

Annuity or Drawdown What's best for you?

Your guide to making an informed choice.



An essential guide for anyone wanting to compare their retirement income planning options

A report prepared for Mr Example

by

financial services
moneyminder

Contents

1. Introduction

We introduce your report by ensuring that the data we have collected about you is correct. It is important that you check over this data to ensure it is accurate.

2. Scope of Service

The Scope of Service sets out the objectives for this report and what we hope the report will enable you to do.

It also explains what this report is not able to do!

3. Your Retirement Options

This sections sets out in a table the pros and cons of each of the two main retirement income options (Annuity or Flexi Access Drawdown). In addition we have provided some information about a number of other considerations you should make when deciding which option, if any, is right for you.

4. Flexi-Access Drawdown Investment Strategy

When Flexi-Access Drawdown is used an appropriate investment strategy is required to help to ensure that you won't run out of money before you run out of life! This part of the report highlights some of the issues you should consider when deciding what investment strategy you should use and some of the potential pitfalls of using the wrong strategy.

5. Your Annuity Options

You have worked through various options on our website; this section collates some of the options you selected.

6. Your Selected Flexi-Access Drawdown Income

This shows, in numerical and graphical format, the effect of your selected level of income on the underlying investment fund to enable you to estimate when your pension fund might run out of money based on different investments returns. It also shows you the long term effect of inflation and how it might reduce the spending power of your income over time.

7. Next Steps

If you wish to take action as a result of this report, this section explains how you are able to do this and different methods available to you.

Appendices

We are conscious that this report contains a lot of information, so we have tried to present this to you in an easy to understand way. There are, however, some aspects of retirement planning and the different products and strategies used that require further explanation.

The Appendices provide some additional information about some of the other options you could consider as opposed to buying an annuity or using drawdown.

1. Introduction

You have worked through various options on our website; this section collates some of the options you selected.

If you find that any data is incorrect you should revisit the website and re-enter the correct information. You will then be able to produce an amended report.

The report has two objectives:

- To provide you with information to allow you to make an informed decision about the different options available to you.
- To provide you with a documented illustration of the possible income options based on the choices you made on the website.

Personal details

Name	Mr Example	Client Reference	1JCFGTFFAK66
Sex	Male	Date of Birth	01/01/1957
Postcode	AB11 0BA	Relationship Status	Married
Partner's Name	Mrs Example		
Partner's Sex	Female	Partner's Date of Birth	01/07/1960
Partner's Postcode	AB11 0BA		

Health details

Do you smoke?	No	Do you have any health or medical issues?	No
Does your partner smoke?	No	Does your partner have any health or medical issues?	No

Your fund value

This breakdown is based on the information you have provided to us and is subject to change.

Pension Fund	£174,000.33
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2. Scope of Service

This report is designed to help you to better understand the differences between annuity purchase and flexi access drawdown. If you decide that flexi access drawdown is your preferred option, it will also help you to estimate how long your pension fund might last before it runs out based on the amount of income you would like to take.

This report is NOT about encouraging you to spend your entire pension pot. It is about making sure you use your retirement savings in a tax efficient manner whilst providing you with financial security for the rest of your life which could last 30 to 40 years. It will also help you to ensure that there is some of the pension fund left to pass your money onto your family.

To try and make your money last longer a sound retirement income planning strategy is needed. Keeping your pension fund invested in retirement involves some risk to the capital and your future income. If you don't want to put the capital and your future income at risk you should probably buy an annuity.

What this report will not do

Although this report aims to give you enough information to enable you to make an informed decision, it is just as important that you are aware of what this report does not do and will not provide you with. The following are those exclusions.

A Personal Recommendation

This report provides information only based on data you have entered. The output does not in any way constitute a personal recommendation or financial advice. Any decisions you make as a result of reading this report and the information contained within it will be solely your responsibility. You must therefore think very carefully before making any decision.

