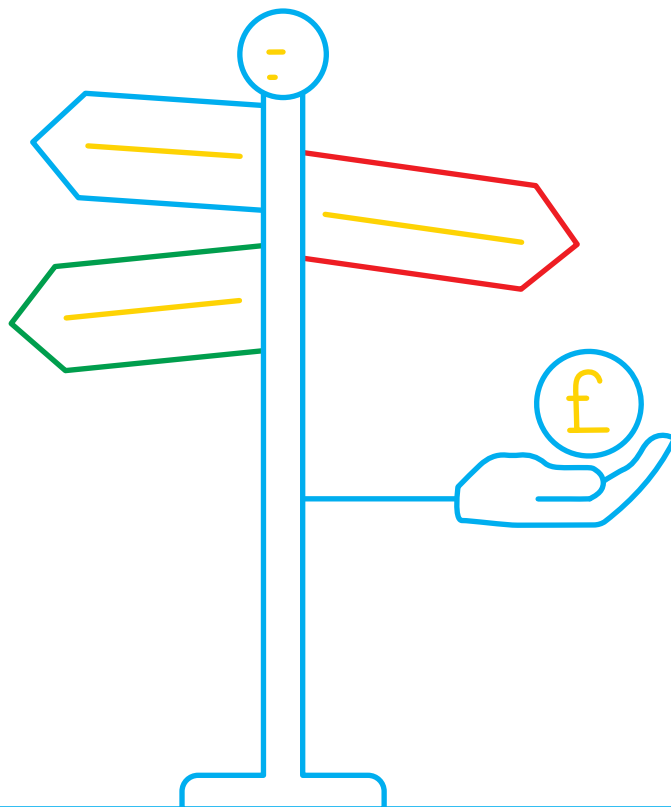


Challenging perceptions on annuities

Consumers like to keep us on our toes, and our July 2018 annuity survey certainly provided a few surprises.



This is not a consumer advertisement. It is intended for professional advisers and should not be relied upon by private customers or any other persons.



In July 2018, we researched more than 2,000 over-55s to represent the over-55 national population in Great Britain and Northern Ireland by age, gender and region.

The aim of this research was to look at why consumers might perceive annuities as 'poor value' and what this means. We also wanted to find out what good value looks like and the research consumers do to get this.

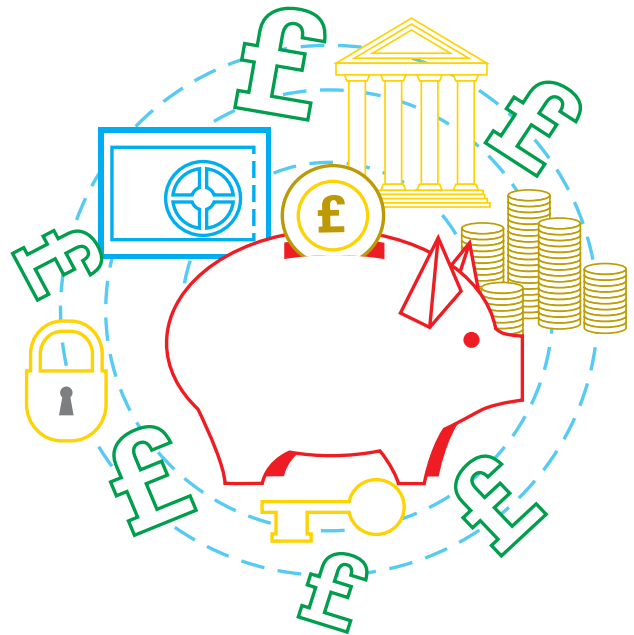
Of those who took part in the survey and who were aware of annuities, an annuity only came second to property as being perceived as the best-value pension product.

