

Designed with the future in mind

Flexible Income Annuity vs Conventional Annuity

People are living much longer these days and the nature of retirement is changing too. Reaching 60 or 65 doesn't mean everyone is ready to swap their business suits for slippers and give up work entirely.

A growing number of people want to carry on working full or part-time and keep earning, rather than relying entirely on their pension savings in the early years.

Until recently, conventional fixed level annuities have been popular as the "safe" option at retirement because they don't involve investment risk. But, the cost of including inflation-proofing features to a conventional annuity, and the risk posed by not doing so, is making more people explore alternative solutions.



How do they compare?

The same benefits as a conventional annuity

	Flexible Income Annuity	Conventional Annuity
Guaranteed income for life	✓	✓
Benefit of mortality cross subsidy	✓	✓
Death benefits to provide for loved ones	✓	✓
Enhanced rates for impaired lives	✓	✓

Here's where the Flexible Income Annuity gives your clients the advantage

	Flexible Income Annuity	Conventional Annuity
Potential for investment growth to protect against inflation	✓	✗
Freedom to choose from a range of income levels (up to 120% of conventional rate at outset)	✓	✗
Flexibility to vary income at any time	✓	✗
Access to a simple mix of world-class investment funds and flexibility to switch funds at any time	✓	✗
Membership of the Society and member bonuses	✓	✗

Potential income over 15 years

The table below shows how much extra income your client could receive over 15 years based on 7% growth projection.

	Initial Income	Cumulative income to end of year 15
Flexible Income Annuity	£7,508	£109,731
Conventional Level Annuity	£6,257	£93,855

Difference £15,876

Example - £100,000 pot, male age 60, single life basis, maximum income taken at outset from FIA and 7% growth projection basis. Source: Conventional annuity is the average of the best 3 rates available in the market from Exchange - October 2009

Better value with a Flexible Income Annuity

With retirement lasting potentially 20–30 years, making sure your client's pension savings will meet their lifetime needs is a growing concern – particularly when it comes to combating inflation.

- In January 2009, inflation for pensioners was 9% – almost four times the official rate of 2.4% (Daily Telegraph)
- At 4% inflation, £1,000 of income today will be worth £375 in 25 years (Daily Telegraph)

Providing your client is comfortable that the Flexible Income Annuity is an investment-backed product, we believe it could give them the benefits they need and the control they want over their hard-earned pension savings.

A higher starting income

The new MGM Advantage Flexible Income Annuity allows your clients to take a higher starting income than they could with a conventional annuity.

When your client applies for the Flexible Income Annuity, we'll let them know the range of income levels they can choose from. This will be between 120% and 50% of the amount they could get from a conventional annuity, based on their personal circumstances (age, sex, health etc.).

It will be up to your client to decide whether they want to take the maximum income at the start or whether they're happy to take a lower level of income in the early years, especially if they are still working part-time and have other income to rely on.

Obviously, taking a higher starting income will leave less of your client's funds invested with the potential for growth, and taking a lower income will leave more of your client's funds invested with the potential for growth.

Potential for growth

We've chosen a simple range of world-class investment funds with an active and passive managed option for each of the cautious, balanced and adventurous funds, plus a cash fund.

Our fund managers include JP Morgan Asset Management, Newton, Jupiter, Insight Investment and Vanguard. Old Broad Street Research (OBSR), the independent research organisation, will monitor the funds on our behalf and your clients will be able to check the performance of their funds on our website – mgmadvantage.com.

Flexibility to vary income

We know that people's financial needs can change in retirement in line with their lifestyle and that's why the Flexible Income Annuity from MGM Advantage allows your clients to change the income they receive at any time, within the range we set.

We also have automatic five year reviews when we'll set a new income range based on the current value of your client's policy.

Minimum Income Guarantee

The Flexible Income Annuity provides a simple Minimum Income Guarantee that is set on day one and will never fall during the lifetime of the main annuitant.

The Flexible Income Annuity minimum income guarantee is equal to 50% of the benchmark annuity available at outset. The benchmark is equal to the average of the three best conventional annuity rates at that time.

Member Bonus

MGM Advantage is a mutual society, owned by its policyholders and clients that take out a Flexible Income Annuity qualify as members of the Society. This gives them full voting rights and entitles them to a share in some of the profits we make as a business through Member Bonuses - without being invested in a traditional with profits fund.

Enhanced rates

If your clients have any health impairments (or are smokers), they may qualify for enhanced terms which is likely to give them a higher starting income than a conventional annuity.

Move to a fixed income

If your client decides at any time that they no longer want to be exposed to investment risk, the Flexible Income Annuity allows them to move their annuity to a fixed income basis and they can even transfer to another provider if they wish.



Contact us

For more information, call our Retirement Income Specialists on **0845 608 61 71**

Or

for an instant quote call our quotes hotline on **0845 055 6055** or visit mgmadviser.com



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