

Pensioners losing out on millions

Pensioners could benefit from a six fold increase on their private pension income if they declare areas of ill health when shopping around for an annuity policy, writes Alastair Lyon, managing director of Credenda, a Surrey based independent financial adviser (IFA).

Even ailments such as high cholesterol or high blood pressure will increase the annuity rates offered to them. The lack of knowledge about enhanced terms for annuities means that British pensioners are losing out on a minimum of £384 million.

Over 80% of people buy an annuity on retirement and less than half of them (44%) go to the open market at this point to find out what's available to them. Most people just tick a box in the paperwork provided by their existing pension company and opt to take their pension as an annuity from that company. They will almost certainly do better by seeking the advice of an IFA. If they have any form of ill health, however minor, it is worth declaring their health conditions so we can review the deals offered by specialist companies. If their life expectancy is shorter, they will get even better rates. In fact, the

unhealthier they are, the more money they will get.

It's worth noting that pensioners who go onto the open market to look for the best deal by themselves are still likely to be offered a standard annuity. Annuity companies tend not to ask about their health so that they end up paying standard rates. For enhanced annuities - ie for people with any health complaint - pensioners should ask their IFA to place their enquiry with specialist companies, declaring their medical history. This seems to be the best kept financial secret in the UK.

By taking out one of the little known policies from a specialist impaired life annuity firm, clients could benefit from an average increase of 160% above the best standard terms on the open market.

Mark from Bath nearly died of a heart attack nine years ago and now has advanced prostate cancer. With a pension fund of £183,372, he was offered an ordinary annuity of £14,478 per annum. On the specialist market, he was offered £31,341.56 per year.

David, aged 65, is a smoker. He is fit and well. However, his smoking habit has in-

creased the annuity rate available to him. With a specialist policy, he was offered 10% above the standard rate, based on the fact that his life expectancy will be shorter. Smoking for over 30 years is likely to have affected his health.

65 year old Max had a severe heart condition. He has a pension fund of £112,253. On the standard market he was offered £6,080 per year. However, by declaring his ill health, he now takes out £34,000 per annum.

It is important that people mention their health details when shopping around for an annuity. Of course, in each case, the health declarations they make to the pension company will need to be verified by their GP. As the cost of living continues to rise, I urge pensioners who are taking out an annuity to use a regulated IFA to go to the open market for them, to report any health problems, and find out the best deal available to them. It's not very British to seek out opportunities to declare our ailments. However, when it comes to annuities, declarations of even minor complaints can make the difference of thousands of pounds.

Keeping it in the family