



Best Rates,  
Best Service,  
Best Information:  
The UK's no 1\*  
annuity service

[www.hl.co.uk/annuity](http://www.hl.co.uk/annuity)

# Guide to taking a secure retirement income

How to boost your income - for life

An **annuity** is one of the few ways of providing a secure income from your pension.

It is a guaranteed income for life, no matter how long you live. It's easy to find a **better** annuity income, using the Hargreaves Lansdown Annuity Service. This guide explains your options and shows you how to achieve that better deal, quickly and simply.

If you have any queries call us on **0117 980 9940**

We offer our retirement service without advice, which means we help you make your own informed decisions, but don't forget you can take advice from Hargreaves Lansdown if you are not sure. We have advisers who can help.

\*We write more annuities each year than any other broker: source MyTouchstone, an Equifax company.



# Your options, explained

At retirement you have some choices to make. You can usually take up to a quarter of your pension fund as a tax-free lump sum with any further income or withdrawals taxed as income.

It is likely you will want to provide some kind of income for your future retirement.

- If you need secure income, as many people will, you can use the **Hargreaves Lansdown Annuity Service** to find a better income. This is important. It could boost your income for life, by thousands of pounds. This guide explains the options and how to get the best deal.
- If you don't need a secure income yet, you could consider drawing income directly from the pension fund instead. This is an option known as **income drawdown** and is becoming increasingly popular. See page 12 for more details on how it works.

25%  
The amount of pension most people can take tax-free at retirement

- **There may also be some options to take your pensions as cash.** This may apply currently if you are over 60 and have small pensions (under £30,000 in total or individual pensions under £10,000 each). See page 13 for more details. The government is consulting on allowing all pension investors at retirement to take as much as they like directly from their pension from April 2015. Remember up to 25% of the lump sum is tax-free, the rest is subject to income tax.

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## Client case study: Mrs Reeves, Wiltshire

“Hargreaves Lansdown were brilliant in setting up my annuity. They did all the leg work for me by shopping around and finding me the highest income available from my pension. Everything was finalised within 3 weeks of first enquiring. I particularly liked that whenever I rang I spoke to someone straight away who was able to help.”

Visit [www.hl.co.uk/annuity](http://www.hl.co.uk/annuity) or call 0117 980 9940. We can talk you through your options, help with all your queries and most importantly help you get the best annuity deal.



Client case study:  
Mrs Reeves, Wiltshire

# Are you one of the 70% who could qualify for an enhanced annuity?

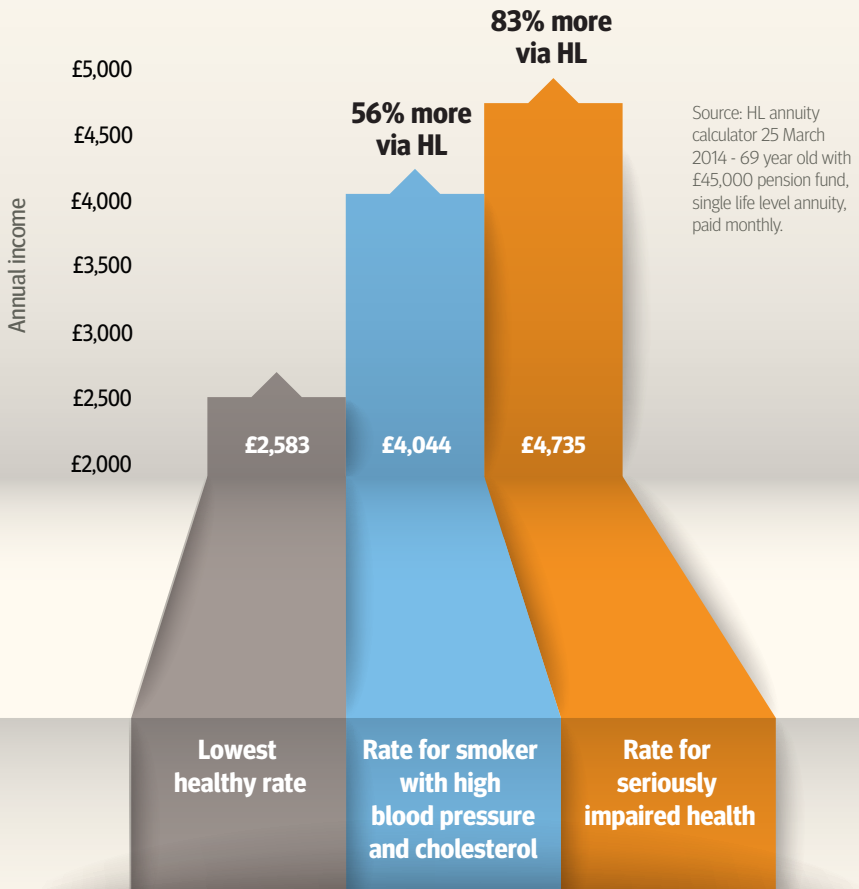
Retirement is one time where being less than fighting fit can work to your financial advantage.

