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In addition to the traditional types of annuity, a handful of innovative product providers have introduced what have been called flexible annuities, which have been designed to offer an alternative to both the fixed annuity and the investment risk attached to Income drawdown. These schemes are complex in design but take advantage of relaxations by HMRC of the definition of the term 'annuity'.

One such scheme involves buying a succession of 5-year temporary annuities until the age of 85. This enables the investor to change the terms of each annuity, depending on personal circumstances at the time; and with increasing age each temporary annuity provides the potential for a progressively higher level of income. The potential changes could include adding indexation, applying for an ill health annuity should health deteriorate, or adding subtracting a spouses pension. A standard annuity is set at the beginning with no option to change. The risk is that annuity rates fall and a lower income arises.

Another alternative annuity is one that underpins the income with a minimum income guarantee whilst the funds remain invested in the equity markets.

These types of annuities are offered by specialist providers and would require professional advice before applying for.