



## The ‘best kept secret’ of retirement planning – how Value Protection option ensures full payback on the cost of an annuity

- Retirees can guarantee their annuity investment is returned by choosing Value Protection
- Option ensures no less than 100% of the annuity cost is paid to them or to beneficiaries
- Price of Value Protection has fallen as annuity rates have risen – a win-win

Retirees often like the idea of receiving a flow of guaranteed income for however long they live but are put off annuities because they worry the money they originally invested will be wasted if they die too soon.

**Retirement specialist Just Group** is highlighting a little-used option that guarantees the initial cost of the annuity or more will be paid out even if they die early in retirement.

Only about one-in-20 annuities purchased<sup>1</sup> include the ‘moneyback’ option – called Value Protection – although it directly addresses worries that annuity buyers lose their money if they die too soon.

**Stephen Lowe, group communications director at Just Group**, said: “Annuities are the only retirement income solution that guarantees to keep paying a retirement income for as long as you live, helping guard against running out of money in later life.

“But some people naturally express concerns about dying before the initial sum used to purchase the annuity is paid out. Value Protection can guarantee all the of the money spent on the annuity is paid out, if not as income to them during their lifetime then as payments to beneficiaries.

“The cost will depend on the proportion of the fund the retiree wants to protect and their age, but we think most will consider it quite modest. In fact, the increase in annuity rates has seen the cost of Value Protection fall, effectively helping annuity buyers get more for less.”

Based on current rates, a healthy 60-year-old using a £50,000 pension pot to buy an annuity that includes 100% Value Protection would receive about £3,305 a year income, compared to £3,445 a year with no Value Protection.

“That means the protection costs £140 a year or £3 a week which is less than a weekly high street coffee. There is a larger reduction in income for older annuity buyers, but the annuity rates are higher too.”

Annual annuity income	Age 60	Age 65	Age 70
No value protection	£3,445	£3,858	£4,316
100% value protection	£3,305	£3,663	£3,959
Reduction per year	-£140	-£195	-£357

*Quotes from 4/4/2025 based on level single-life annuity, S66 9BJ postcode*

An annuitant who selects 100% Value Protection is guaranteed to receive income for as long as they live. If they die before receiving the full amount used to purchase the annuity, their beneficiaries will receive a lump sum equal to the protected amount minus any income payments already made.

For example, at current rates a 60-year-old who opted for 100% Value Protection on a £50,000 annuity might receive £3,304 a year income. If they died after only five years, the beneficiaries would receive £33,474 (the £50,000 annuity purchase price minus the £16,525 income already paid).

“Annuities are often portrayed as a bet you can only win if you live a long time, but that’s not true,” said Stephen Lowe. “It’s less common to select Value Protection but more than three in four buyers purchase some kind of capital or income protection against premature death.

“That could be a guaranteed term during which the income will still be paid out even if the annuitant dies, or it could be a dependant’s pension that keeps paying income to a spouse or partner for their lifetime.

“Retirees often like the peace of mind of knowing that they can spend this month’s annuity income knowing more is on the way next month. Annuities are a major up-front investment and these options can provide peace of mind every penny they invested will be paid out.”

Annuity buying tips:

- [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk) – the government’s money and pensions guidance service offers access to free, independent and impartial guidance service Pension Wise and also has a useful online tool allowing quick comparisons of annuity rates and options.
- Employ an expert – an annuity broker or regulated adviser will work with you to better understand your goals, to choose the right options and shop around for the best deal.
- Full disclosure – providing details of your lifestyle and medical history is the only way to get a personalised annuity rate based on your unique situation.
- Don’t settle for less – seek out the highest offer because small differences in annuity offers can add up to large amounts over a long retirement.

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## Enquiries

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### **Notes to Editors:**

**1 – FCA, Retirement Income Market Data 2023/24:** <https://www.fca.org.uk/data/retirement-income-market-data-2023-24>

### **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 £27 billion of customers' retirement savings and has helped customers release over £7 billion from their properties.

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- 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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