Lead you in a certain way

This report aims to compare the two basic income methods at retirement, Annuity and Flexi-Access Drawdown, the different ways in which each product operates, the different ways in which the income is produced and the advantages and disadvantages of each. It does not aim to lead you in any particular direction.

Make you think that annuity or drawdown is the best option

For some people an Annuity is likely to be the most appropriate option and similarly for other people Flexi-Access Drawdown is most likely to be the most appropriate choice. This report strives to give the information you require in a balanced way, to help you to make the choice that will be most appropriate for you.

Disclaimers

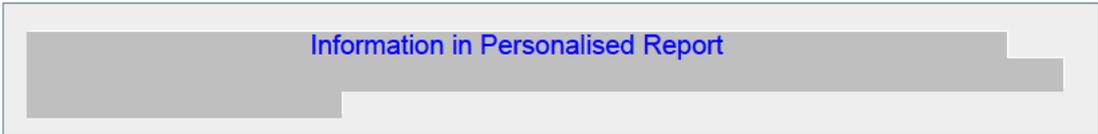
Please read this section carefully before considering the rest of this report.

- **This report does not provide you with a personal recommendation and no liability can be placed on Money Minder for the accuracy of the contents or any responsibility for actions taken as a result of its contents.**
- **The value of any investment can go down as well as up. There will be times when it may be possible that the value of your investment could be worth less than you originally invested.**
- **If you choose the flexi access drawdown route, it is possible that you could erode all your capital before reaching the end of your life. You should consider what you would do in this instance before making your decision.**

