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Are annuities included in your retirement income plans?

Ensuring financial stability in your golden years

An annuity converts pension savings into a regular income, providing financial stability in retirement. Annuities deliver guaranteed income, ensuring that retirees do not outlive their savings. Unlike drawdown pensions, which depend on market performance, annuities offer peace of mind through predictable payments.

But should annuities be included in your retirement income strategy? The answer depends on your circumstances, health and financial goals. To assist you in deciding, here is an overview of some key aspects to contemplate when considering annuities as a part of your retirement plan.

ENHANCED LIFE ANNUITIES FOR INCREASED PAYOUTS

One lesser-known reason for annuities is their potential for enhanced rates for individuals with specific health conditions. Common conditions such as diabetes, heart disease or a history of smoking may qualify you for an enhanced or impaired life annuity. Insurers calculate life expectancy when determining rates, meaning those with lower expected longevity might benefit from increased payouts.

If you have any underlying conditions, it's worth considering enhanced annuities for retirees facing health challenges. Medical evidence could help you maximise your retirement income, and we can assist you by comparing quotes from various providers.

FIXED-TERM AND TEMPORARY ANNUITIES

If committing to a lifetime annuity feels like a step too far, fixed-term annuities may offer an alternative. These products guarantee income for a specific number of years, such as five or ten, providing retirees with greater flexibility while still enjoying consistent payments.

Temporary annuities can be a valuable tool for certain situations, such as bridging the financial gap before reaching State Pension age. They are also beneficial if you wish to wait for improved financial markets or are postponing long-term financial decisions until later in retirement.

PHASED PURCHASING OF YOUR PENSION POT

Not all of your retirement funds need to be locked into an annuity at once. Phased purchasing enables you to convert part of your pension pot into an annuity while leaving the rest invested. This method can balance guaranteed income with the potential for market growth over time.

Additionally, delaying the purchase of annuities for a portion of your savings may enhance your income later on. Annuity rates typically rise with age due to reduced life expectancy and potentially the onset of health issues. However, bear in mind that market performance can fluctuate and there is always a risk of your remaining savings diminishing.

CONSIDERATIONS FOR FINANCIAL PLANNING ACTIONS

When it comes to annuities, careful financial planning is essential.

Here are some steps to assist you in making your decision:

- Evaluate the market: Annuity rates can differ considerably, so it's wise to compare options to secure the right deal.
- Assess health-related benefits: If applicable, an enhanced annuity could significantly boost your income.
- Decide between fixed-term and lifetime options: Flexible solutions, such as temporary annuities, may be beneficial if you're unsure about long-term commitments.
- Compare providers: The 'open market option' enables you to obtain quotes from various providers instead of remaining with your pension company, which may enhance your income.
- Seek professional advice: Annuity decisions are often irreversible, making expert guidance essential for navigating the complexities of retirement planning. ■

SPEAK WITH US TO SECURE YOUR RETIREMENT FUTURE

Planning for retirement involves numerous choices, and selecting the right annuity can greatly influence your financial security. Whether you're considering an enhanced, fixed-term or phased annuity approach, obtaining tailored advice is essential for making informed decisions.

Contact us today to discuss your retirement income options. Our experts are prepared to provide personalised guidance tailored to your unique needs and circumstances. Don't wait – take this step towards a more secure and confident retirement.