

Buying an annuity

Why shopping around for an annuity could increase your income

Thousands of people should end up with bigger pensions as new rules will force insurers to inform customers about better annuity options. The Association of British Insurers' (ABI) new code of conduct forces insurers to give more information about how consumers can 'shop around' for a better deal, while ensuring that those with health problems receive a higher income as a result.

Buying the wrong type of annuity

Currently, according to the ABI, more than half of all investors who buy an annuity – which pays a fixed income for life – simply buy the default annuity deal from their current pension provider. As a result many end up buying the wrong type of annuity or effectively locking into an uncompetitive pension deal for the rest of their lives. Shopping around for the best annuity deal could increase the size of a pension by over a third. A recent report from the National Association of Pension Funds claimed that this was costing pensioners more than £1bn in lost retirement income.

Benefits of shopping around

The new rules stop insurers from including an application form in the information pack sent to customers approaching retirement, making it less likely that people will simply buy the first annuity they see. These 'retirement packs' have been redesigned to place greater emphasis on the benefits of shopping around.

Crucially, where insurers are selling an annuity to one of their existing customers, they will be required to ask about their circumstances and medical conditions before providing a quote.

If you are approaching retirement it is essential that you receive the best possible advice when buying an annuity. To get the most out of your pension savings fund you should be confident that you are making the right decisions about your retirement income. To discuss how we could help you, please contact us for further information.

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