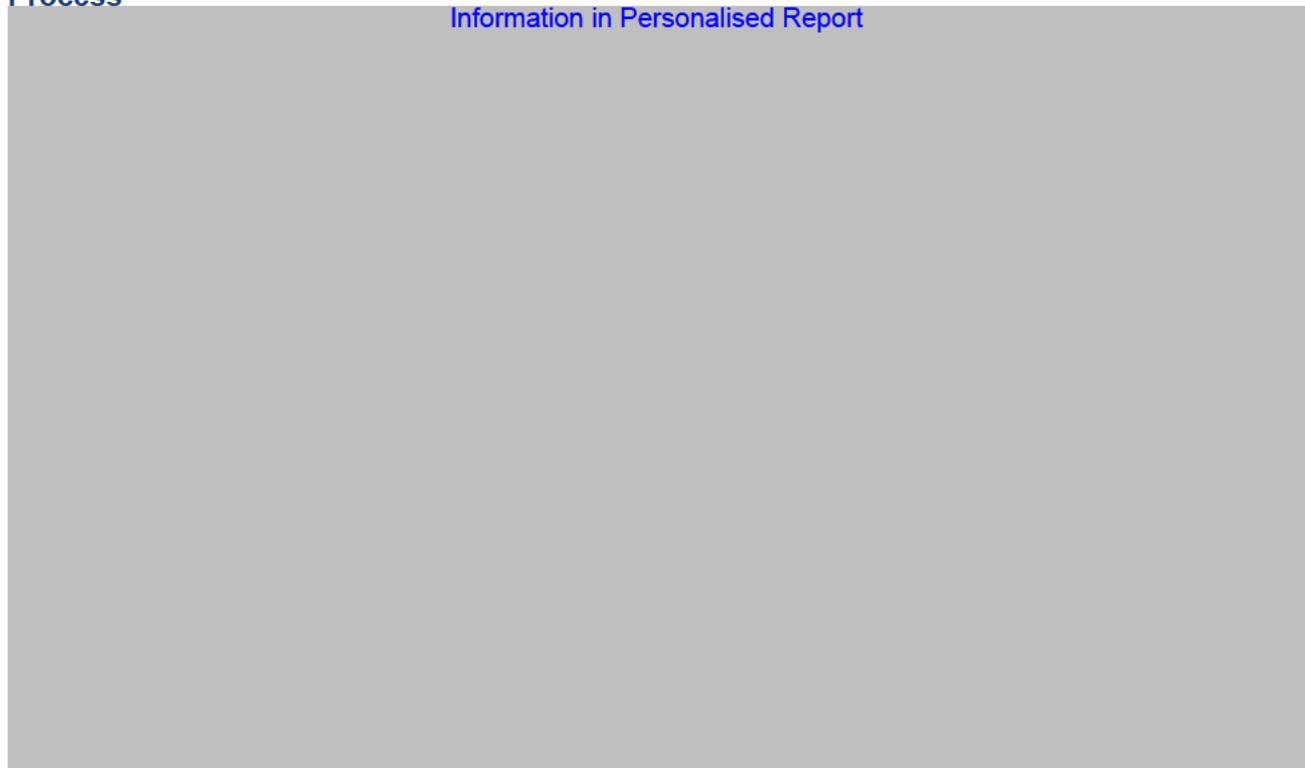
3. Your Retirement Options

This section of the report sets out various options which are available to you when you consider the way in which your retirement plan will provide you with income. This is important because the choices you make at this stage may not be able to be changed easily, or at all, at a later date.

In technical terms when you decide to use your pension fund to provide you with retirement income, even if this means simply taking the tax free cash lump sum, you move from your fund being Uncrystallised to Crystallised.

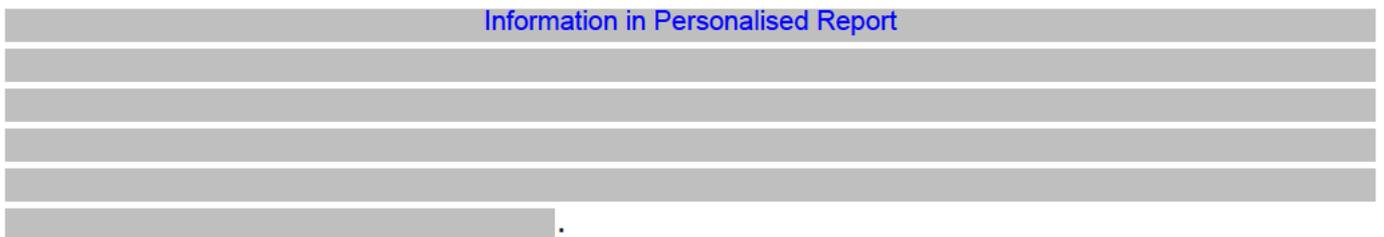


Process



Lump sum or not lump sum

The first consideration when you decide you want to take some of your pension fund is whether you wish to take a proportion of the pension fund as a tax free cash lump sum (Pension Commencement Lump Sum (PCLS)).



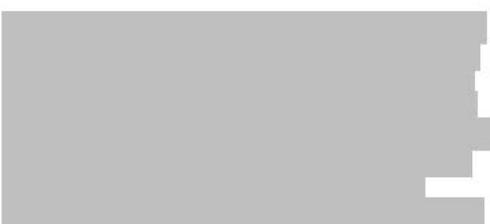
Annuity vs Flexi-Access Drawdown

In broad terms there are two ways in which you can start to receive an income from your remaining pension fund. These are:

- Buy an Annuity
- Flexi-Access Drawdown

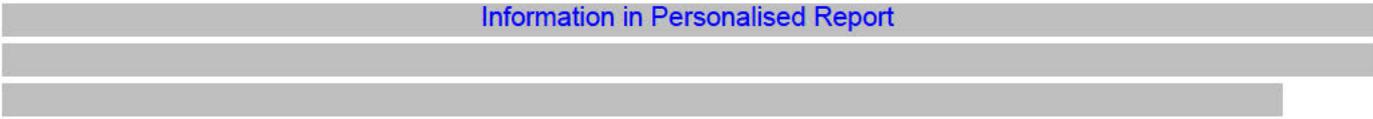
There are differences between the two and advantages and disadvantages to both. In order to help your understanding, we have set out what we believe are the main advantages and disadvantages in the table below.

