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P R E S S   R E L E A S E

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# **Thousands of pensioners in grave danger of dramatically reduced retirement incomes due to inadequate research warns specialist Annuity Direct**

**One in seven pensioners could be exposed to penalties – many being switched into plans with resulting loss of income**

**Annuity Direct calls upon Financial Services Authority to extend pension switching advice guidelines to those at retirement.**

**THOUSANDS** of pensioners risk being exposed to a dramatic shortfall in retirement income – because of poor guidelines on retirement advice.

Research by specialist retirement planning adviser **Annuity Direct** has revealed that firms are able to exploit a lack of guidance and professional training in a key policy area – ensuring advisers fully investigate potential pitfalls when a client is switching from a pension policy into an annuity.

“We calculate that as many as one in seven pensioners could be ignorant about clauses in their pension policies that either impose penalties or offer a guaranteed annuity rate that cannot be bettered in the open market. In turn this could condemn them to a reduced income for the rest of their lives – because they have not sought proper advice when buying an annuity,” said **Annuity Direct** chief executive officer Bob Bullivant.

“FSA guidance states that **before** retirement the FSA insists that when switching a client’s pension arrangements, full investigation is made of guaranteed rates, penalties and charges,” Bullivant explained.

*“But for some bizarre reason this guidance is not enforced when the person is actually at retirement. In other words, a loophole exists for a less than thorough retirement planner to push the client through into an unsuitable annuity without a proper forensic examination,” he said. “With around 500,000 taking an annuity every year (source: National Association of Pension Funds, October 2009) this is a legislative oversight by the FSA which could have grave repercussions for thousands of people in retirement.*

“One of the core problems is that there has been a recent trend for providers and others to set up direct annuity sales operations. As the majority of these operations will be tasked with getting as much money through the door as possible, they may not, as a matter of course, investigate and report on the client’s pension policies with the result that a guaranteed rate may be lost or penalties may be imposed. This is made worse by the fact that many of the arrangements are tied – or at best multi tied – meaning that they are unable to advise on all pension schemes.

“So far this year 15% of our clients have been told about guaranteed rates or unfavourable terms that could have cost them money.

***“If this were repeated where full advice has not been received the pensioners could have lost many thousands of pounds without knowing,” said Bullivant.***

“It is clear that the FSA needs to extend its switching guidance to annuity purchase – otherwise the likelihood is that many more pensioners will be receiving bad advice.”

He is also concerned at the lack of qualifications within the ranks of many of the bigger organisations now offering annuity switching ‘advice’.

It is possible to allow advisers to speak to clients under supervision after they have passed one examination at the equivalent of A level – about eighty hours of study. As one of the best

known names in annuities and one of the oldest specialist annuity advisers, **Annuity Direct** has been converting pension funds to annuities for 18 years and has full Chartered Financial Planner status – one of only 250 in the whole of the UK.

“This means that every adviser is a member of the professional body – the Chartered Insurance Institute – and voluntarily accepts its code of conduct,” said Bullivant.

“It also means that we do not allow our consultants to advise until they have passed the full regulatory examinations – 4 modules amounting to about 400 hours of study. They then proceed immediately to examinations at degree level. Currently all Annuity Direct advisers have passed the J05 pensions income paper. Recent industry research has revealed that barely 10 per cent of independent financial advisers have passed the J05 paper.

“So ultimately we want to warn against cheap imitations – they could cost you dear. Go to specialists who know what they are doing. **Annuity Direct** also selects its plans from the WHOLE of the market, unlike many organizations who can only access a small pool of providers.”

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Ends –

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## **Editor's notes**

**Annuity Direct is one of the UK's best known retirement income specialists. Established in 1991 to help consumers maximise their pension income, the company has pioneered the provision of education and advice about the open market option that allows people to shop around for the best possible deal on their retirement income.**

**As Chartered Financial Planners, Annuity Direct is committed to the highest possible standards of service and ethics.**

**Annuity Direct CEO Bob Bullivant is one of the annuity industry's leading figures with many years of board level experience in the pensions world. He has written widely on a variety of pension topics and has published two research papers on the future of retirement. He is a Fellow of the Chartered Insurance Institute, an Associate of the Personal Finance Society and a Chartered Financial Planner. Before joining Annuity Direct Bob was deputy CEO of the Chartered Insurance Institute where he was responsible for the development of professional qualifications.**

**The company is based in Newport on the Isle of Wight.**