An enhanced annuity could pay you substantially more than a standard pension. It's estimated 70% of people at retirement could benefit from a boost to their income because they drink alcohol, are overweight, smoke, or have even minor health conditions (source MGM Advantage).

» visit [www.hl.co.uk/enhanced-annuity](http://www.hl.co.uk/enhanced-annuity), or call 0117 980 9940

There are over 1,500 conditions which could mean you get a better income. Some common factors that could increase your income are:

- » Drinking alcohol
- » Being overweight
- » Smoking
- » High blood pressure
- » High cholesterol
- » Having diabetes
- » Heart problems
- » Regularly taking prescribed medication





Simple to get  
started: Visit  
[www.hl.co.uk/annuity](http://www.hl.co.uk/annuity)  
or call us on  
0117 980 9940

A pair of white boat shoes with tan leather accents and laces is placed on a boat's deck. The background shows a sunset over the ocean with a hazy coastline. The scene is bathed in warm, golden light.

Just five minutes to  
get a **guaranteed**  
quote

# Could this be the most profitable five minutes you've ever spent?



JUST 5 MINUTES  
TO GET A QUOTE



100% GUARANTEED  
QUOTES



AVAILABLE  
24 HOURS A DAY



1<sup>ST</sup> IN THE UK

[www.hl.co.uk/annuity](http://www.hl.co.uk/annuity)

Enhanced annuities can boost income significantly. Previously, getting an enhanced quote has taken time not to mention reams of paperwork. Our service lets you do it straight away online - at any time of day or night.

Our online calculator is the first of its kind offering **guaranteed** and fully underwritten quotations online - why not give it a try?

It takes less than 5 minutes to get a quote. There are no indicative rates or waiting for a call back - just real time guaranteed figures clearly showing the annuity income available.

## CLIENT COMMENT: 10 OUT OF 10

"I was able to login and enter my details and medications quickly and easily. What I found particularly useful was that I was able to find my specific medication from the website itself. No routing around for prescriptions or finding the exact spelling, it was all available from a prescribed list.

I believe 7 in 10 people in the UK take similar medication so this is a real advantage.

I got live and fully underwritten quotes in a matter of minutes. I would give it a 10 out of 10."

# What are my annuity options?

## 3 main questions to get started ...

### 1 DO YOU WANT TO TAKE TAX-FREE CASH?

You can normally take up to a quarter of the pension value as a tax-free lump sum, and use the rest to buy a taxable income.

#### Choose how much tax-free cash to take:

- ✓ No tax-free cash.
- ✓ Up to 25% tax-free cash.

### 3 DO YOU WANT INCOME TO KEEP PACE WITH INFLATION?

An annuity payment can stay the same, or increase each year. Having increases will mean you start with less, but can help protect against inflation. This is an important consideration as you may be drawing an income for 20 years or more.

#### Choose pension increase options:

- ✓ A level income (which does not increase - this offers no protection from inflation).
- ✓ An income linked to the Retail Prices Index (RPI).
- ✓ An income increasing by a fixed amount (typically 3% or 5%).

You should carefully consider how inflation will affect your income in future. It can make sense to have some kind of increasing income - or why not consider using a mix of annuity and drawdown?

### 2 WHAT WILL HAPPEN TO YOUR INCOME WHEN YOU DIE?

This is one of the most common questions. Annuities continue to pay out for as long as **you** live. You can also choose to protect the income when you die, which may be very important if you are married or have financial dependants.