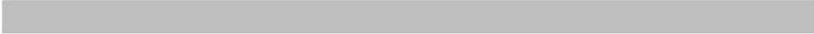
A Conventional Guaranteed Annuity	Flexi-Access Drawdown
Annuity Advantages	Drawdown Advantages
<p>Information in Personalised Report</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>

A Conventional Guaranteed Annuity	Flexi-Access Drawdown
Annuity Tax	Drawdown Tax
Information in Personalised Report 	
Annuity Observations	Drawdown Observations
Information in Personalised Report   	  

Annuity vs Flexi-Access Drawdown

One of the options introduced by the new pension rules of April 2015 is the creation of the Uncrystallised Funds Pension Lump Sum (UFPLS). This option is essentially very similar to Flexi Access Drawdown but without the restrictions on the amount of the fund you can take as an income. It is most likely to be used by those people who wish to use their pension fund to provide them with an individual lump sum of cash from time to time.

[Information in Personalised Report](#)




Inflation and Income in Retirement

The income you receive from your pension fund, whether it is from an Annuity or Flexi-Access Drawdown, may have to last for 20 years or more. Over time, the cost of living (the price of everyday goods) naturally goes up - this is inflation - and one consideration when selecting the level of income you take in retirement is whether to include any sort of provision for the increase in cost of living.

[Information in Personalised Report](#)

For more information see Appendix 1 - Inflation and Income in Retirement

Is my Income Guaranteed in Retirement?

This depends on the type of guarantee you are looking for!

[Information in Personalised Report](#)

For more information see Appendix 2 - Is my income guaranteed in retirement?

Enhanced Annuities

As people get older invariably their health deteriorates. For some people this is earlier than others.

The level of income provided by an annuity will take into consideration an individual's age and health (as well as the options they chose) when determining the level of income they are prepared to provide in exchange for the remaining pension fund.

[Information in Personalised Report](#)

For more information see Appendix 3 - Enhanced Annuities

Risks - Annuities vs Flexi-Access Drawdown

It is well-known that there is a relationship between risk and reward; the more risk you take the greater the potential reward but also the greater the level of risk. The same is true of the difference between Annuities and Flexi-Access Drawdown.

Information in Personalised Report

[Redacted content]

For more information see Appendix 4 - Risks Annuities vs Flexi-Access Drawdown

What happens to the remaining fund once I have selected which option is best for me?

Annuity	Flexi-Access Drawdown
Information in Personalised Report [Redacted content]	[Redacted content]

Alternative Annuity Options

There are additional annuity options available which are beyond the scope of this report however you should be aware of them. They are:

- Investment Linked Annuities
- Fixed Term annuities

Information in Personalised Report

[Redacted content]

For more information see Appendix 5 - Alternative Annuity Options

What happens if you die

[Information in Personalised Report](#)

Value Protection

[Information in Personalised Report](#)

4. Flexi-Access Drawdown Investment Strategy

Information in Personalised Report

Potential investment strategies

Information in Personalised Report

5. Your Annuity Options

As part of your retirement income planning preparation, it is important to understand what level of guaranteed income might be payable to you if you were to choose to give up the capital held in your pension fund in exchange for a life long annual income.

Below are indicative figures based on the information you have provided to us. As you will see, the more guaranteed and 'protection for inflation' you want to build into your annuity income, the lower the annual income payable becomes.

