

## Is your retirement future-proofed?

Your retirement could last 20 years. A 65-year old man retiring today has a life expectancy of 86.4 years. For a woman, this rises to 89.1 years.

### A LOT CAN HAPPEN IN THE SPACE OF 20 YEARS

Remember the 90s? A pint of milk in 1992 would have cost 34p; but today you'd only get a penny change from 50p. This 44% price hike is inflation for you. When choosing your retirement income it is essential to consider how to protect your pension from inflation over the longer term.

### A COMMON TRAP

The majority of retirees still choose a non-increasing (level) annuity. This has advantages in that the income is initially higher and is guaranteed not to fall. However, if prices rise (which they tend to!), the real value of your income will fall.

In January 2013 inflation, as measured by the Retail Prices Index (RPI), rose to 3.3%. This is relatively low, historically, yet it would halve the real value of your retirement income in 21 years, as the graph shows.

### WHAT CAN YOU DO?

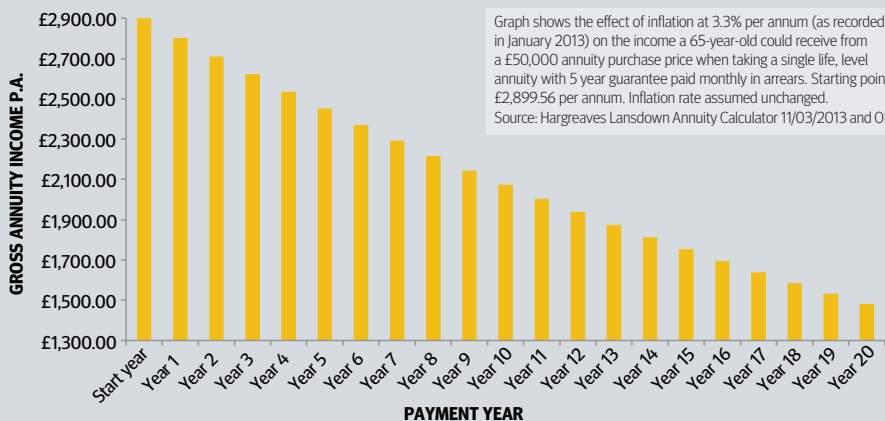
If you're worried about the effect of inflation, an annuity which increases may be the solution. The starting income will be lower than a non-increasing annuity.

- Compare inflation-proofed and non-increasing annuities by visiting our annuity calculator at [www.hl.co.uk/annuity](http://www.hl.co.uk/annuity) or call 0117 980 9940

### IS THERE AN ALTERNATIVE SOLUTION?

If you don't need a secure income, then you may be able to provide inflation proofing potential by considering income drawdown, the main alternative to an annuity. This allows you to draw income directly from your pension whilst the funds remain

### THE EFFECT OF INFLATION



Graph shows the effect of inflation at 3.3% per annum (as recorded in January 2013) on the income a 65-year-old could receive from a £50,000 annuity purchase price when taking a single life, level annuity with 5 year guarantee paid monthly in arrears. Starting point £2,899.56 per annum. Inflation rate assumed unchanged. Source: Hargreaves Lansdown Annuity Calculator 11/03/2013 and ONS.

invested. It gives the potential for your fund value to keep up with inflation; and ultimately you stay in control of your pension.

There are big risks that come with this. In adverse market conditions or where withdrawals exceed investment growth, your fund will be depleted and income will drop.

- Request a drawdown illustration to see how this works in practice by calling our retirement experts on 0117 980 9940 or visiting [www.hl.co.uk](http://www.hl.co.uk)

As the income is not guaranteed, income drawdown is not suitable for everyone. If you are at all unsure of the suitability of drawdown we strongly suggest you seek advice.

### MIX AND MATCH

You don't have to choose only one retirement option and could mix and match to meet your requirements; selecting an annuity for basic income requirements and income drawdown for the rest of your pension.

## GOOD NEWS FOR DRAWDOWN

### NEWSFLASH

#### HAVE A DRAWDOWN PLAN?

HMRC confirmed this week their intention to relax rules which prematurely reduce maximum income limits on transferring.

#### INCREASED LIMITS EXPECTED:

Maximum income limits look set to increase by 20%.

