

Private Client Enews – 8 February 2007

Thumbs down for annuities!

Continuing low annuity rates are causing retirees' advisers to consider alternative ways of securing a retirement income.

Figures from the Association of British Insurers show that as a result of the combined effect of low interest rates and increasing lifespan, the average price of an annuity has increased from £21,479 in 2004 to £38,879 today.

It had appeared that the Government was sympathetic to the problem by providing as part of the simplified arrangements for the taxation of pension savings that, instead of being applied to purchase an annuity, accumulated funds could be kept intact after the age of 75 and used as a source of income. However, the Treasury has since insisted that this option is only available to those whose religious beliefs forbid them from purchasing annuities, on the basis that these involve speculating on investors' longevity.

The result is that the attraction of saving for retirement by means of pension has been reduced, and investors are being advised to balance their pension savings with other forms of investment such as Corporate Bond funds which, if held through ISAs, produce tax-free income.

UK Equity Income Funds and Distribution Funds are also popular. Some permit capital to be drawn down to provide an 'income' which will be tax-free provided that the gains which are realised do not exceed the annual capital gains tax allowance (currently £8,800 p.a.).

If you have any queries you can phone or email Glenn Smyth or Rod Smith on glennsmyth@boltburdon.co.uk or rodsmith@boltburdon.co.uk or phone 020 7288 4700. Our full range of services includes Financial Planning, Trusts Wills & Probate, Property, Matrimonial and Family Law, Commercial Law, Commercial Dispute Resolution, Debt Collection, Compensation Claim Litigation. Visit our web site at www.boltburdon.co.uk. To stop receiving this bulletin,, reply stating 'unsubscribe'.