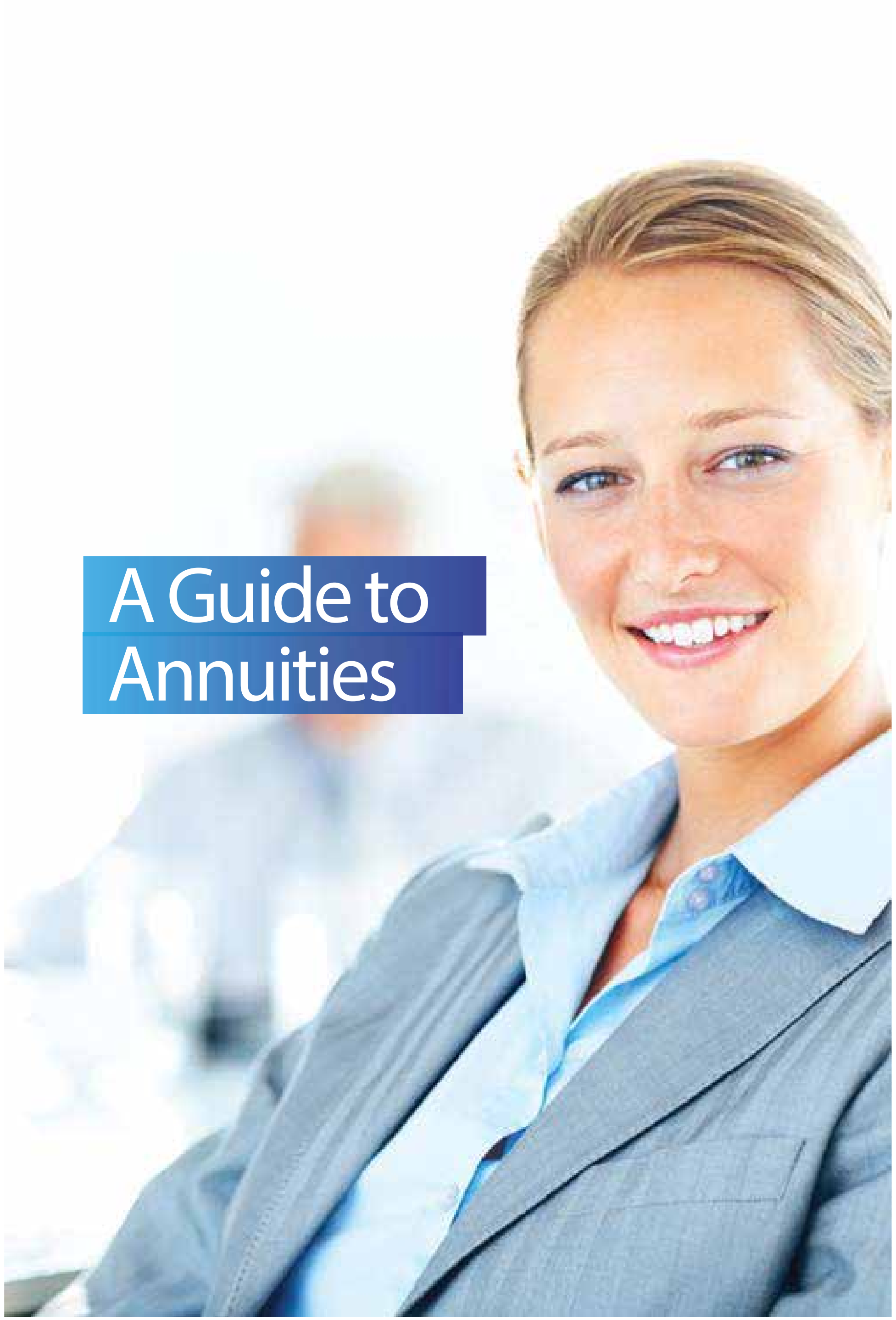
FINANCIAL BROKER
Financial Planning & Guidane

GUARDIAN FINANCIAL ADVISORS

A Guide to Annuities

Creating your success through
Financial Planning



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I'm approaching retirement, what are my financial options?

The months leading up to your retirement are a busy time as you make plans to secure your financial future. One of the most important decisions you will make during this time is what to do with your retirement fund once you retire.

You have a number of options. You will usually be able to take part of your retirement fund as a lump sum; some, or all of this lump sum, may be taken tax-free. Then, provided you meet certain criteria, you can use the remainder of your retirement fund in the following ways:

- Buy an annuity – a regular guaranteed income for the rest of your life
- Re-invest it in an Approved Retirement Fund (ARF) and/or an Approved Minimum Retirement Fund (AMRF)
- Take as a taxable cash lump sum subject to PAYE

Any decision you make at this time can have far-reaching implications on the quality of your retirement. It is advisable to seek out impartial advice from an expert, a Financial Broker, who can guide you on the best choice for you based on your personal circumstances, financial goals and your attitude to and capacity for investment risk.

