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opening up retirement choice



New research* shows the appetite for flexible retirement options is growing – with opportunities for advisers to fill a major knowledge gap amongst consumers. Nick Bladen explains.

Back in 2001 Skandia conducted research* into consumers' views on annuities. At this time more than half (57%) of the 1,000 consumers questioned said they thought having to buy an annuity with their pension fund was acceptable. The same question put to 1,000 consumers in 2006 showed that this figure had fallen to less than a third (30%).

Meanwhile the popularity of income drawdown has increased dramatically since A-Day: Skandia saw sales as measured by premium volume increase 259% in the twelve months from April 2006 compared with the previous year.

knowledge gap

The knowledge gap in this area is still substantial in 2006. Almost a third of people (30%) said that they did not know whether or not they find annuities acceptable, providing a significant need and opportunity for advisers to assist clients making financial decisions as they approach retirement.

As well as explaining the options available, it is also vital for advisers to help clients understand the risks involved. The decision to purchase an annuity carries risks because there are many different options available and once the decision has been made, there is no going back.

controlling risk

The ability to keep control over investment strategy and manage the level of risk makes income drawdown an attractive option for many clients. It also provides the ability to phase retirement as clients have the option to use some or all of their fund to purchase an annuity at any time.

The concept of forced annuitisation is clearly still unacceptable to a significant group of people, so advisers have a crucial role to play here in opening up other options to their clients. For many people, the freedom of being able to keep their pension fund invested and maintain greater control is an attractive choice. ■

*Survey conducted by Marketing Sciences on behalf of Skandia.

income drawdown simulator tool

An income drawdown simulator tool is available for advisers from Skandia to help evaluate the risks and support decisions at retirement. Income drawdown portfolios can be constructed, withdrawals selected, and the fund values tracked based on performance data and benchmarked against an annuity.

Income drawdown is not necessarily going to be appropriate for everyone, but it is important to evaluate it as an option. This is why we have designed the income drawdown simulator to assist in this process. Decisions made at retirement can have a dramatic effect on the financial security of a client in later years so the need for advice here is paramount.

A **risk profile questionnaire for retirement** is also now available on SkandiaWrap, with paper versions available through the Skandia literature library.



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