

# Modernising stability in an age of pension freedoms – free annuity guidance for People’s Pension members

📌 **The popularity of annuities took a nosedive following the introduction of pension freedoms in 2015. But like baggy jeans and every boyband from the noughties, they are making a comeback, just not as we remember them.**

**People’s Pension have recently introduced a new annuity guidance service, teaming up with Retirement Line. We caught up with People’s Pension proposition director, Kirsty Ross, to find out more about the service, and why now is the time to be bringing annuities back into the conversation**

Pension freedoms transformed the way people access their retirement savings. The default solution of buying an annuity, possibly without properly scanning the market for the best deal, is no more. But more than a decade on, all of our collective intelligence has told us that giving people choice does not automatically give them confidence or good outcomes.

At People’s Pension, our decade of *New Choices, Big Decisions* research has consistently shown that retirement decision-making is far more nuanced than the industry often assumes. A good example of this is that most people draw on average life expectancies when weighing up the value of annuities. Currently, it is reported that UK savers may be underestimating their lifespan by up to seven years<sup>1</sup>. This underestimation of longevity risk can leave savers financially vulnerable in old age and make annuities feel like a gamble, rather than an option which provides security.

There is certainly still a loyal fan base for annuities, such as the ‘secure Stan and Sue’ cohort highlighted within our research, and we are seeing their

figures increasing. These individuals value certainty and simplicity above all else, and are not confident to manage investments themselves. Better framing of longevity risk is needed to help these and other pension savers understand the real risks they face in older age. Savers require more information and support to make an informed assessment as to whether some form of longevity insurance offers them value for money.

In response to this, and as conditions around us change (higher interest rates, for example) we are focused on building a more guided retirement experience. One that recognises and reflects the realities of the world we live in. That’s where our guidance service, in collaboration with annuity experts Retirement Line, comes in. Through giving our members access to free expert guidance on all things annuity, we are ensuring that members can get a true picture of the various trade-offs involved, ultimately helping them make a decision that is right for their situation. The service will explain the specific options available, whether that’s an individual, joint life or another option. Members will then be supported through the

whole process of purchasing the annuity. It’s a fully guided journey that informs and educates our members from consideration to purchase.

This move reflects a broader shift in thinking, though. We are dedicated to driving better alignment between real member behaviours and the solutions we design. We know annuities will be right for some, but not others. We also know that the concept of mixing drawdown and annuities, either proportionally or sequentially, has gone largely unnoticed by the general population. It’s great to see the industry starting to offer more flexible solutions along these lines and we are proud to be a part of that. We see a huge opportunity to leverage this new element of our own retirement proposition to give our members confidence that the retirement decisions they are making are the ones that are right for them.



Written by People’s Pension proposition director, Kirsty Ross

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<sup>1</sup> UK savers underestimating lifespan by up to seven years - Pensions Age Magazine