We anticipate confirmation of this in the March 2013 Budget. Watch out for the next issue of the Retirement Bulletin which will be a **DRAWDOWN SPECIAL** containing details on these new income drawdown rules.

**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 11.03.13. May not be reproduced without permission.

# IN FOCUS: DIABETES COULD BOOST YOUR INCOME

In the UK, diabetes affects approximately 2.9 million people. There are thought to be around 850,000 people with undiagnosed diabetes.

Diabetes is a lifelong condition that causes a person's blood sugar level to become too high. It is also one of the conditions that may qualify you for an enhanced annuity income. Your GP can discuss the symptoms with you and arrange a test.

### To get the best rate, be sure to declare the:

- Type (Type 1 or Type 2)
- Date of diagnosis
- How you control your diabetes
- If known, your last HbA1C reading
- Number and names of any prescribed medication you take



To find out more visit our enhanced annuity webpage [www.hl.co.uk/annuity](http://www.hl.co.uk/annuity) and check if you qualify.

## CLIENT COMMENT

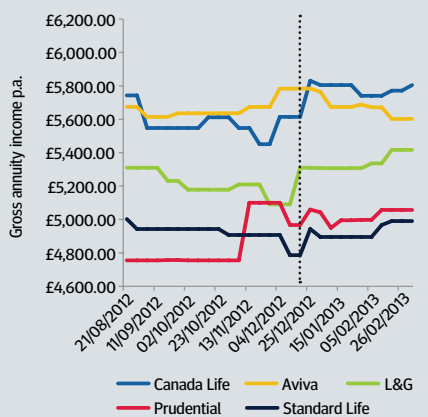
### 60% pay rise by shopping around for an enhanced annuity

"You handled my request very professionally and found me a provider who came up with 60% more annuity than my own provider due to my type 2 diabetes. This has made a big difference to my lifestyle and all I did was sign the form." **Mr Lloyd, Suffolk**

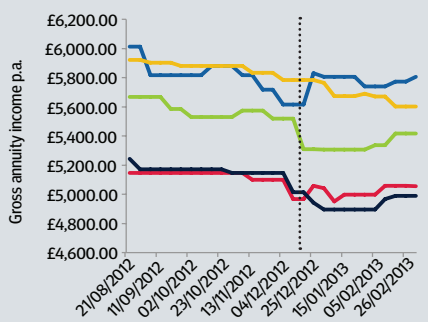
**48%**  
Of our clients obtained enhanced annuities last year by declaring their health or smoker status.  
Source: Hargreaves Lansdown completed annuity business 2012

## AT A GLANCE...

### FEMALE ANNUITY RATE TREND



### MALE ANNUITY RATE TREND



These graphs show historical trends, since 21 December 2012 male and female rates have equalised (dotted line). Source: HL Annuity Calculator. Rates for a 65 year old based on £100,000 purchase price; annuity is single life, non-increasing with a 5 year guarantee, paid monthly in advance. Based on an average rated postcode, for non-smoking healthy individual.

### MARCH INCOME LIMITS FOR INCOME DRAWDOWN - SET TO RISE END OF MARCH ACCORDING TO DRAFT LEGISLATION

Age	Maximum capped drawdown	Minimum	Flexible drawdown
60	£5,100	Nil	Unlimited
65	£5,800	Nil	Unlimited
70	£6,700	Nil	Unlimited

Male and female rates equal and based on £100,000 fund. 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.

### 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	£5,030	£2,780	£4,671
65	£5,805	£3,515	£5,246
70	£6,732	£4,432	£6,032

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 11 March 2013.

### ANNUITY RATE MOVEMENTS - THE FOLLOWING PROVIDERS HAD RATE CHANGES IN THE LAST FOUR WEEKS

Provider	Date of change	Change
PRUDENTIAL	13/02/2013	MIXED
just retirement	13/02/2013	↑
	18/02/2013	↑
Canada Life	15/02/2013	↑
	06/03/2013	↑
mgm advantage	16/02/2013	↑
	02/03/2013	↑
AVIVA	21/02/2013	MIXED
Legal & General	21/02/2013	↑
LIVE	27/02/2013	↑

## NEXT ISSUE

Drawdown Special containing new income drawdown rules:

- Maximum income limits set to increase
- Transfer rules expected to relax
- The latest 'At a glance' figures
- Announcements from the Budget