

OLD MUTUAL SUPERFUND

MEMBER EDUCATIONAL NEWSFLASH – ISSUE 5



THE BASICS OF ANNUITIES

Retirement is a topic that may seem equally boring to both young people who have just started saving for retirement or those of you who are closer to retirement but are still in denial about it. Our communication aims to help you, regardless of your age, to start, or continue making good financial choices for your financial future.

It is important to remember, that even though your employer and your retirement fund will provide you with all the tools to make good financial choices, the power lies in your hands to best use the tools to help you retire in comfort one day.

So, let's say it's time to retire and you finally have an empty nest, the temptation to take your spouse on that well deserved holiday you have always dreamed of is very real, after all, you worked very hard to get to this point haven't you? This may be so, but it's important to remember that deciding **how to invest your retirement capital is one of the most important choices you will make, because the right decision will help ensure that you receive the monthly income you need when you retire.** It is therefore vital that you understand the impact of the choices you make before deciding whether or not to take any part of your retirement capital as a lump sum.

Benjamin Franklin said, "An investment in knowledge pays the best interest", so take the time to equip yourself to make the best retirement choice for your circumstances and learn what the different annuity options are.

REWIND <<<<<: WHAT IS AN "ANNUITY" ?



This is the name given to the pension that you can buy with your retirement savings at retirement.

There are different types of Annuities: a Guaranteed Annuity (annuity for life) or a Living Annuity (an investment-funded income).



GUARANTEED ANNUITY

A **Guaranteed Annuity** will provide you with a pension, or income, payable for your lifetime – that is, until you die.

Types of Guaranteed annuities:

Level Annuity: Your monthly pension will remain exactly the same from year to year. This annuity therefore does not offer any protection against inflation.

Fixed Escalation Annuity: Your monthly pension will increase at a pre-determined rate each year, for example 10%, offering some protection against inflation.

Inflation-linked Annuity: Your monthly pension will increase at an inflation-related rate. Your pension plus increases are guaranteed and paid until you die. This pension will keep up with inflation.

With-Profit Annuity: You share in the actual investment returns – even though the size of the increases is not guaranteed, the actual pension plus past increases are guaranteed and paid until you die. Over the long term, this pension should provide you with some protection against inflation.

LIVING ANNUITY

A **Living Annuity** will provide you with an income, you choose the amount you want to receive (known as the drawdown rate) and how often you want to receive it (monthly, quarterly or annually). But, your investment may not last for your lifetime; you may outlive your pension if you draw an income that is too high.

You may choose either a Guaranteed Annuity or a Living Annuity or, if you have enough retirement savings, you can choose a combination of the two types of annuities. Every individual's circumstances must be properly assessed by a financial adviser before a decision is made whether to choose a Guaranteed Annuity or a Living Annuity.

[Click here](#) for a description of the differences between a Guaranteed Annuity and a Living Annuity.

Contact your accredited Financial Adviser or call our support line on 0860 38 88 73 for the contact details of accredited Financial Advisers.

