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NEWS RELEASE

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Sustainable income AND higher death benefits – Just Group comments on new Milliman research highlighting value of guarantees in retirement

“...a combination of an annuity and a drawdown product could lead to a higher likelihood of achieving a person’s target income and a higher death benefit...” – Milliman, October 2018

Retirees can benefit from a more sustainable income and higher death benefits by including guaranteed income in the ‘asset mix’ of their portfolios at retirement, new research¹ reveals.

Just Group said the research by consulting and actuarial firm **Milliman** reinforces the need for financial advisers to highlight the value of guaranteed income for life (GfL) solutions to their clients as a key component of a sustainable retirement income strategy.

“This is a ground-breaking report at a time when many thousands of retirees are seeking ways to balance pension flexibility with sustainability,” said Stephen Lowe, group communications director at Just Group.

“It demonstrates that combining an annuity, rather than bonds, with equities in a drawdown strategy will increase the likelihood of maintaining the target level of income over the course of retirement.

“Perhaps counter-intuitively, it also shows that the equity-annuity strategy can ultimately deliver more generous death benefits too. While capital is used initially to buy the annuity component, over time the flow of guaranteed income underpins the value of the equity component resulting in a larger fund on death to distribute to beneficiaries.

“In the era of pensions ‘freedom and choice’ it has profound implications for today’s advisers and also for those who may be involved in designing default investment pathways for retirees in the future.”

The report takes the case of a healthy 65-year-old woman targeting a £4,000 a year income (Fig.1), rising with inflation, from a £100,000 pension fund composed of 55% equities and 5% cash with the remaining 40% in bonds in one portfolio, in an annuity in the other. The woman has more than a two-thirds chance of reaching her 90th birthday².

After 21 years (age 86) the death benefit available from the equity-annuity portfolio starts to outstrip the amount available from the equity-bond portfolio. And from age 90 the likelihood of the equity-annuity portfolio providing her desired income is higher than for the equity-bond portfolio (Fig.2).

“The figures in the report challenge the notion that buying guaranteed income means giving up death benefits,” said Stephen Lowe. “The truth is that in a combined strategy, having guaranteed income helps protect and enhance the equity element which should allow the majority of people to leave more to heirs.

“The equity-annuity portfolio is more likely to succeed where people are concerned about a steady stream of sustainable income over the long-term because they believe they will live to around average life expectancy or longer.”

Sustainable withdrawal calculator for advisers

Just Group has developed a sustainable withdrawal calculator using the modelling developed by Milliman, to enable advisers to demonstrate potential outcomes to their clients of using an annuity-equity combination compared to a bond-equity combination to generate sustainable retirement income. The calculator is available on Justadviser.com.

“The modelling highlights the important point that including guaranteed income within the asset mix can provide extra peace of mind to those retirees concerned not only about income but also leaving a legacy too,” he said.

“It certainly is strong evidence for advisers not to discount annuities in their discussions with clients and for policymakers to ensure that any future move towards proposed default investment pathways for non-advised clients should include an element of guaranteed income.”

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Notes to Editors

Research

1. Annuities Reinvented: Are annuities the missing asset class for sustainable drawdown solutions, Milliman, October 2018. The paper was commissioned by Just Group and Milliman received compensation for this research.

2. Life expectancy data is best estimate mortality data taken from **Prognosis™** based on the profile of the examples used in the analysis. Prognosis™ is Just Group’s proprietary underwriting system containing over 2 million years of data from over 350,000 customers.

Figure 1.

