawdown
60	£6,360	Nil	Unlimited
65	£7,080	Nil	Unlimited
70	£8,280	Nil	Unlimited

Male and female rates equal and based on £100,000 fund. Alternatively, to qualify for flexible drawdown you must meet certain criteria which include already being in receipt of a secure pension income of £20,000 p.a. minimum.

**ANNUITY RATE MOVEMENTS - THE FOLLOWING PROVIDERS HAD RATE CHANGES IN THE LAST THREE MONTHS**

Provider	Date of change	Change
AVIVA	12/09/2013	MIXED
	27/08/2013	MIXED
Canada Life	12/09/2013	↑
	22/08/2013	↑
	15/08/2013	↑
HEDGE LIFETIME	23/07/2013	↑
	12/07/2013	↑
	04/07/2013	↑
just retirement	29/08/2013	↓
	27/07/2013	↑
	17/07/2013	MIXED
LIFE	12/09/2013	MIXED
	18/07/2013	↓
Legal & General	10/09/2013	↑
	22/08/2013	↑
	21/08/2013	↑
mgmadvantage	27/08/2013	↑
	04/07/2013	↑
PRUDENTIAL	20/08/2013	↑
	06/07/2013	↓
Standard Life	11/09/2013	↑
	29/08/2013	↑
	17/07/2013	↑

### HARGREAVES LANSDOWN RETIREMENT INDEX (%)



This graph shows the best annuity rate on our panel at the time of quoting. It is a general guide to the rates available for just one type of annuity and should not be used as a guide to future rates. Source: Markit IBoxx Benchmark Indices 15 yrs + and HL Annuity Calculator. £100,000 purchase price, single life, paid monthly in advance, for a non-smoking healthy individual. Annuity and drawdown rates are for a 65-year-old. Rates are for a male up to December 2012 and unisex thereafter.