



Annuities and Income Drawdown - UK - 2022

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This report looks at the following areas:

- Market performance in annuities and income drawdown, including five-year market forecasts.
- Ownership of pensions and interest in decumulation expectations at retirement.
- Important features of retirement income products.
- Behaviours and attitudes towards retirement.

33% of adults with a DC (defined contribution) pension who have yet to access their pots don't know what to do with their pension savings, rising to 47% of women. The pension gender gap, combined with a more reserved approach to managing finances, are both explanations for greater indecision among women. If providers want to better engage women, they need to increase understanding and create targeted communication campaigns that make women more comfortable with retirement income products.

Rising inflation is placing increased pressure on consumer finances. This could lead to higher rates of withdrawal among DC pension holders, and incentivise more savers to enter into drawdown arrangements. Nevertheless, annuity rates have improved, making annuities a more attractive option at a time when people are seeking security and certainty.

However, long-term inflation could erode the value of pension pots. 68% of adults with a DC pension say they worry about the impact of inflation on the value of their pension pots. This, combined with economic uncertainty, could lead to a more cautious approach, and some of those nearing retirement may opt to postpone retirement altogether.

As the UK population continues to age, there is an increasing pool of potential customers for retirement income products. Drawdown arrangements are the preferred option, but there is a strong interest in a single product that combines the certainty of an annuity with the flexibility of drawdown



“The market for retirement income products has bounced back from the pandemic-induced dip, and the outlook is positive, supported by an increasing pool of potential customers. Rising annuity rates and the desire for a secure income are likely to make this option more attractive.”

– **Stefania Apostol, Financial Services Analyst**

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arrangements. This type of product has the potential to gain more traction among consumers, but more innovation and simplicity are needed.

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