Fixed Term Retirement Plan and Pension Annuity

Case Study

Keeping future options open

Susan, 62, retired

Susan would like:

- To make the most of her early years in retirement with holidays, regular trips to the theatre and meals out with friends
- A regular monthly income over a fixed term
- Flexibility to reassess her retirement income plan once her State Pension begins at age 66

Susan, 62, has recently retired; she isn't married and doesn't have any children. Susan owns her own home and a flat which she rents out, providing her with a monthly income of £1,100. Susan also has a pension pot of £90,000. Recently, Susan has been considering a Pension Annuity, however she is concerned that interest rates could rise over the next couple of years and thinks that she may get a better annuity rate at a later stage. Instead, she would prefer to defer making the decision for a few years.

Susan has a busy social life; she volunteers for a local charity and enjoys spending time with her friends and family. During her retirement, Susan wants to have holidays abroad, regular trips to the theatre and meals out with friends.

Suggested action

Susan could use her £90,000 pension pot to take out a **Fixed Term Retirement Plan** to **top up her monthly income** for **four years**, until she can draw her State Pension.

Based on Susan's circumstances, her financial adviser recommends that she would need an extra £9,000 over four years until she begins receiving her State Pension.

Using Susan's £90,000 pension pot, her financial adviser recommends a Fixed Term Retirement Plan as it can provide her with a regular monthly income over four years. As the plan approaches maturity, Susan is diagnosed with diabetes; her financial adviser suggests she could consider a Pension Annuity, as she would now be eligible for an enhanced rate due to her health condition.

take 25% tax-free cash

£22,500

place

£67,500

in a Fixed Term Retirement Plan for four years

income of

£9,000

per year for four years and a

£40,397

guaranteed maturity value

Year four

by placing her maturity value of

£40,397

into a **Pension Annuity**, Susan could receive

£2,570

per year for life.

This annuity has a guaranteed minimum payment period of 5 years.

Please note this example is not real, it is for illustration purposes only. Correct at the market condition of 08/8/2023.

Benefits for Susan

- Susan has the security of knowing that she will receive £9,000 every year for four years.
- Alongside her other income, Susan can afford to plan holidays abroad, trips to the theatre and meals out with friends.
- She knows that she will receive a guaranteed maturity value of £40,397 from the outset.
- She can still purchase a Pension Annuity, alongside or after the term of the Fixed Term Retirement Plan.
- Flexibility to assess her options at maturity and adapt her retirement plan if required, to suit her needs at that time.
- Susan has the ability to take a maximum of three withdrawals and cash if her circumstances change before the end of the term. The withdrawals must be a minimum of £5,000.

Risks

Susan's financial adviser also tells ~~him~~ about the risks involved with the product:

- Once the term of Susan's plan comes to an end and she is paid the maturity value, set at outset, she will receive no more income.
- The Fixed Term Retirement Plan does not pay income for life. If Susan uses the maturity value to provide her with further income, the value may not be enough to provide the same level of income that she was receiving during the plan term.
- Annuity rates can go up and down depending on investment conditions at the time Susan buys. Susan could find the income we quote her may be higher or lower if she waits for a change in investment market conditions.
- Depending on the annuity payment options Susan chooses, she could find the effect of inflation over time leaves her less well off than she'd expected.
- We may request a report from Susan's doctor after her annuity income starts to check any medical or lifestyle information she has given us. If we find the information provided by Susan's doctor does not support the medical or lifestyle information she has given us and the annuity income we're paying her is too high, we may reduce what we are paying her. Susan's income will not reduce any lower than our standard annuity rate. We will also take back any overpayments from Susan.

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