

# Cost of delay = 18 years

Which pays more – getting a lower income for longer or a higher income for a shorter time? The results might surprise you.

According to the Association of British Insurers (ABI), the average 65-year-old man will live to 84, while a 65-year-old woman will live to 87. That's 20 years of retirement – plenty of time to do all those things you've planned. And plenty of time to decide what income you need too, right? Wrong. You could pay a high price for delaying.

## Let's look at an example

Mr Davidson is a 60-year-old non-smoker with a pension fund of £93,615.70. Based on today's rates, he could retire now with an income of £500 a month – that's £6,000 a year. If he decides to wait until he's 62, he could retire with an income of £557.58 a month (again using today's rates) – that's £6,691.32 a year (if we assume his pension fund has grown by 7%\* in those two years to £100,168.80).

\*This growth rate is illustrative only and isn't guaranteed.

Although delaying until 62 means that his income is higher each year, he's already missed two years of income. So, he's lost out on a total of £12,000 that he could have invested or used to boost his retirement income.

## Why wait?

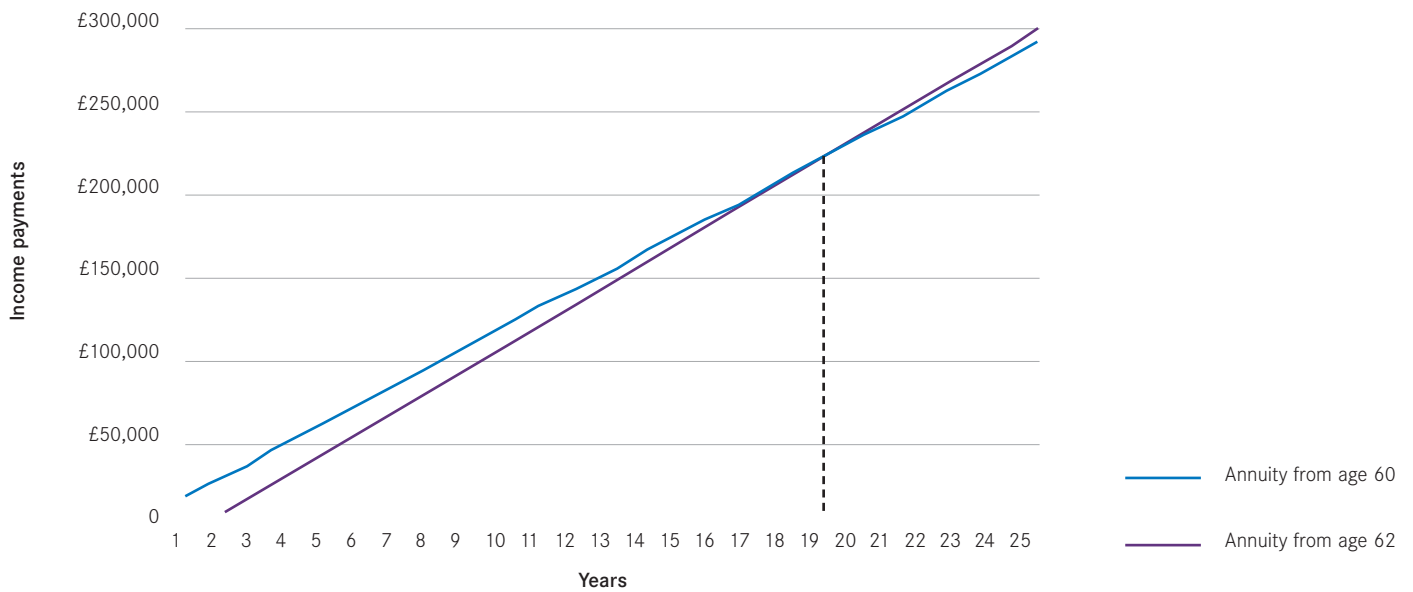


Now let's look at how much income he could receive throughout his retirement on the two situations.

1. **He starts his annuity at 60** with an income of £6,000 a year. In 20 years' time, he's received £120,000 in income.
2. **He starts his annuity at 62** with an income of £6,691.32. In 18 years' time, he's received £120,443.76 in income.

So, by starting his annuity at 62, he'll have to wait until 80 before his accumulated income amounts to more than the total income he'd have accumulated by starting his annuity at 60.

To put it simply, delaying your annuity by two years could set you back 18.



It might still be helpful to you to take the annuity, even if you don't need the income straight away, for example if you're still working. You could invest the money in a savings account or ISA, for instance. That way you could build up an emergency fund and you'd be earning growth on your investment. You'd be able to access that money straight away if you needed it and it would still pass to your family if anything happened to you.

Bear in mind though that if you died soon after setting up an annuity, the balance might not automatically pass to your family, whereas it would if it was still in a pension fund.

You need to decide whether you need a secure income now or can afford to leave that money as a legacy for your family.

**Don't delay – speak to your financial adviser today to plan your perfect retirement.**

The figures in this document are based on our annuity rates at 22 March 2007 and are for illustration purposes only. Future annuity rates aren't guaranteed and the annuity benefits you receive in the future will depend on the rates available when you retire.

Your financial adviser will confirm your needs before making a recommendation and will then provide you with key features, to match your circumstances.