

Steve Dodge writes on Retiring

With more people retiring as a result of the recession, I have been rather busy lately running company retirement courses and the thought occurred to me that many people do not get the benefit of two days discussing their options and looking at what the future holds.

Take buying an annuity for example, (using a pension fund to buy an income for life) it's really a very complex decision and yet many people simply take an option from their pension company, who are rarely offering the highest income, or sometimes even a full range of options.

A financial decision that affects the quality of the rest of your life must be worth an hour or so of your time to ensure you select the right annuity and get the highest income on the right basis.

It's also a decision that once made cannot be changed, there's no going back or changing your mind, the decision is for Life. Bearing in mind the average 60-year-old male has a life expectancy of 24 years; it's simply got to be right first time!

Decisions such as taking cash, deferring the pension, Widows pensions, rates of increase in pension, protecting the fund, and many more need to be made.

The final annuity chosen can have a dramatic affect on the income produced. A 60 year old non-smoker with £50,000 to buy an annuity could have a monthly pension, that will not increase and simply stops when he dies of £262.00 a month gross.

If he wanted the pension to increase by inflation and pass to his Widow on his death who is say 4 years younger than him the starting pension would be £120.00 a month gross.

As you can see the reduction in income is considerable and that is on the best rates available.

We firmly believe there is no substitute to sitting down with an IFA and discussing all the options in detail and reaching an informed decision. Your IFA can then find the highest income for you from the whole market based on that decision.

Many people however do like to read and think about what options are available themselves and our website **ifac.org.uk** has a section on annuities and the decisions involved.

We are also working on a simple "decision tree" tool, which aims to break the big decision into smaller ones to find the right annuity for you and will give you an idea of the income you could expect on that basis, and if you wish you can then come and discuss the decision with us.

We also hope to have short videos that will help with each decision, talking through the pros and cons of each option.

The Web cannot take the place of an informed discussion with an IFA or attending a course on the subject but we hope you find it useful in understanding the problems involved in buying an annuity.