

Annuities and Income Drawdown - UK - August 2018

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"Although the decline in annuity sales appears to have subsided, market momentum remains in favour of drawdown. DC pension savers highly value control and flexibility, and with annuity rates still historically low, many entering retirement will continue to avoid buying one until there is more incentive to do so."

- **George Zaborowski, Senior Financial Services Analyst**

This report looks at the following areas:

- **Should access to independent advice be facilitated via the workplace?**
- **Market dynamics will eventually turn back in the favour of annuities**

Market momentum in the retirement income market has been firmly in the direction of income drawdown for the past three years. The implementation of Pension Freedoms in combination with low annuity rates, a lack of competition in the annuity sector, and a rising stock market, have helped to boost demand for income drawdown. Whereas annuity sales significantly outnumbered income drawdown sales in 2014, the opposite is now true. Nonetheless, annuities are not on their way to extinction. Mintel research continues to show a healthy level of interest in annuities among DC (Defined Contribution) pension savers who have not yet retired.

As the income drawdown market has grown, the proportion of business generated with independent advice has plummeted. When drawdown was primarily an option for the wealthy, nearly all new business was sold through an IFA. However, the introduction of those with more modestly sized pension pots to the market has led to a notable rise in the proportion of non-advised sales. Since managing drawdown is a more complex option than buying an annuity, this has raised concerns among regulators.

This Report examines how the market for annuities and income drawdown is evolving three years on from the implementation of Pension Freedoms. It includes a comprehensive overview of each sector's market performance, trends in distribution, and detailed information about what DC pension savers are doing when they access their pensions. Mintel's exclusive consumer research uncovers valuable insight into what those yet to retire think about their retirement income options, what kinds of decisions they anticipate they will make, and which advice and guidance resources they use.

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DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

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Employers are well placed to link savers with advisers

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