

Buying an annuity

What do the added benefits cost?

August 2023

This guide is intended for use by financial advisers with their clients.



The Standard Life Pension Annuity (SLPA) can be shaped at the outset to suit your specific needs. You can choose added options to support your individual requirements .

Escalation

Increases in the cost of living can take their toll on your income. Even if inflation is low (currently the government's target rate is 2%) this can have a big impact on your purchasing power. With many people now living longer after retirement, the real value of income can be seriously reduced – imagine if you are 65 now and live to 85 – could you go 20 years without a pay rise?

An income which increases by a fixed percentage each year, or follows the Retail Prices Index (RPI), can help you maintain your purchasing power. With escalation, the initial income will be significantly lower than without, however over time you could get significantly more income each year.

Purchase price £80,000 paid monthly in arrears with no overlap or death benefits							
Product feature	Initial income each year	10 Years		20 Years		30 years	
		Income each year	Change in income from initial income	Income each year	Change in income from initial income	Income each year	Change in income from initial income
No escalation	£5,582	£5,582	£0	£5,582	£0	£5,582	£0
Fixed at 2%	£4,523	£5,405	+£882	£6,589	+£2,066	£8,032	+£3,509
Fixed at 5%	£3,140	£4,871	+£1,731	£7,935	+£4,795	£12,925	+£9,785
Fixed at 7%	£2,390	£4,394	+£2,004	£8,644	+£6,254	£17,003	+£14,613
RPI	£3,415	Retail Prices Index (RPI) zero floor assumed. The RPI is a measure of the level of price increases in the UK and as this changes regularly we cannot predict future changes. Under this 'zero floor' option, your guaranteed income for life payments won't decrease if the RPI falls below zero.					

Death benefits can often be decided against in return for a higher level of income. However, could your dependants manage without this income when you die? If we use the same assumptions as above, but also assume the individual dies after a number of years, the tables below show what your dependants could receive from the annuity, providing you and them with peace of mind in retirement.

Purchase price £80,000 paid monthly in arrears with no overlap, escalation, guaranteed period or value protection		
Product feature	Initial income each year for life	Dependant's income each year for life when you die
None	£5,582	£0
50%	£5,211	£2,606
66%	£5,071	£3,347
100%	£4,816	£4,816

Could your dependant manage without income amounts like these each year?

Dependant's income

This option guarantees that if you die first, your income will continue to be paid to your dependant.

This can be either at the same level as your income or at a given percentage of your income, for the rest of their life.

Purchase price £80,000 paid monthly in arrears with no overlap, escalation, dependant's annuity or value protection

Guaranteed period	Initial income each year for life	Total income you are guaranteed to receive
0 years	£5,582	£0
10 years	£5,494	£54,940
20 years	£5,274	£105,480
30 years	£4,817	£144,510

How would you feel about not getting back income equal to what you purchased your annuity for, or how would your dependants manage without it?

Value protection

With value protection, you can protect all or part of the amount you used to buy your annuity. When you die, we'll then pay your protected amount (minus any payments already made) as a lump sum. If the total income received by you over time has exceeded the original amount you protected, then there would be nothing left to return to your beneficiary as a lump sum.

Purchase price £80,000 paid monthly in arrears with no overlap, escalation, guaranteed period or dependant's annuity

Value protection	Initial income each year for life	Lump sum paid if you die after 5 years	Lump sum paid if you die after 10 years	Lump sum paid if you die after 15 years
No value protection	£5,582	£0	£0	£0
50%	£5,526	£12,370	£0	£0
100%	£5,302	£53,490	£26,980	£470

If you don't add Value Protection could your dependants manage without receiving lump sums like these?

Overlap

If you've added a guarantee period and a dependant's income to your plan, both benefits can be paid at the same time (with overlap). Or, if you like, the dependant's income can start after the end of the guarantee period (without overlap).

For more information on the Standard Life Pension Annuity and the options available, speak to your financial adviser, or call us on **0808 164 0164**.

Call charges will vary. Lines are open Monday to Friday, 8.30am to 5.30pm.

Buying an annuity is a decision you can't change and once in payment you won't be able to change the options you've chosen. That's why you must be sure about the choices you make before you buy.

This information is only a guide and doesn't show all the options that may be available to you. The tables show how some of these options may effect your income each year.

Comparisons are based on an individual aged 65 with a £80,000 pension pot after taking a 25% tax-free lump sum. Where there is a dependant's income we have assumed the spouse is 62. These figures are based on the average of the top three rates in the market as at 07/08/2023 and are for illustrative purposes only. These figures do not take into consideration any health and lifestyle information and you may get more depending on this. When it comes to arranging your income we would always recommend that you shop around to make sure you get the income that's right for you.

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