

Insurers consult on annuity rate transparency

A consultation on annuity rates transparency is underway, with the aim of helping people approaching retirement to get the best pension deal.

The consultation was launched on 7 November by the Association of British Insurers (ABI) and follows the March 2012 publication of the ABI Code of Conduct on Retirement Choices, which requires ABI members to provide clear and consistent communications to customers in the run-up to their retirement.

As part of the code, the ABI will be publishing a range of available annuity rates to help customers understand how the products of individual providers fit into the wider annuity market.

Stephen Gay, the ABI's director of life, savings and protection said: "For the first time, we will be publishing rates of companies who only offer rates to existing customers as well as companies competing on the open market.

"Buying an annuity is one of the most important financial decisions people make and shopping

around for the right one can make a significant difference to people's retirement income.

"Making the market more transparent is a further step in helping people with this decision. We want to get this right so are launching a consultation on our plans and welcome feedback from a wide range of stakeholders and insurance companies."

Steve Webb MP, Minister for Pensions, said: "This move by the ABI to improve the transparency of annuity rates is a step in the right direction. Pensions need to be simple and clear so that people can engage with them."

The consultation, which closes on 3 December, can be accessed via www.abi.org.uk

- The Prudential has become the first insurer to offer unisex annuity rates, following a European Court of Justice ruling banning gender-specific

insurance. From 21 December 2012, insurance companies will no longer be able to take into account whether someone is a man or woman in deciding what to charge for new insurance policies or benefits that might be paid.

Women's longer lifespan has meant that they have historically received a lower annual income amount than men when purchasing an annuity for the same lump sum.

Prudential said gender-neutral pricing would apply to all quotations from 12 November onwards. With the new pricing, a 65-year-old man would see his annual pension income fall by 1.5 per cent on the old rates while a woman of the same age would receive 6.5 per cent more. A 60-year-old man would receive 2.5 per cent less while a 60-year-old woman would gain 4.5 per cent.





Women 'at financial risk in retirement'

Women are risking financial uncertainty in old age because they are not making independent plans for their retirement, says a financial products specialist.

The eighth annual Scottish Widows Women and Pensions Report, published on 12 November, found that nearly half (43 per cent) of women were relying on joint savings with their partners to fund their retirement.

But with research showing that one in three marriages in the UK end in divorce by the 15th anniversary, Scottish Widows says women need to make extra provision for retirement.

Based on a sample of 5,200 adults, the report found that fewer than one in five (17 per cent) of women trusted their own savings to see them through retirement, compared to nearly a third (30 per cent) of men.

And despite so many women depending on joint arrangements in retirement, the vast majority (79 per cent) of married women said retirement was not discussed with their partner before they married and 78 per cent that they did not know what they would be entitled to from their partner's pension if they divorced.

Of the divorced women surveyed, only 15 per cent said pensions were discussed as part of their settlement, despite it being a legal requirement that pensions are taken into account in divorce settlements.

Women over 50 were particularly vulnerable in terms of a lack of retirement provision, the research found. The percentage of women over 50 without a pension was nearly double that of men of the same age (28 per cent compared with 15 per cent) and eight per cent were wholly dependent on their partner's savings to fund them in retirement.

Lynn Graves, head of business development, corporate pensions at Scottish Widows, said that making a commitment to save a set amount each month could mean the difference between "a comfortable retirement and one full of financial difficulties" for women.

She added: "We know that the pressure on household budgets and the challenge of managing childcare and wider family responsibilities whilst balancing work, can all make it more difficult for women to save for retirement.

"For many older or divorced women, this can mean relying on a partner or other family members to provide support or additional income in later life. However, unforeseen events can have a stark impact on retirement plans, and it is important for women to make sure they know what they are entitled to and how much they can expect to receive in retirement."

1 in 6 lose track of pensions

One in six (16 per cent) workers have lost track of pension funds after changing jobs, new research has found.

And three in four (76 per cent) people have no idea of the value of the company pension pots they have built up over their careers, according to an online survey of more than 2,000 workers commissioned by Prudential.

Stan Russell, retirement expert at Prudential, said: "It is essential for people to understand what type and level of savings they have built up in the past.

"They must make sure that their previous employers have their most up-to-date personal details and are sending them annual pension statements, so they can keep themselves properly informed.

"Keeping track of pension savings at every age is important but it is even more crucial for younger workers, who are likely to switch jobs more often, to actively manage this process."

People who have lost track of previous company pension pots can go to the Pensions Tracing Service at www.direct.gov.uk/pensiontracing,

which has access to information on more than 200,000 schemes.

Prudential's research also found that workers who do know the value of their combined pension pots say they have built up an overall fund worth £110,207, on average, over their working lives.

However, the research revealed a significant gender gap with men estimating they had built up pension savings totalling £154,094, whereas women estimated they have saved only £50,512.

Redundancies fall – but more set to come

Fewer businesses are making employees redundant, latest official statistics have shown.

The Office for National Statistics reported on 14 November that the number of people who had been made redundant or have taken voluntary redundancy in the July to September quarter was 128,000.

The figure, which represented a redundancy rate of 5.1 per 1,000 employees, was down 22,000 from April to June 2012 and down 19,000 from a year earlier.

The number of redundancies has steadily fallen

from a total of 299,000 in January-March 2009 and the only quarter since then in which the total was lower than the latest figure was in January-March 2011, when it stood at 123,000.

The redundancy figures echoed a fall on the number of unemployed people to 2.51 million, down 49,000 on April to June 2012 and down 110,000 on a year earlier.

Meanwhile, the Chartered Institute of Personnel and Development's (CIPD) latest quarterly Labour Market Outlook (LMO) published on 12 November, suggested that employment would grow steadily during the fourth quarter of 2012.

But the majority of organisations included in the LMO forecast that there will be little change in their workforces over the next 12 months and the proportion of public sector employers planning to make redundancies in the fourth quarter fell to 32 per cent from 39 per cent.

But the proportion of private sector services firms that planned to make redundancies rose to 29 per cent from 24 per cent in the previous quarter, with jobs most vulnerable in the finance, insurance and real estate sector, with 43 per cent of employers expecting to make redundancies.

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