What is a Financial Broker?

A Financial Broker is an expert in financial matters who works with you to understand your financial goals and helps you create a plan to meet those goals. In helping you to prepare for your retirement, your Financial Broker will research your options including annuities, ARFs and AMRFs that meet your needs from the range of companies they deal with, providing you with a "fair analysis" of the market.

Why would I need to use a Financial Broker?

Choosing the right option for your retirement can be a daunting task. Your Financial Broker will be able to explain the choices available to you in simple language allowing you to make an informed decision.

Your Financial Broker will get to know you, your personal and financial circumstances, retirement plans and your attitude to and capacity for risk. They will guide you through the process of setting up your annuity and choosing the type of annuity best suited to your circumstances.

The annuity market is extremely competitive with life companies competing with each other for annuity business. On any given day, you may be able get a higher annuity rate from life company A than from life company B, for the same lump sum. As you approach retirement, your pension provider will offer you an annuity based on the terms they are prepared to offer at that time. You are not obliged to accept this deal, you are free to shop around for the best rate and option for you.

This is something your Financial Broker will be able to help you with. Your Financial Broker will search the market for you to get the best annuity at that time, for your retirement lump sum. Ultimately, your Financial Broker will ensure you choose the product best suited to you.

What is an annuity?

An annuity is a contract between you and a life insurance company. In return for a lump sum, the life insurance company will guarantee to pay you a fixed income for life, no matter how long you live. On your retirement, you would typically buy an annuity with a lump sum you have built up over your working life through your pension arrangement.

You can typically choose from a standard annuity, whereby you receive a set income each year or a joint-life annuity, which means your spouse or partner will continue to be paid some or all of the agreed income after your death..

If you do decide to invest in an annuity there are a number of things to bear in mind:

- Increases in your annuity payment in retirement significantly reduce your initial annuity payment, compared to opting for a level annuity. You get less now in return for more later on.
- The continuation of part of your annuity to a surviving spouse/partner on your death reduces your annuity payment, compared to investing in an annuity that finishes on your death.
- Under current Revenue rules it is not possible to stop an annuity and trade in any balance for cash. In addition, you cannot make any changes to your annuity once it has been bought, e.g. you cannot switch the annuity from a single life to a joint life.

Remember: There is no flexibility with an annuity; when you invest in an annuity, the annuity payment is fixed for life based on the terms offered by the life insurance company at the outset. Talk with your Financial Broker to ensure you have made the best decision for your financial future before making your final decision.

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A Guide to Annuities

What are the advantages and disadvantages of an annuity?

As with any financial product, an annuity has a number of pros and cons. Before you make any decision on buying an annuity it's important that you are aware of the advantages and disadvantages associated with this product.

Advantages	Disadvantages
Lower risk than other retirement products.	Once you've bought it you can't cash it in, swap it for something else or change your annuity options.
Will pay you an income no matter how long you live.	The level of your pension income is not flexible.
You can choose an option that will enable you to provide for your spouse or partner when you die.	Depending on when you die, you may get back less than you paid in.
You can choose an option that protects your pension income from inflation.	Unless you choose otherwise, your spouse or partner will not be provided for and your payments will not be protected against inflation.
You can opt to guarantee your payments for 5 or 10 years.	The options you choose affect the level of pension income you receive: e.g. the more options you add, the more it will cost you and the lower your payments will be.

Is an annuity right for me?

For a large number of retired people, an annuity is the most suitable and practical way to get a pension income during their retirement. An annuity may suit you if:

- You require a guaranteed income every year after you retire, until you die
- You want certainty about how much income you will receive each year after you retire
- You do not want to, or may be unable to due to Revenue reasons, invest the balance of your pension fund in an Approved Retirement Fund (ARF)

What are some of the different annuity options?

There are a number of different annuities available on the market and there are also a range of optional add-ons that cover different circumstances.

- The basic annuity is a "level annuity", which means the payment amount is set from when you purchase your annuity and you will continue to be paid this same amount until you die. These types of annuities pay a higher starting pension income than other types of annuity but your income will always stay the same, so the buying power of your pension income will reduce each year because of inflation.

- A "single life" annuity provides a pension income for you until you die.

- A "joint life" annuity allows you to buy an annuity for yourself where part of your income continues to be paid to a nominated survivor, such as your spouse or partner. You can decide how much pension income you can afford to continue (as a percentage of your own income).