Five reasons why

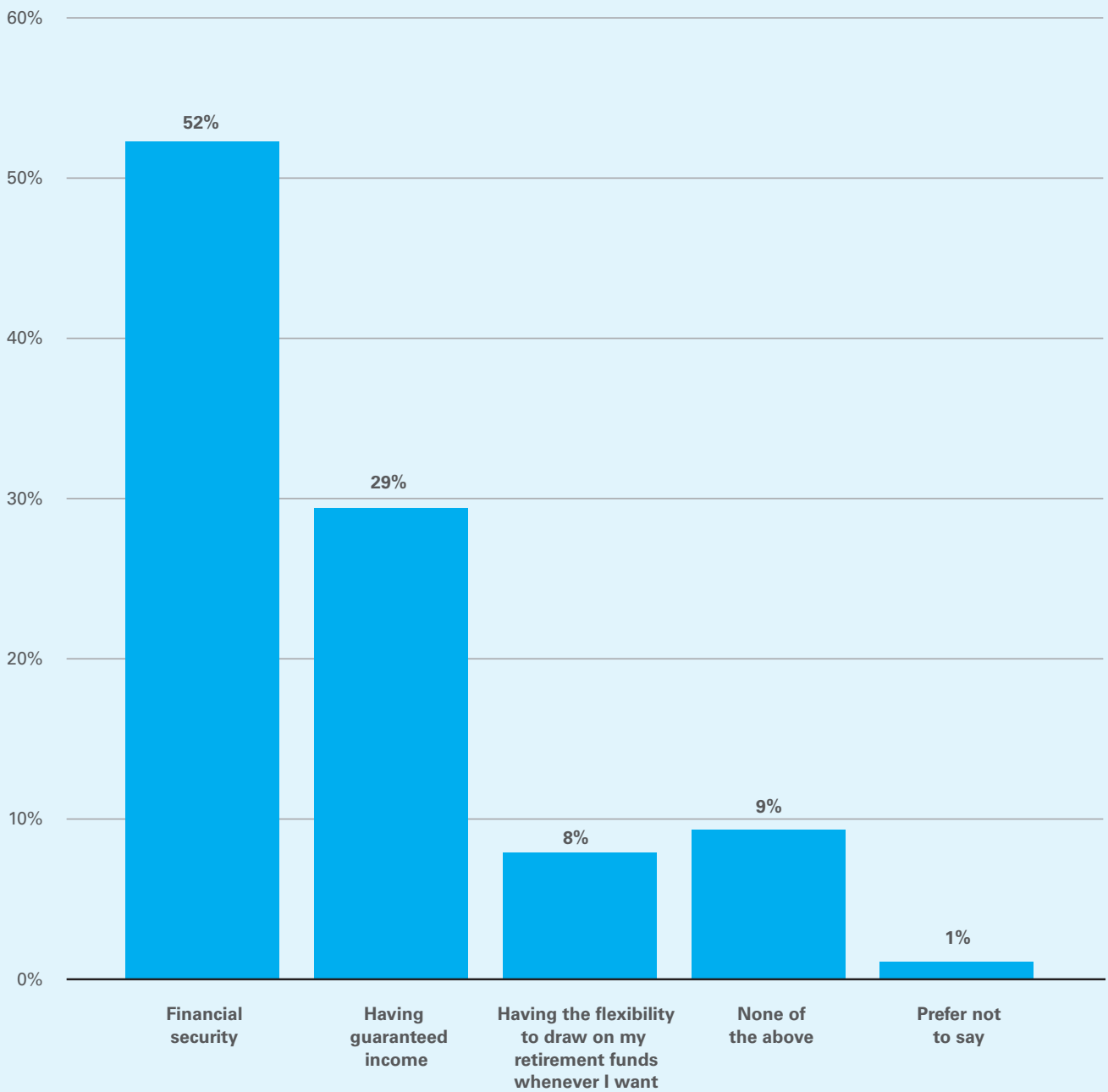
1

Financial security in retirement is top priority

When asked which of the following do they consider to be the most important to them in retirement, consumers overwhelmingly stated financial security, with a guaranteed income as the second most important priority.



Which of the following do you consider to be the most important to you in your retirement?