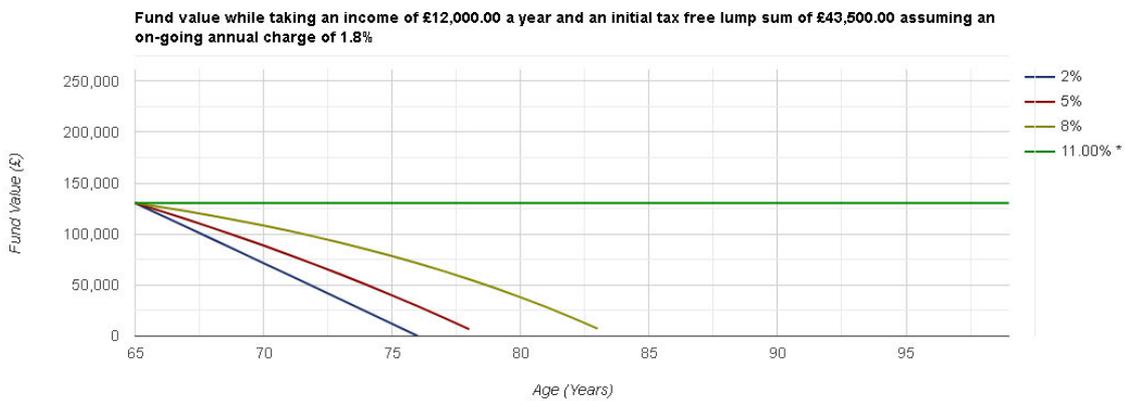
Escalation Type	Guarantee Period	0% Spouse Pension	50% Spouse Pension	66% Spouse Pension	100% Spouse Pension
None	None	£6,516.48	£5,592.60	£5,405.64	£5,046.96
None	5 Years	£6,501.84	£5,583.96	£5,400.12	£5,046.96
None	10 Years	£6,242.64	£5,553.12	£5,379.72	£5,044.92
3%	None	£4,379.04	£3,448.80	£3,290.64	£2,998.56
3%	5 Years	£4,371.84	£3,445.08	£3,288.24	£2,998.44
3%	10 Years	£4,052.40	£3,436.56	£3,282.72	£2,997.72
LPI	None	£3,411.48	£2,907.72	£2,769.48	£2,515.44
LPI	5 Years	£3,409.92	£2,907.12	£2,769.12	£2,515.44
LPI	10 Years	£3,402.24	£2,903.88	£2,767.20	£2,515.44
RPI	None	£3,378.60	£2,807.52	£2,671.32	£2,421.72
RPI	5 Years	£3,370.80	£2,807.04	£2,670.96	£2,421.72
RPI	10 Years	£3,341.28	£2,804.04	£2,669.16	£2,421.72
5%	None	£2,983.68	£2,441.04	£2,306.52	£2,064.72
5%	5 Years	£2,978.52	£2,440.56	£2,306.28	£2,064.72
5%	10 Years	£2,954.16	£2,438.28	£2,304.84	£2,064.72

6. Your Selected Flexi-Access Drawdown Income

Based on the information you have provided and the selected level of income you would like to be able to draw out of your flexible access drawdown pension, the chart below helps you to understand what level of investment return would be required to maintain the fund value of your pension right through retirement.

[Information in Personalised Report](#)

How long might your Income last



* Gross investment return required to maintain the starting value of your pension fund.

[Information in Personalised Report](#)

Your income vs inflation

Effects of Inflation on £12,000.00 in real money terms

Information in Personalised Report

Information in Personalised Report

Over time, the cost of living increases. If the income you receive in retirement does not go up, in real terms you'll have less to spend on day to day living costs in later years. The first 5 to 10 years of your retirement are likely to be quite expensive because hopefully you'll be fit enough to enjoy the extra time that you now have on your hands and will want to do things that you previously had no time to do because of work commitments.

Information in Personalised Report

For more information see Appendix 1 - Inflation and income in Retirement

7. Next Steps

Having spent time working through the various options on the website and then having spent further time reading and understanding the information presented to you in this report, you may now wish to go even further and use your pension fund to either purchase an Annuity or move into Flexi-Access Drawdown.

From this report you can do this in two ways:

- Get personalised financial advice
- Do it Yourself

Get Personalised Financial Advice

[Information in Personalised Report](#)

Do it yourself

[Information in Personalised Report](#)

Pension Risk Warnings - Overview

When considering starting to use your pension savings to provide you with lump sum, or an income or both it is important that you consider the implications of this course of action and the effect it could have on your current and future situation.

