

Annuities and Income Drawdown - UK - August 2019

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



“The changes brought about by Pension Freedoms legislation have been so significant that regulators and providers are still adjusting to them just over five years since first being announced in the 2014 Budget.”
– George Zaborowski, Senior Financial Services Analyst

This report looks at the following areas:

- Pension Freedoms went too far too quickly
- Most have given up on professional advice just when they need it most

The implementation of Pension Freedoms legislation in 2015, combined with low annuity rates, a rising stock market and a lack of competition among annuity providers, has completely transformed the retirement income market. Previously a niche product, income drawdown new business volumes are now nearly three times larger than those of annuities. Annuities, however, are still highly relevant in retirement planning, offering unparalleled levels of security, something that Mintel research has revealed to be a top priority for non-retired DC pension savers.

The sharp increase in the proportion of consumers entering drawdown has raised concerns about just how prepared the average person is to handle the increased complexity and risk that come with choosing to go down this route. Indeed, since the introduction of new pension rules, there has been considerable growth in the proportion of individuals entering drawdown without first seeking advice. In order to mitigate against the potential for disastrous retirement planning outcomes for retirees, new rules from the FCA are set to come into place within the next year, which will require non-advised customers to take a more considered approach when entering drawdown.

**BUY THIS
REPORT NOW**

VISIT:
store.mintel.com

CALL:
EMEA
+44 (0) 20 7606 4533

Brazil
0800 095 9094

Americas
+1 (312) 943 5250

China
+86 (21) 6032 7300

APAC
+61 (0) 2 8284 8100

EMAIL:
reports@mintel.com

DID YOU KNOW?

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

Annuities and Income Drawdown - UK - August 2019

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Table of Contents

Overview

What you need to know
Products covered in this Report

Executive Summary

The market

Drawdown sales continue to significantly outpace annuities

Figure 1: Forecast of new retirement income sales – fan chart, 2014-24

Half of pension pots accessed are fully withdrawn

Figure 2: Number of DC pension pots accessed for the first time, by usage, April 2016-March 2018

Enhanced annuities account for two fifths of new annuity sales

Auto-enrolment has expanded the target market

New FCA rules will start to be implemented from autumn 2019

Companies and brands

Lack of competition in the annuity market

More firms competing in the drawdown market

The consumer

Two thirds now have a pension

Figure 3: Ownership of single and multiple pension pots, June 2019

Half of over-55s have already accessed their pension savings

Figure 4: Proportion of DC pension holders aged 55+ who have accessed pension pot, June 2019

One in five expect to access pension savings before state pension age

Figure 5: When DC pension holders expect to access their pension (under-65s only), June 2019

Those yet to retire more drawn to concept of an annuity than drawdown

Figure 6: Decumulation options likely to consider, June 2019

At least half are unprepared about how pension pot will be used in retirement

Figure 7: Level of planning about use of pension savings in retirement, June 2019

More than half claim to be very or somewhat confident about managing pension

Figure 8: Level of confidence about making decision about pension savings, June 2019

Uncertainty is the key driver of pension concerns

Figure 9: Concerns about the use of pension pot, June 2019

Control and flexibility are vital but doubts about engagement remain

Figure 10: Agreement with statements about pensions and retirement income, June 2019

What we think

Issues and Insights

Pension Freedoms went too far too quickly

The facts

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

Annuities and Income Drawdown - UK - August 2019

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

The implications

Most have given up on professional advice just when they need it most

The facts

The implications

The Market – What You Need to Know

Drawdown sales continue to eclipse annuities

Half of pension pots accessed are fully withdrawn

Enhanced annuities now account for two in five new annuity sales

Half of annuities are sold on the open market

Auto-enrolment has helped to expand the addressable market

New FCA rules will come into force in autumn 2019

Market Size and Forecast

Drawdown sales continue their impressive growth

Figure 11: Volume of new annuity and income drawdown sales, 2014-18

Drawdown estimated to make up 84% of the market by value

Figure 12: Value of new annuity and income drawdown premiums, 2014-18

Retirement income product sales set to continue rising

Figure 13: Forecast of new retirement income sales – fan chart, 2014-24

Figure 14: Forecast of new retirement income sales – fan chart, 2014-24

New premiums forecast to reach £43 billion in 2024

Figure 15: Forecast of new retirement income premiums – fan chart, 2014-24

Figure 16: Forecast of new retirement income premiums, 2014-24

Forecast methodology

Pension Pots Accessed

Over half of pension plans accessed are fully withdrawn

Figure 17: Number of DC pension pots accessed for the first time, by usage, April 2016-March 2018

Full withdrawals concentrated among pots valued under £30,000

Figure 18: Proportional distribution of pension pots accessed, by pot size and usage, October 2017-March 2018

Higher number of modest pension pots now entering drawdown

Most accessing pension are under 65

Figure 19: Proportional distribution of pension pots accessed, by customer age and usage, October 2017-March 2018