Source: Survey of over 2,000 UK adults aged 55 and over commissioned by Legal & General in July 2018

2

There's little appetite for risk

Almost half of consumers don't want to take any risk with their money and three quarters don't want to take big risks. An even greater proportion (77%) wouldn't risk their retirement income, even if a higher return were possible.

Over-75s are significantly less likely to take a risk with their money than younger age groups, whereas men are twice as likely to think about taking a risk as women, but still only 6% of them would.

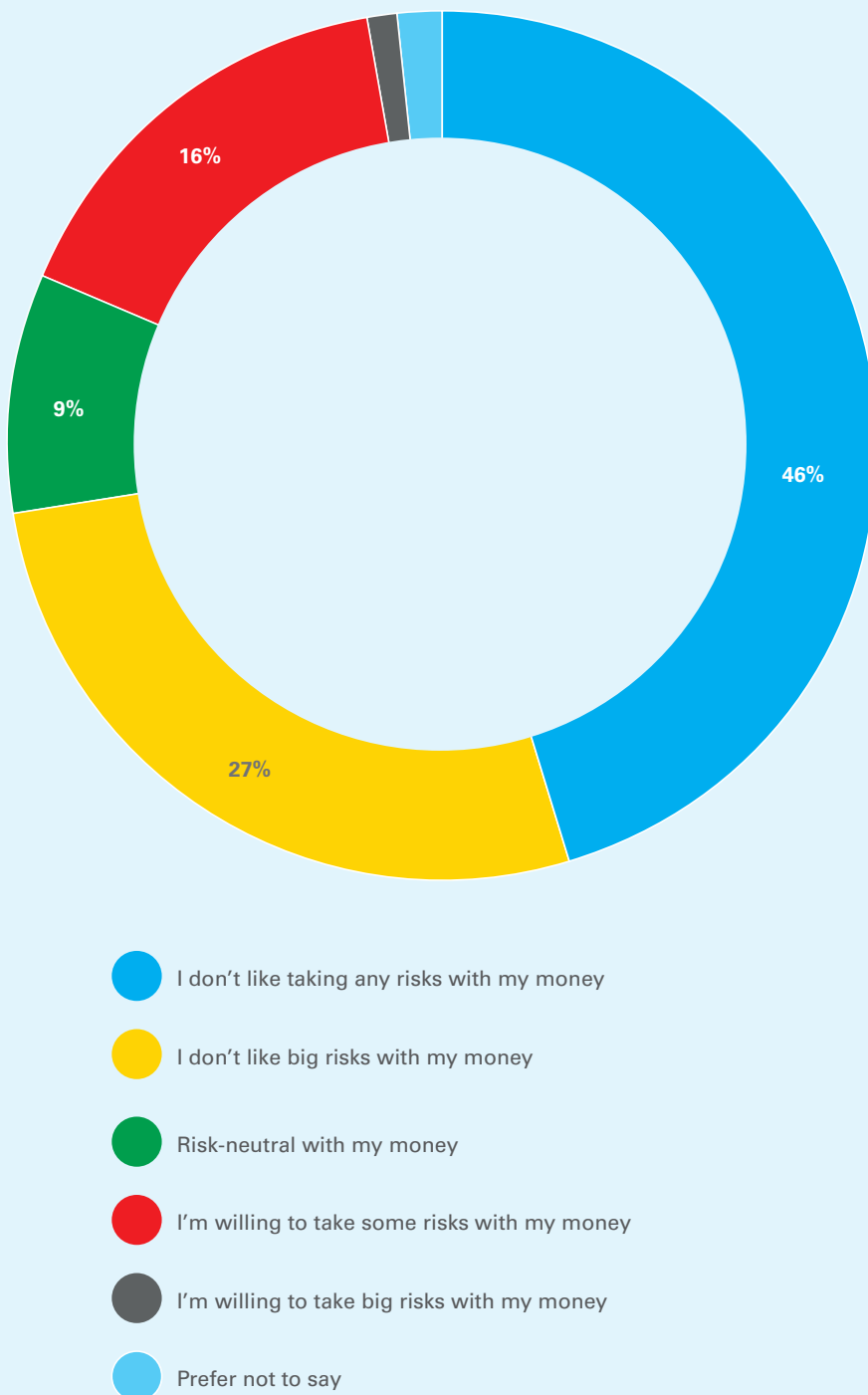
This attitude and thinking underlines decision-making at the point consumers need to plan for their retirement.

