



Annuities are Getting their Own Postcodes.

For too long when someone retires they are faced with having to buy an annuity with their pension pot of money that bears no relation to their individual circumstances and critically life expectancy. Thankfully that position is slowly changing...

Norwich Union is revamping the pricing basis of its annuity product to include postcode, marital status and smoking habits as risk factors. Currently Norwich Union prices annuities on the basis of a person's age, sex and the size of their pension. But from November a client's postcode, marital status and smoking habits will be taken into account. Norwich Union said that annuities will be priced according to which of the nine TV regions a client lives in. It said that this is a less crude measure than that used by competitor Legal & General, which prices annuities according to whether clients live in the north or south of England.

But L&G argue that its own postcode system is more comprehensive. 'We use the full postcode so you could have a situation where you have two people on the same road with different rates,' Norwich Union is writing to its existing customers to pilot the scheme from September and will roll out the pricing structure to everyone else from November.

Legal & General was the first to launch postcode annuities in September last year.

But Norwich Union began to research the idea as far back as 2003. The firm has said that postcodes are too blunt a tool to base annuity prices on and hopes that including other factors which affect longevity such as marital status and smoking habits will provide a fairer pricing structure.

For example a single smoker living in Glasgow is statistically unlikely to live as long as a married non-smoker living in Chelsea and should therefore be entitled to a better annuity rate, the company argues.

However while Legal & General's product provides better annuity rates for people in deprived areas without leaving those in more affluent areas worse off, Norwich Union's pricing revamp could leave some customers with lower retirement incomes under the change. Areas that will benefit from using postcodes as a risk factor include Glasgow, which has the lowest life expectancy in Britain at 69.9 years, figures from the Office of National Statistics show.

The lowest life expectancy in England is in Manchester at 72.5 years, while Kensington and Chelsea has the highest life expectancy in Britain at 82.2 years.

So if you want a great annuity rate at retirement you may wish to consider any or all of the following; become single (get divorced), smoke heavily, drink too much, have serious health issues and move to one of the most deprived areas of Glasgow!

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ARK Financial Planning Limited - Independent Financial Advisers.
18-20 Stamford Street, Stalybridge, Cheshire, SK15 1JZ.
Tel: 0161 303 9977, Fax: 0161 303 8499, E-Mail: answers@arkfp.co.uk.
Registered in England: No. 4975240.
Registered Office: 14 Warrington Street, Ashton-under-Lyne, OL6 6AS.