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Tuesday 23rd April 2024



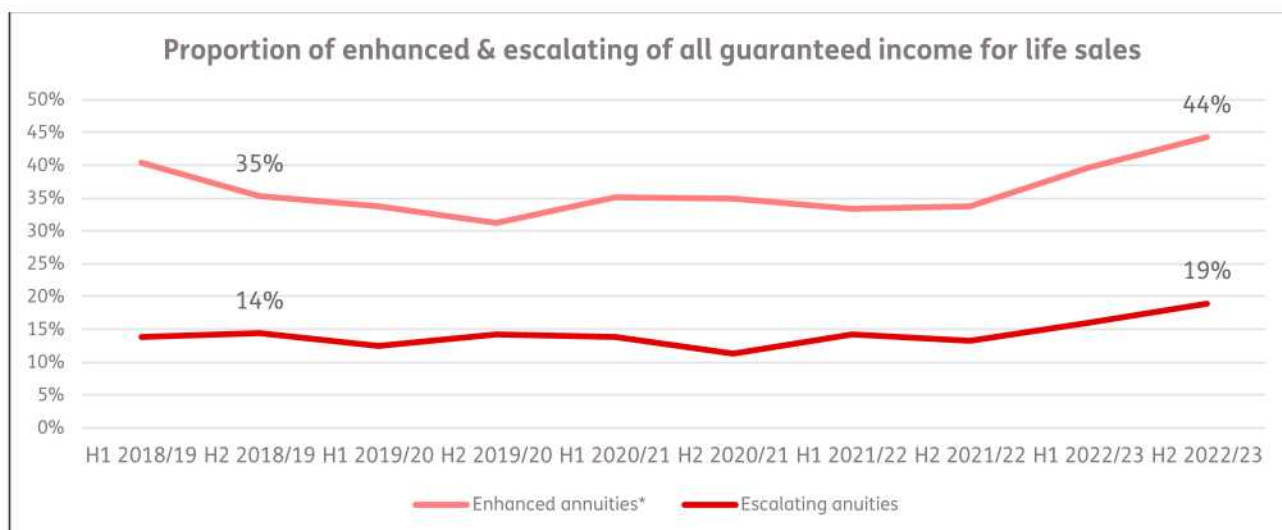
Inflation surge drives up sales of escalating annuities and more customers take up enhanced rates

- Purchases of guaranteed income for life (Gifl), or annuity, products that rise with inflation account for a fifth (19%) of all sales in H2 2022/23
- Increase of five percentage points from four years ago following inflation surge
- Enhanced annuity sales also increase in proportion of total Gifl sales to 44% in H2 2022/23 compared to 35% four years ago

The latest data from the Financial Conduct Authority (FCA) show that escalating and enhanced guaranteed income for life (Gifl) products – otherwise known as annuities – have risen markedly.

In the four years leading up to 2022/23, escalating Gifl products accounted for 13% of total sales. However, following the spike in inflation which saw the purchasing power of pensioners on fixed incomes drop markedly, sales of escalating Gifl rose to 16% in H1 2022/23 and then even further to around a fifth (19%) of all purchases in H2.

Opting for escalating guaranteed income for life solutions protects pensioners against inflation increases as rather than providing a fixed income, it will start at a lower level but rise over time either through a link to inflation or at a pre-agreed level.



The proportion of enhanced guaranteed income for life solutions has also risen markedly over the past four years from 35% of all sales to 44% between H2 2018/19 and H2 2022/23.

The FCA data on enhanced products accounts for those underwritten on impaired life or lifestyle factors (e.g. smoking) which provide an uplift in the rate available to offer a higher level of income.

Customers are also able to access enhanced rates underwritten on other factors such as their occupation or postcode details, but these are not included in this dataset..

Stephen Lowe, group communications director at retirement specialist Just Group, said the figures were evidence of better informed decisionmaking in the GIFL market: “It is positive that we are seeing customers opting for more complex products that may be more appropriate for their circumstances or offer a higher level of income.

“Our own analysis suggests around two-thirds of pension savers could be eligible for enhanced rates so we are creeping towards a more positive level of take-up. The increase in rates over the past year has brought guaranteed income back into the spotlight and it is pleasing to see people not rushing into decisions that may not deliver the best outcomes.

“The inflation shock over the past couple of years is also clearly influencing behaviours in the GIFL market with a notable uptick in escalating plans purchased over the 2022/23 year. However, customers should be careful that this is the right decision for them as the starting income will be lower so will need to pay out over several years to be likely to be worth inflation protection.”

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Notes to Editors

1 – FCA, Retirement Income Market Data 2022/23: <https://www.fca.org.uk/data/retirement-income-market-data-2022-23>

About Just

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A leader in the individual retirement income, care and defined benefit de-risking markets, Just has been trusted to manage more than £26 billion of customers’ retirement savings and has helped customers release over £6.5 billion from their properties.

Just provides the following wide range of products, advice and professional services to individual customers, financial intermediaries, corporate clients and pension scheme trustees:

Marketed Products

- De-risking solutions for pension scheme trustees who want to remove the financial uncertainty of operating defined benefit pension schemes;
- Individually underwritten retirement income products delivering a guaranteed income for life;

- Long term care plans that provide those people moving into residential care with peace of mind by knowing a regular payment will be made to the care provider for the rest of their life;
- Lifetime mortgages for people who want to safely release some of the value from their home.

Professional services

- Regulated financial advice and guidance services for individuals wanting help in using their pension savings and/or releasing some of the value from their home; and
- A range of business services tailored for our corporate clients, ranging from consultancy and software development to fully outsourced customer service delivery and marketing services.

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