

MGM Advantage supports ABI annuity initiative for customers

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MGM Advantage, the annuity provider, welcomes the Association of British Insurers' ('ABI's) proposed code of practice for insurers as a good first step to encouraging consumers to shop around for the best annuity but says that far more needs to be done to break consumer inertia.

The ABI code of practice will help towards stopping consumers automatically rolling their pension to an annuity with their current provider but MGM Advantage believes far more information and support should be provided for the "at retirement" market to help them make the most of their hard-earned pension savings.

Craig Fazzini-Jones, Director and Head of Designs for Retirement, MGM Advantage says: "We welcome any initiative that encourages people to shop around for the most appropriate annuity that can provide them with sufficient income throughout their retirement. It is essential that, as an industry, we unlock consumer inertia surrounding a decision that affects the future welfare of an ever increasing retirement population.

"However, work still needs to be done to inform consumers that they can potentially enjoy significant uplifts in their annuity income if they obtain an enhanced annuity, based on an underlying health condition. Only 1% of annuities sold where no IFA or intermediary is involved end up in an enhanced annuity, whereas in the intermediated market 43% of annuities are enhanced.

"And, consumers who don't see IFAs tend to be less wealthy so with a potential uplift in income of 24% or more – it's vital that people are woken up to their options. Not only this, there needs to be more awareness of the whole range of retirement income products available – particularly as the average person will be spending 20 years in retirement. This includes investment-linked annuities which provide the potential for income growth and the potential to negate the growing threat of inflation on retirement income."

MGM Advantage's latest annuity index* shows the difference between the average standard and enhanced annuity rates is 16.35%. Over the average retirement, this would amount to £8,426.22 for men and a huge £10,490.80 for women, on a pension pot of £50,000.

Fazzini-Jones continues: "Our quarterly annuity index has always demonstrated the importance of shopping around for the best annuity rate, and taking health problems for enhanced annuities into consideration. This initiative could make a significant difference to many people's retirement income plans as they will be forced to investigate all options.

"If the government wants to avoid a growing deficit, and minimise dependence on the welfare state it would do very well to ensure more is done to get consumers shopping around for enhanced annuities as a bare minimum let alone other alternatives."

MGM Advantage remains committed to working with the Pension Income Choice Association ('PICA') which has been calling for steps to help better educate people and ensure that an ever increasing number of people make the most of their retirement savings. This includes calling for a new type of 'pension passport' to be issued to retirees from their incumbent pension provider, making it far simpler to buy the best annuity from a different provider.

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*MGM Advantage Annuity Index July 2011. Annuity rates are based on analysis of data from Investment Life and Pensions Moneyfacts by MGM Advantage. The analysis looked at level annuities without a guarantee and income levels are based on a pension pot of £50,000 and a retirement age of 65. To create total retirement income figures the Index multiplied annual annuity income by 17 years in the case of men and 20 years in the case of women. Enhanced rate figures are from a sample of smoker rates and enhanced rates based on health conditions.

The Index based its life expectancy figures on Office of National Statistics figures.

Please note that since March 2011 Moneyfacts has removed the Friends Provident standard annuity rate from their list of annuity providers and added Legal & General and SAGA enhanced annuity rates. Therefore these amendments have been taken into consideration in this index.

About MGM Advantage

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MGM Advantage is a specialist in retirement income, selling its products through Independent Financial Advisers.

Based in Sussex, the life assurer opened its doors in 1852 as Marine and General Mutual Life Assurance Society, making it Britain's longest-registered company with over 158 years of mutuality. In 2008, the company rebranded as MGM Advantage, Designs for Retirement - a specialist in retirement income solutions.

Its market leading products include an investment-backed annuity, the Flexible Income Annuity, the first retirement income product to be rated five stars by Moneyfacts. This gives customers the flexibility to change income levels at different stages of retirement and the potential for growth and therefore, the potential to negate the impact of inflation. It also provides a minimum income guarantee and death benefits. Enhanced rates are also available for the Flexible Income Annuity.

MGM Advantage also specialises in providing enhanced annuities designed to provide additional income in retirement for people with any health conditions or a poor medical history.

Through new product innovation and development it is always looking to find ways in which its customers can improve their retirement income, and encourages people approaching retirement to shop around for the best annuity.

MGM Advantage is a mutual society owned by its members, and manages assets in excess of £1.6 billion (as at April 2011). MGM Advantage Designs for Retirement, MGM Advantage and the MGM Assurance logos are Trade Marks of Marine and General Mutual Life Assurance Society.

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