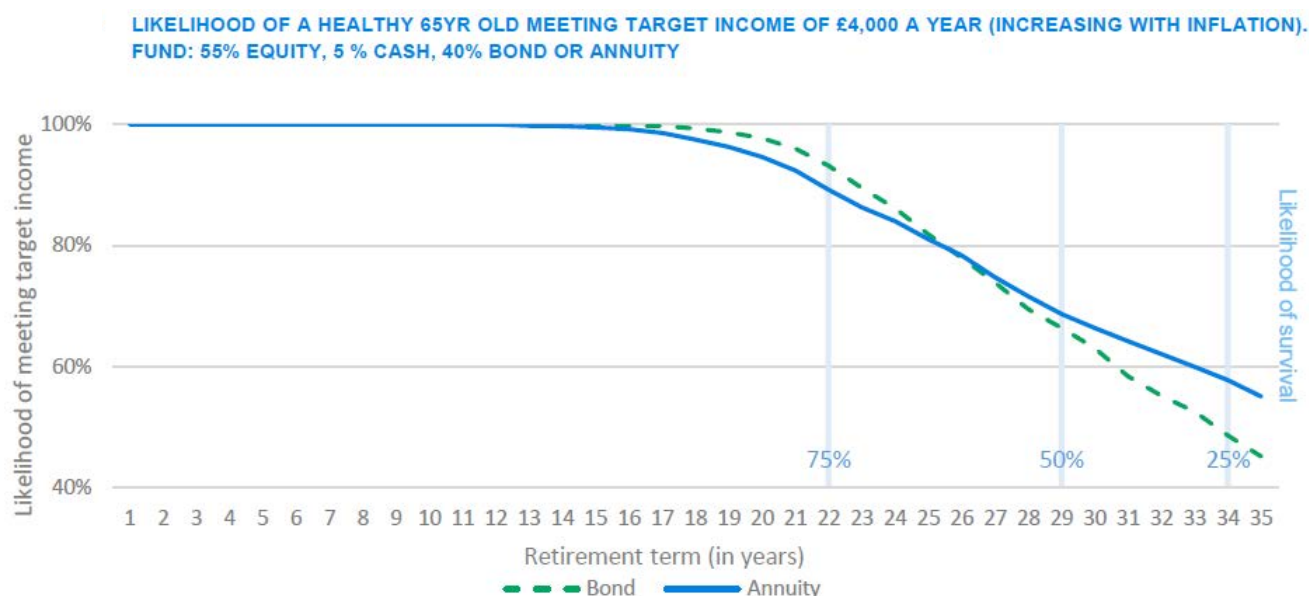
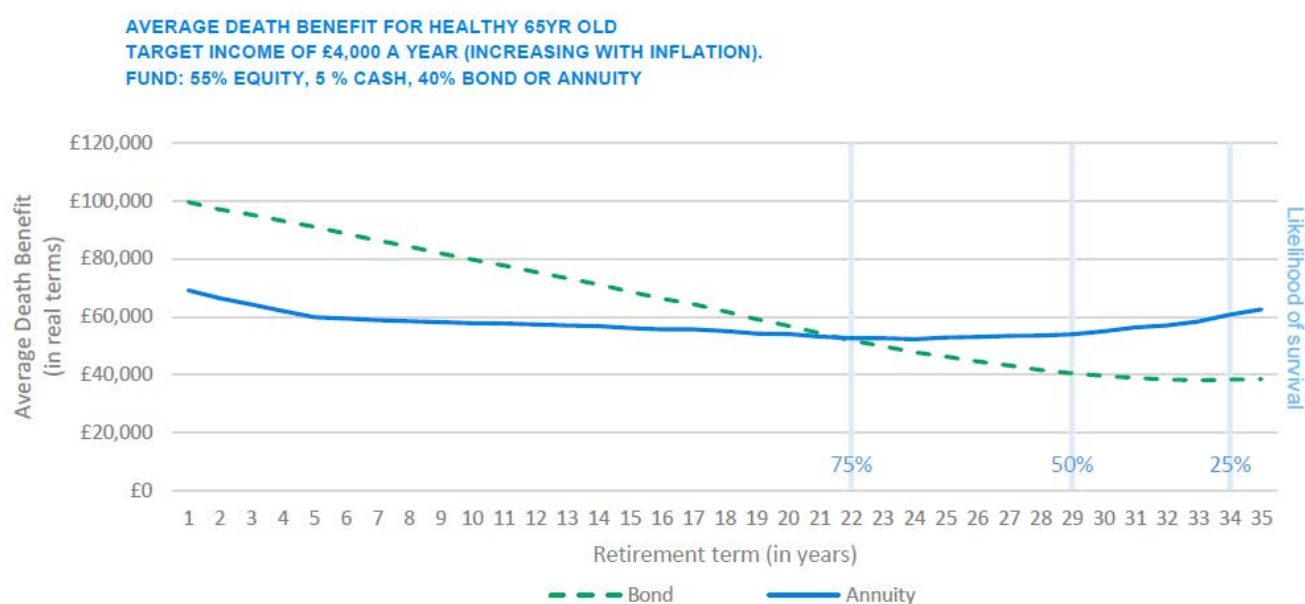


Figure 2.



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About Just

Just (Just Group plc) is a FTSE-listed specialist UK financial services company created by the merger of Just Retirement Group and Partnership Assurance Group.

A leader in the individual retirement income, care and defined benefit de-risking markets, Just has been trusted to manage over £15 billion of customers' retirement savings and has helped customers release over £3.5 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 and flexible pension plans offering customers the options to blend secured and unsecured income;
- 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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