Our research found that 26% of consumers perceived annuities as fairly low risk, leading us to summarise that annuities fit the profile of the type of financial product consumers are looking for in retirement.



don't like taking risks with their money

What is your attitude to taking risks with your money?



Source: Survey of over 2,000 UK adults aged 55 and over commissioned by Legal & General in July 2018

3

A 'good' annual rate of return is perceived to be between 3% and 7%

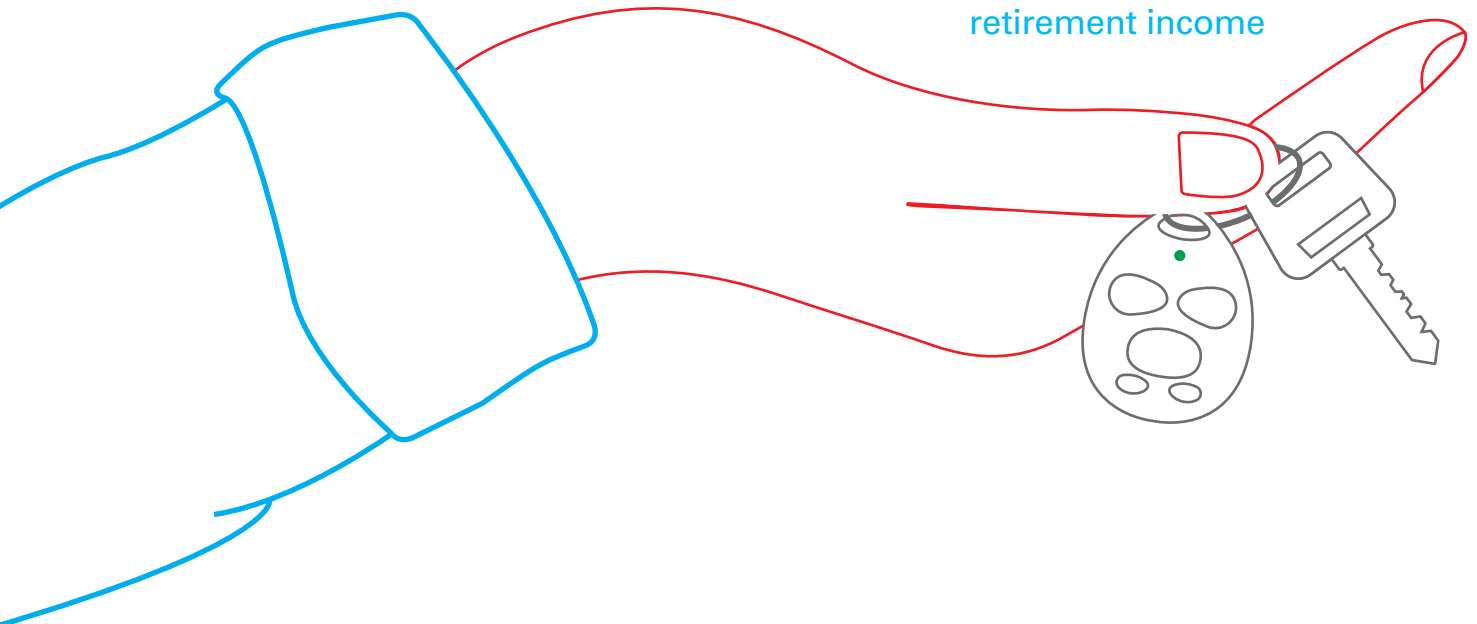
When asked what they would consider to be a good annual rate of return on savings or investments, more than two fifths of respondents said that between 3% and 7% would represent 'good value'.

