

# Annuities and Income Drawdown: Inc Impact of COVID-19 - UK - November 2020

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“In the initial aftermath of COVID-19, restrictions on face-to-face advice and market turbulence led to a significant decline in sales of both annuities and drawdown options. Although pension funds have largely recovered, continuing uncertainty is expected to harm the market for the duration of 2020.”

– Douglas Kitchen, Financial Services Analyst

This report looks at the following areas:

- The impact of COVID-19 on the retirement income market and the outlook for the market.
- Ownership of pensions and interest in different decumulation options at retirement.
- Assessment of the knowledge and confidence in understanding retirement income options.
- Consideration of the factors people think about when accessing pensions in retirement.

Just 50% of those who say they are confident making decisions about their pension correctly identified that a flexible drawdown product does not provide a guaranteed income for the duration of retirement. This suggests that a worrying number are making or preparing to make ill-informed decisions and require significantly more guidance at an earlier stage of the retirement planning process.

COVID-19 initially had a negative impact upon both the annuity and drawdown markets. Stock market turbulence and ongoing economic uncertainty resulted in some people taking a more cautious approach and holding off retirement income plans until more stability has returned.

55-64s are at particular risk in this crisis. At a time when this age group should be looking to bolster their retirement savings, growing numbers are facing a loss of income or redundancy, which could dramatically alter the outlook of their retirement. Some in this group will be forced to dip into pension savings earlier than expected, which could undermine their long-term plans and retirement funding options.

Annuity sales have declined significantly in recent years following the pension freedom reforms. However, the COVID-19 outbreak has highlighted the benefit of having access to a guaranteed income in retirement. Even if people remain reticent about using their entire pension fund to buy an annuity, there is a growing opportunity to position annuities as part of a blended approach to retirement income alongside more flexible drawdown options.

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- COVID-19 ramps up retirement stresses for 55-64 year olds
- Misplaced confidence is harming the drawdown market
- Repositioning annuities as an income drawdown add-on could reinvigorate the market

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Aviva

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Legal & General

Just Group

Scottish Widows

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