

Conventional Annuities

This is the most common type of annuity. It offers a fixed income (normally paid net of basic rate tax) which can either be paid as a level income or it can be escalated at a given rate or linked to the RPI (Retail Price Index). By selecting the escalation or index linked option you can offset the impact of inflation but the starting income will be lower than a level annuity. It normally takes more than 14 years to reach the income of a level annuity.

You can select the annuity on a single or joint life basis and with varying levels of spouses pension. Typically this will either on a full or 50% basis. You can also select guaranteed rates as well with the maximum guarantee being for 10 years. The purpose of the guarantee is to ensure that the pension continues in payment to the deceaseds beneficiaries if death occurs during the guaranteed period.

The main advantage of this type of annuity is that it secures an income for the rest of the life of the annuitant and is by far the most common decision made for pension funds.