£25.6 billion withdrawn from pensions since start of Pension Freedoms

Figure 20: Flexible payments from pensions, Q2 2015-Q1 2019

Annuity Market Segmentation

Enhanced annuities now account for two fifths of sales

Figure 21: Annuity sales, by product type, 2016-18

Channels to Market

Half of annuity sales made on the open market

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

Annuities and Income Drawdown - UK - August 2019

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 22: Breakdown of annuity and income drawdown sales, by internal and external channels, 2014-18

Most annuities sold without advice

Figure 23: Number of new annuity sales, by channel, 2014-18

Around half of drawdown business goes via IFAs

Figure 24: Number of new drawdown sales, by channel, 2014-18

Intermediary definitions

Market Drivers

In-force DC pension scheme numbers surpass 26 million in 2017

Figure 25: Number of individual and group pensions in force and number of occupational DC members, 2013-17

10.1 million workers have been auto-enrolled

Brexit uncertainty continues to suppress annuity rates

Trend of working into old age will boost demand for flexible solutions

Regulatory and Legislative Changes

FCA reveals final rules after Retirement Outcomes Review consultation

'Wake-up' packs

Annuity information prompt

More clarity around the cost of drawdown

FCA sets out Final Rules on Pension Investment Pathways

Early versions of Pensions Dashboards due to be launched soon

Companies and Brands – What You Need to Know

Deficient level of competition in the annuity market

More competition exists in drawdown market

Product development focused on flexibility and retirement planning

Key Players and Market Movers

Over 50 firms offer retirement income products

The top annuity providers

Recent sales figures

Figure 26: New annuity business, by the largest providers, 2018

There are just six providers offering annuities on the open market

More companies are active in the income drawdown market

Competitive Strategies and Innovation

Control and flexibility are key drivers for product development

Just Group launches flexible annuity called Secure Lifetime Income

Smart Pension and L&G unveil prototype of retirement income solution

Canada Life launches Diversified Monthly Income Fund

AJ Bell introduces two income funds

Automation expected to improve access to personalised advice

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com

Annuities and Income Drawdown - UK - August 2019

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

The Consumer – What You Need to Know

- Two thirds now have a pension
- Most plan to access DC pension at state pension age or later
- Annuities more likely to be considered as an option than drawdown
- At least half are unprepared about use of pension pot in retirement
- Uncertainty is the key driver of pension concerns
- Control and flexibility are key but questions about engagement remain

Pension Ownership and Access

- Most full-time workers own a pension
- Many savers hold multiple pension pots
Figure 27: Ownership of single and multiple pension pots, June 2019
- More people say they have a DB pension than a DC one
Figure 28: Type of pension owned, by number of pension pots, June 2019
- Nearly half of DC pension holders have multiple pots
Figure 29: Proportion of pension savers with a single pot versus two or more pots, by type of pension, June 2019
- Half of over-55s have accessed their pension savings
Figure 30: Proportion of DC pension holders aged 55+ who have accessed pension pot, June 2019

Age Expecting to Access Pension

- Most expect to access DC savings at state pension age or later
Figure 31: When DC pension holders expect to access their pension (under-65s only), June 2019
- A notable minority plan to delay access after state pension age

Decumulation Options Likely to Consider

- Annuities remain more appealing than drawdown
Figure 32: Decumulation options likely to consider, June 2019
- Partial cash withdrawal still the single most likely option considered
- Pension Freedoms mean people have the option to vary their approach

Planning for Use of Pension in Retirement

- Half yet to consider or unsure about use of pension pots in retirement
Figure 33: Level of planning about use of pension savings in retirement, June 2019
- Many a decade or less away from state retirement are unprepared
- 55% are confident about managing their pension
Figure 34: Level of confidence about making decision about pension savings, June 2019

Concerns about Use of Pensions in Retirement

- Uncertainty is the key driver of pension concerns
Figure 35: Concerns about the use of pension pot, June 2019
- Most have multiple concerns
Figure 36: Repertoire analysis on concerns about the use of pension pot, June 2019

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com
CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094
 Americas +1 (312) 943 5250 | China +86 (21) 6032 7300
 APAC +61 (0) 2 8284 8100 |
EMAIL: reports@mintel.com

Annuities and Income Drawdown - UK - August 2019

Report Price: £1995.00 | \$2693.85 | €2245.17

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 37: Concerns about the use of pension pot, by number of concerns held, June 2019

Few are concerned about access to professional advice

Failing to improve access to advice regulators have shifted their focus

Attitudes and Expectations about Retirement Income

A secure income for life is what everybody wants...

Figure 38: Agreement with statements about pensions and retirement income, June 2019

...but control and flexibility are also top priorities

One in five admit that planning for retirement isn't a priority for them

Appendix – Data Sources, Abbreviations and Supporting Information

Abbreviations

Consumer research methodology

Appendix – Market Size and Forecast

Total market forecasts – best- and worst-case scenarios

Figure 39: Forecast of new retirement income sales – best- and worst-case scenarios, 2019-24

Figure 40: Forecast of new retirement income premiums – best- and worst-case scenarios, 2019-24

Forecast methodology

**BUY THIS
REPORT NOW**

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

EMAIL: reports@mintel.com