

## Media Release

8 June 2011

For immediate release

### **Internet to dominate annuity product selection, predicts industry experts**

#### ***IFAs could be fourth choice behind employers and current investment provider***

Recent research of leading UK annuity providers and experts within the industry has provided a stark warning that IFAs could lose out in the provision of annuity advice in the future.

The latest research, commissioned by leading annuity administrators, Xafinity Paymaster, showed that, whilst providers believed that for critical decisions such as annuity advice, IFAs should be involved, the respondents thought that most retirees will in reality go to their existing investment provider followed by the Internet for their retirement product selection.

#### Most popular channels for annuity advice at retirement:

- 1<sup>st</sup> Existing investment provider
- 2<sup>nd</sup> Internet
- 3<sup>rd</sup> Current employer / scheme trustee
- 4<sup>th</sup> IFA
- 5<sup>th</sup> Bank

In support of this, a staggering 96% of industry experts felt that there would be a decrease in intermediary sales and an increase in execution-only business due to the implementation of RDR proposals, the low levels of annuity pots and the increased availability of internet-based information. This figure was up from 72% in 2010.

The majority (44%) of respondents thought that the 'advice/ guidance' process should commence five or more years ahead of retirement, 22% thought it should commence within 3-5 years and 35% thought it should be 1-3 years from retirement, with no one believing it should be left until the final 12 months.

Over 70% of respondents thought that the retiree should meet the cost of the advice themselves, 13% thought it should be met by the pension sponsor and 9% thought that it should be a Government-sponsored body akin to the Citizens Advice Bureau.

#### **Keith Boughton, director, Insurance and Payments, Xafinity Paymaster commented:**

*"Many people are now comfortable with buying their car or home insurance, booking a holiday, or buying a TV on the Internet. However, the purchase of an annuity is, for most people, the most important financial purchase they will make; even more so than the purchase of the family home as once the decision is made it cannot be changed."*

*“There was recognition amongst annuity industry professionals in our latest survey that the Internet will be a source of much information and, if it is easy for retirees to transact using this medium, it will attract increased volumes of business. Other retirees will use the Internet for research and then discuss their findings with an advisor or simply transact on a non-advisory basis. The use of the Internet and web-based specialists will certainly be the focus for retirees with mid-range levels of funds.”*

ENDS

**Notes to Editor:**

The Xafinity Paymaster Annuity Industry Survey 2011 was undertaken in April 2011 and targeted Product and Service providers, Employee Benefit Consultants, Financial advisors and Annuity Influencers. This is a significant group and we are delighted to report a response rate of 40% which indicates that participants welcome a forum to express their views.

- Download a copy of the research findings / full report at <http://www.xafinity.com/Microsites/Xafinity-Paymaster/Services/Annuity-Administration-Services.aspx>

**INTRODUCTION FROM FULL REPORT:** *Welcome to the 2011 annual Annuity Industry Survey conducted by Xafinity Paymaster.*

*This survey was undertaken in April 2011 and targeted Product and Service providers, Employee Benefit Consultants, Financial Advisors and Annuity Influencers. This is a significant group and we are delighted to report a response rate of 40% which indicates that participants welcome this forum to express their views. As in 2010 the results indicate that these vary greatly and there is disagreement in a number of areas.*

*The last 12 months has seen a plethora of measures announced to increase retirement flexibility and it is clear that the shape and mechanics of the future market are still to be determined.*

*The results of this survey show that lifetime annuities are still expected to be the most widely selected annuity product over the next five years. In 2011, 95% of respondents supported this stance up from 90% in 2010.*

*Despite this, an increasing percentage of respondents believe that the market still requires a greater number and alternative shapes of product to meet the needs of the market over the next five years. Only 52% of respondents, down from 64% believe that the existing range is adequate.*

*The last 12 months has also seen a growing recognition that the Internet will play an increased role in decumulation of pension fund assets and that execution only business will play the key role in the future. Over 96% of respondents believe that this to be the case, up from 72% in 2010.*

*The survey also reveals some conflicting views held. These primarily relate to the sources and means of provision of affordable advice to consumers. It is clear that this issue is one that needs greater focus from all those keen to ensure that the UK*

*has a vibrant and efficient decumulation market that provides appropriate and equitable advice for consumers.*

*As the leading independent annuity administrator in the UK, we have a role to support the provision of services to support new annuity products as well as ensuring there are appropriate means of servicing a growing annuitant population.*

*I would like to thank all those who gave their time to participate and share their views and insights into the UK annuity market at this particularly interesting time...*

**Download a copy of the research findings / full report at**

<http://www.xafinity.com/Microsites/Xafinity-Paymaster/Services/Annuity-Administration-Services.aspx>

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### **Background information:**

Xafinity Paymaster is a leading business process outsourcer providing pension, payroll and annuity administration to more than 750 schemes and 2.9 million members, covering the full spectrum of sizes and arrangements. Xafinity Paymaster supports 130 major public and private sector organisations and makes payments totalling over £11 billion per annum to pensioners, dependants and annuitants in over 180 countries worldwide.



*Xafinity was awarded the “Third-Party Administrator of the Year” award at the Professional Pensions UK Pension Awards 2011.*

### **About Xafinity Paymaster's Insurance and Payments division:**

- Paying 2.2 million pensioners and annuitants including 45,000 residents overseas
- Niche service provider to Insurance companies
- Administering over 600,000 annuities on behalf of insurance companies
- UK's leading independent provider of annuity services for insurance companies

[www.xafinitypaymaster.com](http://www.xafinitypaymaster.com)

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