#### Choose a pension for your spouse or partner:

- ✓ 100%, 66% or 50% of your income can continue to be paid to your spouse when you die. Your starting income will decrease, but there could be a higher payout overall.

#### HOW MUCH WILL YOUR PENSION PAY?

Compare incomes and options yourself at [www.hl.co.uk/annuity](http://www.hl.co.uk/annuity) It's important to choose the right option as your annuity is set up for life.

If you have any questions please call us on 0117 980 9940



Important: if you are married or have a partner then it's essential you consider providing an income for your spouse or partner if you die. Otherwise they could be left with nothing.

## OTHER CONSIDERATIONS

**How often do you want income paid?** You can choose your annuity to be paid monthly, quarterly, half yearly or annually - and have it paid at the start (in advance) or the end (in arrears) of each payment period.

**Taking pensions as cash.** You may be able to take some pensions as cash, if you wish. This currently applies to small pensions, and could potentially apply to other pensions from April 2015. You can find out more on page 13.

- ✓ Or, choose no spouse's pension (a single life annuity) where income ceases when you die.

### Choose income guarantee options:

- ✓ An income with no guarantee period at all. The annuity simply stops on death.
- ✓ A guarantee period of 5 or 10 years.
- ✓ A money back option (currently less a 55% tax charge, paid if you die before a certain age and have not had all the original capital back as income).



*Client case study:  
Mr Coe, Stockton-on-Tees*

## Mr Coe used the HL service to buy an income that increases with inflation.

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"I just wanted to say thank you for the enhanced RPI protected annuity quote received today. Thanks to you making it so easy I am going to receive an annual sum £2,500 greater than the lowest standard quote, and this is entirely down to your team. I remain hugely impressed with the service you provide."



Client case study:  
Mr Franklin, Middlesex

## Client: Neil Franklin from Middlesex got thousands more using Hargreaves Lansdown

“I read about HL in the paper and I used the online tool to get some annuity quotes. The figures were thousands of pounds better than my pension provider’s even though they were from the same insurance companies! Whenever I phoned the HL helpdesk I found it to be helpful and they always called back when they said they would.”

**Consider your options carefully and call us if you have any queries on 0117 980 9940. Once you are ready to go ahead, it is important to act quickly.**

**01**  
REASON >

- Annuity quotes have a short shelf life - typically 14 days. The annuity provider will also need to receive the pension fund in that time.



**02**  
REASON >

- Annuity rates can change regularly - they may go up or down in future.



**03**  
REASON >

- Every month you delay means a month’s lost income - this can be hard to make up again.





Best Rates,  
Best Service,  
Best Information

# Other options

**An annuity is a secure income, however long you live. You won't find many other retirement plans which promise to do that. But what about the other options?**



- 1. Income drawdown.** This is the main alternative to an annuity. It allows you to take up to a quarter of your pension tax-free as a lump sum, and then draw an income directly from the fund if you wish. The government is currently consulting on removing these limits from April 2015.

You remain in control of the pension, which means you choose where to invest it, and how much income to take, within limits. This element of control may appeal to you if you don't need a secure income. However it may cause you worry or concern, and in that case income drawdown may not be for you. Unlike an annuity, which is guaranteed for life, income drawdown is not secure.

If things go well, income drawdown has the potential to increase your income. You keep your options open to take account of changing circumstances. There are options for passing the pension on to your loved ones when you die.

However, if things don't go well, which could easily happen if you take too much income or your investments don't perform as well as you expect, your drawdown fund will be depleted and your retirement income will dwindle or even run out. Income drawdown is a complex option and if you are not sure you should take advice.

The pros of income drawdown	The cons of income drawdown
✓ Choice and control	✗ Your income is not secure
✓ Potential for investment growth and a rising income	✗ Potential for investment losses and a dwindling income
✓ Keeps options open when you die - your dependants have a choice on how to take the remaining drawdown pension, including as a cash lump sum (currently subject to 55% tax)	✗ You could run out of money
✓ Flexibility to stop, start or vary income as you wish, within limits, to meet your needs and circumstances	✗ This is a complex option and you can't just forget about it: regular reviews are required.