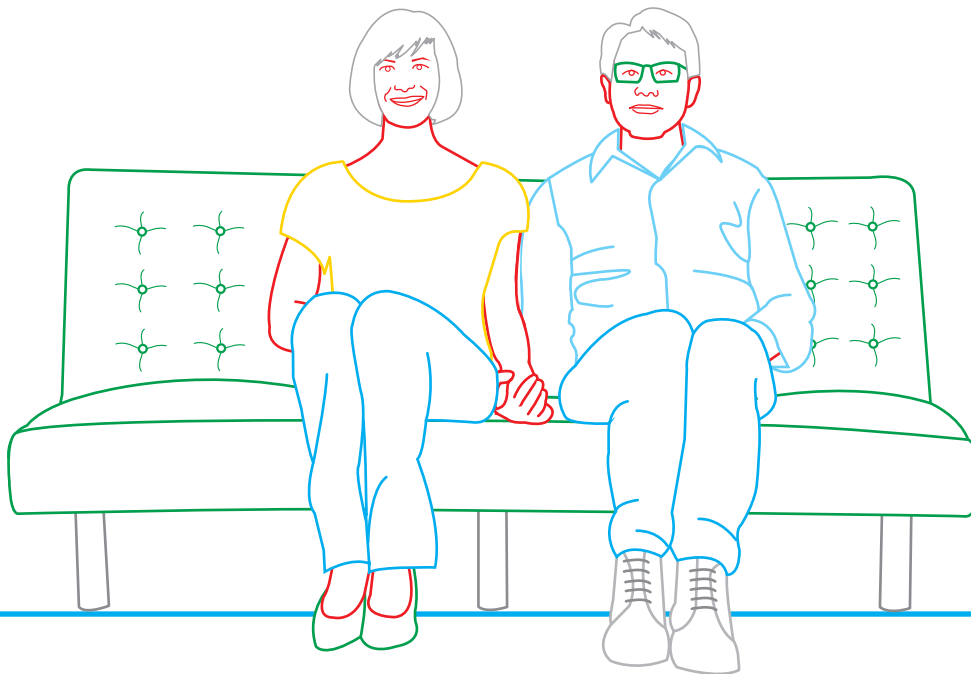
Over a fifth of those questioned had no idea what a good rate of return would be, and three quarters didn't understand the benefits of enhanced annuities.

This lack of understanding about annuities is understandable, when we see that the results showed the majority of respondents spent less than an hour a week managing their retirement finances.

In fact, we found that consumers were likely to spend more time considering buying a new car or re-modelling a bathroom, than choosing how they access their pension pot and understanding which products represented good value.

More time spent considering buying a car than planning their retirement income





“

Anything to do with **property** has to be the highest value I would imagine. **ISAs and savings accounts** have limits usually to how much you can invest. **Annuities** once again, as much as I know about them, would seem to **hold middle ground**.

”

4

There's a 'will it last?' worry

The research found that most consumers had, at some point, felt concerned that their funds wouldn't last throughout retirement. Less than a third (30%) said they had never worried about their retirement money running out early and nearly one in five (19%) was not confident that their pension pot would last.