- You could choose an annuity that guarantees an income for a set number of years, regardless how long you live. Typically, you could choose a 5 or 10 year guaranteed payment period, which means that if you die in the second year of a 10 year guaranteed payment period, your dependants would continue to receive the pension income for the next eight years.

- Some providers also offer annuities that ensure rises in the rate of inflation do not eat into your pension income. These type of annuities are typically called "escalating annuities" and mean your pension income can rise each year to cover any inflation increases. Typically you will be offered a fixed rate of increase e.g. 3% per year. However, choosing this type of annuity means your initial pension income will be lower than a "level annuity".

Remember: Some of the optional extras will affect the level of pension income you receive: the more add-ons you choose, the more it will cost you and the lower your pension income will be. Make sure to talk to your Financial Broker about what you want to achieve with your annuity and they will guide you through the range of options.

How much will a life insurance company guarantee to pay me for a lump sum of €100,000?

The income a life insurance company will pay you will depend on a number of factors:

- Your age when you buy the annuity: The older you are at that time, the higher the level of annuity the life company will promise to pay you for life. This is because the life insurance company estimates it will have to pay the annuity for a shorter period than if you were younger.
- The type of annuity you want: You could choose a fixed income which will never increase or you could choose a lower initial income that would increase each year e.g. at 2% pa. You can choose an annuity which dies with you or an annuity which continues (usually at a lower level) for your spouse or partner, on your death.
- Interest rate levels at that time: The life company 'lays off' the risk of guaranteeing to pay you an income for life by in turn investing your lump sum in long-term investments, which provide the life company with a guaranteed fixed return. For example, if interest rates are high, life companies can offer you a higher annuity for a given lump sum; however, if interest rates fall, the annuity they can offer for a given lump sum will also fall.

Financial Guidance &Choice

You are in control of your retirement fund

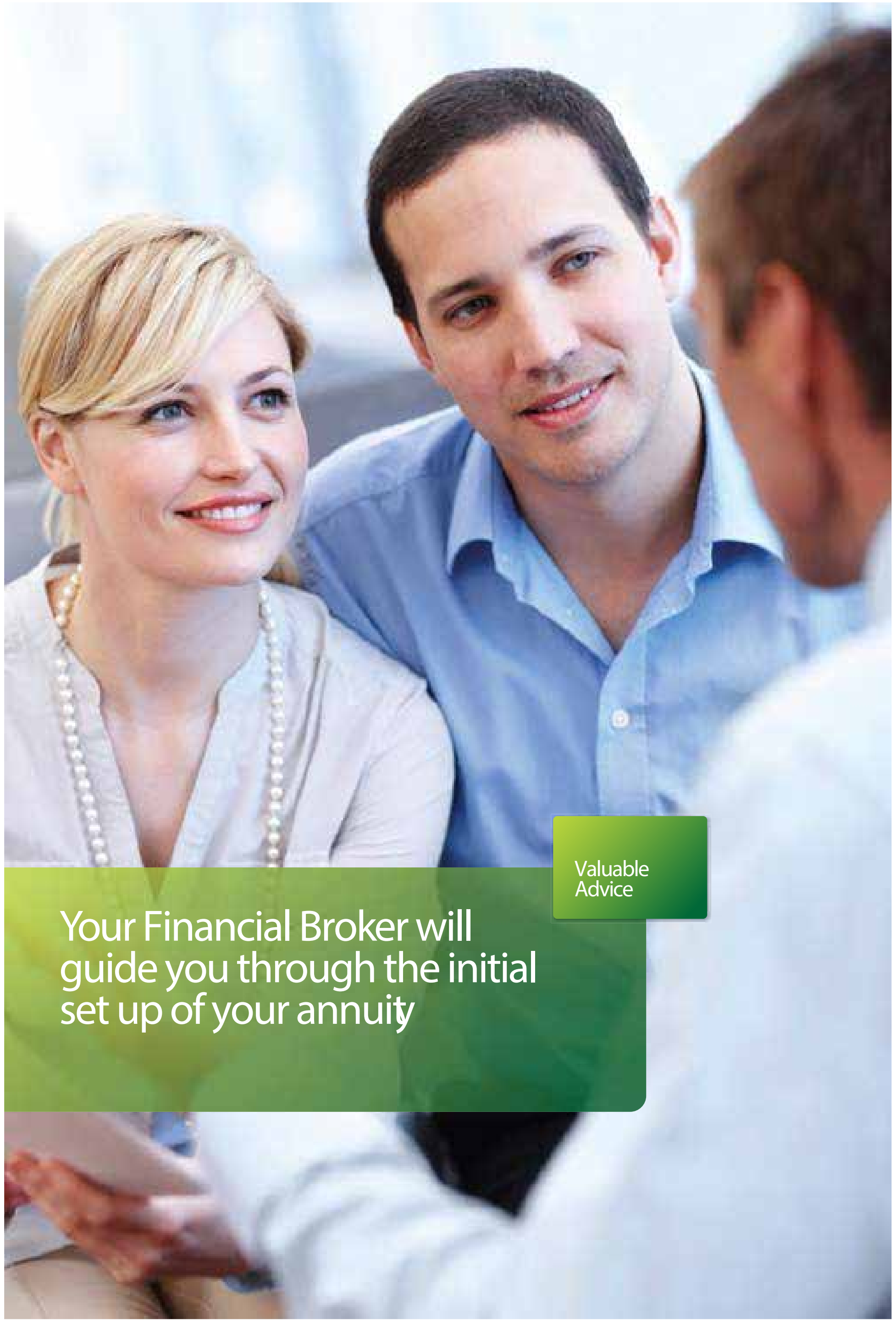
This table illustrates what one life company is currently offering as guaranteed annual annuity payments in return for a lump sum of €100,000:

	Age 60	Age 65	Age 70
Annuity dies with you			
Level annuity, no increases	€4,380	€4,988	€5,896
Annuity increasing @ 2% pa	€3,275	€3,890	€4,798
50% of annuity continues after your death, if your spouse/partner survivesyou *			
Level annuity, no increases	€4,067	€4,586	€5,353
Annuity increasing @ 2% pa	€2,985	€3,514	€4,286

Warning: These figures are estimates only. They are not a reliable guide to the future performance of your investment.

Please note: the annuities are quoted October 2013. Annuities are subject to change.

* assumed spouse is the same age as the retiree



Is my pension income taxed?

Your pension income is considered earned income and will be taxed accordingly. Subject to your tax status and depending on your income, you will have to pay tax at your marginal rate, which is currently (November 2013) either 20% or 41%.

You may also have to pay PRSI (up to age 66) on your annuity and a deduction for the Universal Social Charge (USC) may also be made. This will depend on the level of your income and your age.

If you are in receipt of a state pension, this is taxable income. This state pension, your annuity and any other income is added to get your assessable income for tax purposes. Currently those over 65 are exempt from tax if the total income is less than €18,000 (single) or €36,000 (married).

It is your responsibility to contact your local Inspector of Taxes in the Revenue Commissioners to ensure your annuity is taxed correctly before payments commence. The Revenue Commissioners will pass on the necessary information to the life insurance company who will then deduct tax and other payments from your pension income and send them directly to the Revenue on your behalf.

Your Financial Broker will guide you through the initial set up of your annuity and will ensure that you have the necessary documentation to approach the Revenue Commissioners.

Do you have the ARF option? What are the main differences between an annuity and an ARF?

The key differences between an annuity and an ARF are flexibility and risk. An annuity converts the money in your retirement fund into a guaranteed taxable income payable for your lifetime, fixed on the date you buy the annuity. However on death, there may be little or no return for your dependants.

An ARF allows you to preserve, manage and control your retirement fund. You can invest your money into suitable assets and decide how much taxable income you want to withdraw each year, subject to the minimum withdrawal once you are aged 61 or over. Unlike an annuity, it does not provide any guaranteed income but any balance in your ARF on death is payable to your dependants.

Annuity	ARF
An annuity offers an income guaranteed payable for life.	Your fund could run out during your lifetime, leaving you with no regular income. Your ARF does not provide a guaranteed income for life unless it invests in an annuity.
There is no flexibility and no ability to make changes to your annual income, once you purchase the annuity.	You can decide how much money you withdraw each year. (You must normally withdraw a minimum of 5% of your fund annually if you are aged 61 or more during the year.)
You are locked into a set annuity rate fixed on the date of investment, with no potential for growth.	Your fund can be invested into suitable assets, which means you can benefit from potential growth in that investment. However, it is also possible that the value of your fund could drop, depending on your investment options.
Income stops when you and your partner (if you have a joint life annuity) die; there is likely to be little or no payment to your dependants on death.	You can leave any remaining funds (subject to tax) to your dependants when you die.

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Contact your Financial Broker for more information on the following products:

- A guide to Approved Retirement Funds
- A guide to Annuities
- A guide to Buy Out Bonds
- A guide to Personal Savings Plans
- A guide to Executive Pensions
- A guide to Personal Retirement Savings Accounts (PRSAs)
- A guide to Life Assurance
- A guide to Income Protection
- A guide to Serious Illness Cover
- A guide to Savings & Investments

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