Information in Personalised Report

[Redacted]

- [Redacted]
- [Redacted]
- [Redacted]

Existing Pension Plan

Information in Personalised Report

[Redacted]

Information in Personalised Report

Purchasing an annuity

Shopping around

Information in Personalised Report

[Redacted]

State of health

Information in Personalised Report

[Redacted]

Information in Personalised Report

Family

Information in Personalised Report

Inflation

Information in Personalised Report

Future income choices

Sustainability of income in retirement

Information in Personalised Report

Information in Personalised Report

Means-tested benefits

Information in Personalised Report

Information in Personalised Report

Information in Personalised Report

Tax implications

Information in Personalised Report

Information in Personalised Report

Charges

Information in Personalised Report

Information in Personalised Report

Information in Personalised Report

Debt

Information in Personalised Report

Information in Personalised Report

Investment scams

When you start to use your pension savings, particularly within a drawdown product, your pension funds will need to remain invested. There have been cases recently where some of the investments within some pension plans have not performed in the way that consumers were led to believe and they have lost money.

Information in Personalised Report

Appendix 1 - Inflation and income in Retirement

Over time, the cost of living increases. If the income you receive in retirement does not go up, in real terms you'll have less to spend on day to day living costs in later years. The first 5 to 10 years of your retirement are likely to be quite expensive because hopefully you'll be fit enough to enjoy the extra time that you now have on your hands and will want to do things that you previously had no time to do because of work commitments.

To maintain your standard of living right through retirement, (which for many people could be over 20 years or more) you need your income to keep up with inflation.

[Information in Personalised Report](#)

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Appendix 2 - Is my income Guaranteed in Retirement?

Information in Personalised Report

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As a rule of thumb, guarantee periods could be a good idea for people that:

- Information in Personalised Report
- [Redacted content]

Appendix 3 - Enhanced Annuities

Information in Personalised Report

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- [Redacted list item]
- [Redacted list item]

Tax

Information in Personalised Report

Investment risk

Information in Personalised Report

Death Benefits

Information in Personalised Report

Appendix 5 - Alternative Annuity Based Options

There are additional annuity options available which are not considered in this report; however, you should be aware of them. Should you wish to investigate these options further, individual advice is required. The two annuity options explained are:

- Investment Linked Annuities
- Fixed Term annuities

Investment linked annuities

[Information in Personalised Report](#)

[Redacted content]

Types of investment-linked annuity

[Information in Personalised Report](#)

[Redacted content]

As a rule of thumb, an investment based annuity might be good for someone who;

- [Information in Personalised Report](#)
- [Redacted content]

Information in Personalised Report

Fixed term annuities & 3rd way annuities

'Fixed term' and '3rd way' annuities effectively aim to combine both a standard conventional annuity with drawdown.

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- [Redacted text]
- [Redacted text]

[Redacted text block]

Health and long life?

Information in Personalised Report

[Redacted text block]

[Redacted text block]

[Redacted text block]

Investment Risk

Information in Personalised Report

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Information in Personalised Report

As a rule of thumb, a fixed term annuity might be good for someone who;

- Information in Personalised Report

Information in Personalised Report

Appendix 6 - Frequently Asked Questions

Increasing Income FAQs

- If I choose a set rate of increase with my annuity am I locked into it if inflation jumps sharply?

[Information in Personalised Report](#)

- I need inflation protection but can't live on the lower payments from an increasing annuity in the early years - what should I do?

[Information in Personalised Report](#)

- How much lower is the starting income from an increasing annuity compared with a fixed income annuity - and when does it catch up?

[Information in Personalised Report](#)

Joint Annuities FAQs

- How can I provide for a dependent who doesn't qualify for a joint annuity?

[Information in Personalised Report](#)

- I want to provide for my partner but can't afford to live off the lower income from a joint annuity - are there any other options?

[Information in Personalised Report](#)

- How long will a joint annuity pay out to my dependent child?

[Information in Personalised Report](#)

Guarantee Period FAQs

- [Information in Personalised Report](#)
[Redacted]
- [Redacted]