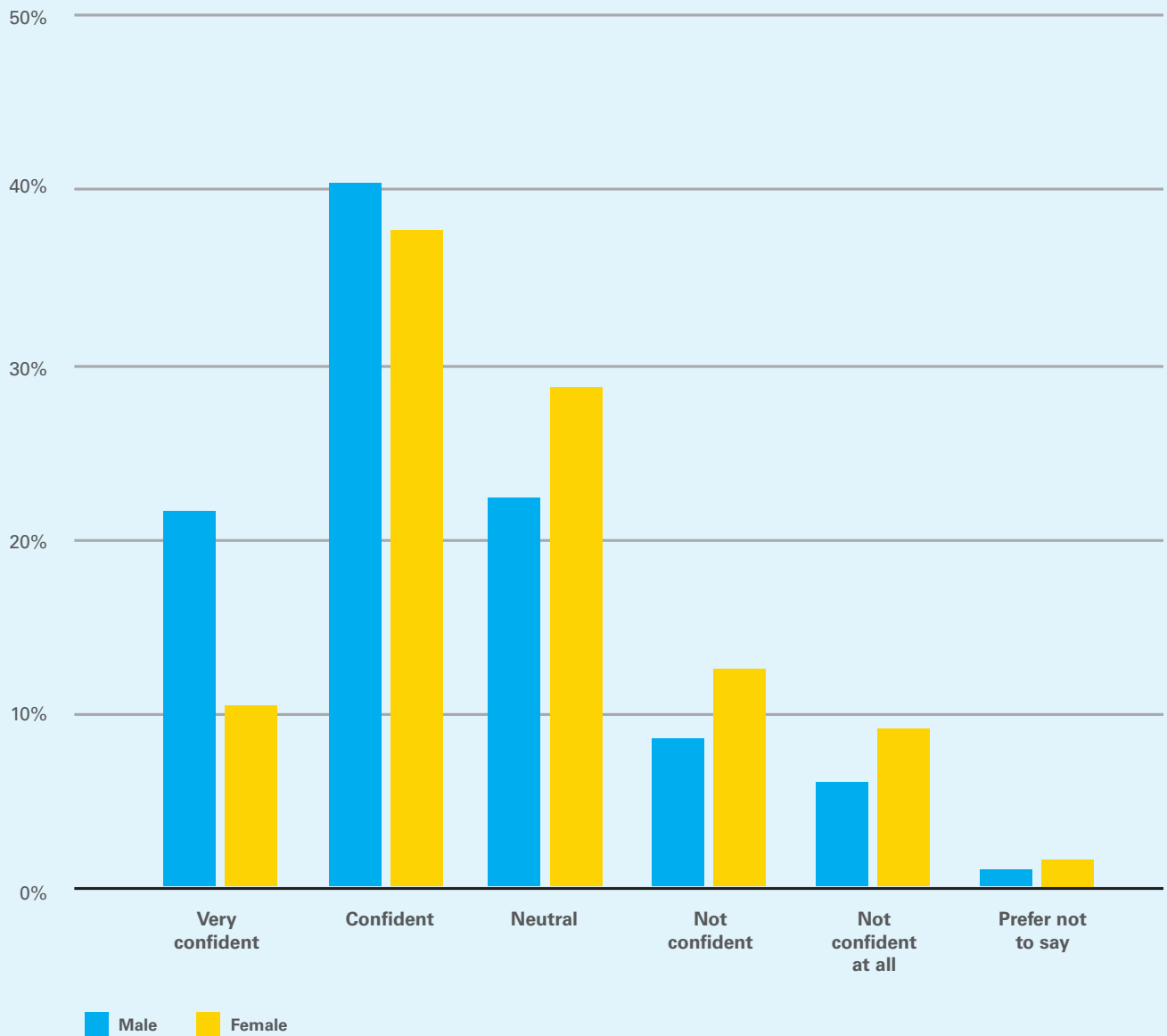
In particular, women and those in the pre-retirement age group were especially concerned that their pension savings wouldn't last.

Nearly 50% of women had considered that their money may run out too early in retirement and over 50% of 55 to 64-year-olds.

Of course, a lifetime annuity provides an income for life, so helping to eliminate the 'will it last?' worry.



How confident are consumers that their total retirement funds will be sufficient? By gender

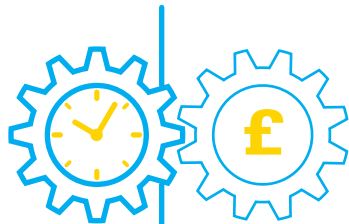


Source: Survey of over 2,000 UK adults aged 55 and over commissioned by Legal & General in July 2018

5

Perception of value is complicated

The perception of value is more than just about cost. We believe annuities continue to be an important part of the retirement income discussion because they address many of their financial concerns in retirement.



They can last a lifetime, so consumers won't run out of money



They improve financial security with a guaranteed income



There's no investment risk

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