

12 December 2001

## HOW TO AVOID A PENSION POT SHOCK

### *CLICK ON TO THE UK'S FIRST ON-LINE ANNUITY CALCULATOR*

Prudential, the UK's largest provider of annuities, is helping the growing number of 'silver surfers' make the most out of their pension pot by launching the UK's first on-line annuity calculator.

At the press of a button the online calculator, reached via [www.pru.co.uk/annuities](http://www.pru.co.uk/annuities), illustrates the level of income different types of annuity can provide, information on how annuities work and where to go for further help.

"People are giving up work earlier and living longer. So instead of providing for 10 or 15 years of life after work, annuities have to provide income for 25 or 30 years," said Roger Ramsden, Director of Marketing at Prudential. "The calculator might jolt apathetic investors into action, but it will also cut through the confusion surrounding annuities and provide the best solution to guarantee an income for life."

One in four men aged 60 today will live into their nineties. Using the calculator, a man retiring at 60 with an average pension pot of £50,000 - purchasing a level guaranteed annuity guaranteed for 10 years - could receive a total income of £105,990\* by his 90<sup>th</sup> birthday.

For more information on Prudential annuities customers can call 0800 073 4000 or log on to [www.pru.co.uk/annuities](http://www.pru.co.uk/annuities).

**ENDS**

#### **Notes to editors:**

\* A man retiring at 60 with an average pension pot of £50,000, purchasing a level guaranteed annuity guaranteed for 10 years, would receive an annual income of £3,533.

#### **Annuity Facts:**

- Under government rules, consumers with a personal pension can take up to 25% of the value of their funds as a tax-free lump sum when they retire. The remaining 75% has to be used to provide

an income for life. The vast majority of pensioners buy an annuity, though there are other options that can be used until age 75 when an annuity can be purchased.

- Annuities are often seen as life insurance in reverse. With an annuity, the buyer gives the insurance company a lump sum and the insurer pays it back as an annual income until the person dies.

**Prudential offers five types of annuities along with an income drawdown option:**

- Guaranteed Annuity – guarantees from the outset how much income you will get from year to year;
- Inflation Proof Annuity – guarantees increases in your annuity every year in line with the change in the Retail Prices Index (RPI);
- With-profits Annuity – combines guarantee of an income for life with potential for growth and some protection from inflation;
- Enhanced Annuity – applicable to guaranteed and with-profits annuity products, means that you get improved annuity terms if you have a serious medical condition;
- Flexible Lifetime Annuity – allows flexibility between four key retirement income areas including investment, income, inheritability and insurance.

**The UK's pensions crisis:**

- Each year 7% more people live to age 100 [Economist 05/08/00];
- Over the past 20 years the average life expectancy for men and women has increased by five years [MOS 08/11/98];
- More than 25% of men aged 60 in 2001 will live into their 90s [Pensions Management 01/11/01];
- 25% of women aged 60 will live to age 94 and beyond [Pensions Management].

**For further information, interviews with spokespeople or case studies contact**

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