**2. If your total pensions are under £30,000 in total, or you have individual pots of up to £10,000,** you may now be able to take these as cash if you are over 60 and your pension scheme rules allow. The first 25% of the fund is tax free, and the remainder is subject to income tax. If you, like most people, do need some form of secure retirement income then it is worth considering an annuity when making your decision. Don't forget, too, that taking a small pot as cash will increase your tax liability in the year it is taken, and could push you up into a higher income tax bracket.



**3. Mix and match.** You don't need to make a single choice. If you wish, you can mix and match the options. You can set up a series of annuities. Or you can use an annuity for some of your pension to provide your essential living costs, and use drawdown for the rest, providing you are able to accept that income drawdown is not guaranteed.



**4. Wait for further pension rule changes, expected from April 2015.** More sweeping changes are expected, including proposals to allow everyone, from age 55, to draw an unlimited income from their pensions. The first 25% will be tax free with the remainder taxed as income. These proposals are subject to consultation and so could change.

# Important notes

This is a non-advisory service and this guide is published to help clients make their own investment decisions. Should you have any doubt as to the suitability of an investment for your circumstances you should seek expert advice.

Tax reliefs and state benefits referred to are those currently applying. Tax rules are subject to change and the benefits will depend on your circumstances.

Annuity quotations have a short shelf life. They are guaranteed for a limited time, shown on the quotation. The pension money and accompanying paperwork must be with the annuity company by the quote expiry date to secure the rate. Annuity rates can change regularly and may go up or down.

An annuity is a long term investment. Although annuity providers provide cancellation rights, these are only available for a limited period and once set up income cannot normally be changed or cancelled. It is therefore important to consider your options carefully.

Lifetime annuities are covered by the Financial Services Compensation Scheme. This can act as a safety net should an annuity company become unable to meet its annuity obligations.

This booklet is based upon our understanding of current pensions legislation which is subject to change. Hargreaves Lansdown is authorised and regulated by the Financial Conduct Authority.

Before transferring a pension you should find out if exit or initial charges will be levied or if you are losing out on any valuable benefits. You should carefully consider whether you believe it will be beneficial for you to proceed and that the new benefits will be at least as good as the benefits you are giving up (for example ensure you will not be sacrificing defined benefits or guaranteed annuity rates.)

**Lifetime allowance:** This is the total amount you can accumulate in pensions. It is measured when benefits are taken from the pension and at age 75. All private and work pensions must be taken into account including any pensions from which you are already taking an income. The current allowance is £1.25 million (2014/15). There will be a tax charge on any excess above this level, unless you have registered for protection with HMRC.

**Tax-free cash recycling:** If you significantly increase pension contributions in the year of taking tax free cash from a pension or in the 2 years before or after, this may be deemed as recycling of tax free cash and subject to a tax charge.

The options described in this guide are those generally available at the time of writing (April 2014), however please note pension scheme rules can be more restrictive than legislation. Pension rules can also change, in particular the government is currently consulting on providing more flexibility at retirement from April 2015.

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**We have a panel of 10 providers that provide guaranteed rates online but we can obtain quotes for you from the whole market:**



A close-up photograph of a person's legs and feet on a boat deck. The person is wearing brown boat shoes and is holding a rope that is attached to a white buoy. The background shows the boat's deck and other boats in the distance.

We are the UK's  
largest broker with  
access to the very  
best deals for you.

# How to contact us



Go online to compare our best annuity rates at  
[www.hl.co.uk/annuity](http://www.hl.co.uk/annuity)



For more information, to discuss your options or  
get a quote over the phone, call **0117 980 9940**



Alternatively email us at  
[pension.answers@hl.co.uk](mailto:pension.answers@hl.co.uk)

[www.hl.co.uk/annuity](http://www.hl.co.uk/annuity)

## Why use Hargreaves Lansdown for your annuity?

- ✓ We offer only guaranteed quotes - no indicative rates
- ✓ Enhanced annuity quote system allows you to access enhanced annuity rates in minutes - a UK first
- ✓ We have simple application forms and will help you with the paperwork
- ✓ Come straight through to a friendly expert based in Bristol - no "press one for this, two for that"
- ✓ 98% of our clients rate our annuity service as good, very good or excellent (May 2013 Client survey, 182 respondents)

