

# Annuities - UK - July 2009

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## What is this report about?

The UK's ageing population, and the current legislative stipulation that requires most of those with a defined contribution/money purchase pension to purchase an annuity by the age of 75, should ensure that the annuity market continues to experience strong growth over the long term. The introduction of personal accounts in 2012 should also provide a substantial boost to the number of people requiring an annuity in the future. However, recent economic turbulence has created some short-term challenges for the market, including a significant fall in the value of pension funds and an increase in the number of people opting to delay their retirement.

## Key issues covered in the analysis

- Ten million adults expect to have to work past the state pension ages - annuity providers need to concentrate on creating flexible retirement solutions that allow a phased retirement.
- Annuity providers frequently state that a lack of access to independent advice is a major barrier for the market. However, Mintel's research shows that only a quarter of potential annuity targets want to discuss their options with an expert.
- 18 million non-retired adults don't really understand what an annuity is. This lack of understanding is a significant barrier to increased consumer engagement and is likely to limit the uptake of the open market option.
- Around a quarter of future annuitants are fairly positive about their financial position in retirement, although a similar number expect things to be tight or to be a financial struggle
- Mintel's consumer research reveals a significant shift in retirement plans and expectations among those aged 55-64, compared to the wider non-retired adult population.
- Mintel expects annuity sales to increase in 2009 due to demographic factors, although difficult economic conditions will limit this growth as more people are forced to delay or defer their retirement.

## Scope of the report



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