

Overview of the different types of annuity one can purchase at retirement

	Level annuity	Fixed escalating annuity	With-profit annuity	Inflation linked annuity	Living annuity
	Guarantee annuity or annuity for life				Investment funded income.
Does the pension increase?	No	Yes: At a fixed amount chosen by you	Yes: Based on the performance of the investments	Yes: Increases in line with inflation	You manage the investments. You decide how much you want in income each year.
Does it protect against inflation?	No	Yes. If the rate of increase is above the rate of inflation. If lower than inflation it provides some protection.	Yes. It should keep up with inflation over time. Some years may be higher than inflation and some years may be lower	Yes.	If your capital is invested to beat inflation and you draw down sufficient for inflation. But you may draw down too much and use up your capital. You can draw down between 2.5% and 17.5% of your capital.
Pension is paid	Until you or then your spouse (in a joint and survivor ship pension) dies.				Until you die or capital is depleted. Then your heirs either take over the annuity or have the capital paid out.
Does capital or Income go to beneficiaries on death	Yes. An income paid for duration of guarantee period if applicable. If there is a joint a survivorship pension. The surviving spouse has a pension on the death of the first spouse.				Yes. Any capital left in the annuity will be payable to heirs. Either as a lump sum or as an income.
Tax	Income taxed at marginal rates. Capital inside the annuity grows tax free				
Annuity for life	Yes. Paid for your life and your spouse's life if a joint and survivor pension.	Yes. Paid for your life and your spouse's life if a joint and survivor pension.	Yes. Paid for your life and your spouse's life if a joint and survivor pension.	Yes. Paid for your life and your spouse's life if a joint and survivor pension.	No. Pension is paid until the capital runs out or until death.
Initial income for a fixed amount of capital	Highest	Intermediate	intermediate	Low	Depends on drawdown rate

Cost of purchasing the annuity	Cheapest	More expensive than level annuity	Could be more or less expensive than a fixed escalating annuity.	Most expensive	Cannot be compared to Guaranteed annuities. Your Full capital is invested.
Annual increases	None	Guaranteed increase between 1%, and 8% based on your choice. The lower the increase rate the higher the starting pension and less capital is required than a higher increase rate	Targets inflation. Increases may not be declared in poor years. Large increases could be declared in good years.	Guarantees inflation	If performance is consistently: Greater than your drawdown rate: Sustainable annual increases. Equal to your drawdown rate: Increases not sustainable. Less than your drawdown rate: Risks rapid depletion of funds and reduction in income.
Can you switch to another annuity once it is in force?	No				Yes
Is pension amount guaranteed not to decrease	Yes. The pension and any increases are guaranteed.				No. It depends on the investment returns and capital available. You can also choose the amount to draw down
Assets invested	Bonds	Interest bearing investments	Mixture of equity, Bonds and property.	CPI linked government bonds	Mixture of equity, Bonds and property.
After retirement interest rate (ARI) for with Profit	Not applicable	Not applicable	Higher the ARI: - the lower the capital required - lower increases - higher initial pension.	Not applicable	Not applicable
Protection against living too long	Yes, but your income will decline due to inflation the longer you live	Yes.			No, unless your investment performance is consistently greater than your drawdown rate.
Fees	Asset manager fees, administration fees, commissions both initial and trail, if applicable.				
Combining annuities	Yes, You can choose one or more annuities with your available capital.				