ANNUITY MARKET REPORT:

What is the price of security in retirement?

HARGREAVES LANSDOWN

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What's in this report?

The report covers a range of issues relating to secure and flexible income. Here they are at a glance.

Executive Summary

Since the introduction of Pension Freedoms in 2015, for many people the 'new normal' is to draw an income directly from their pension fund, rather than buying an annuity.

Demand for annuities and the guaranteed income for life they provide has collapsed in the past two years, leading to speculation that this market may not have a future and that pension income will in the future consist of simply a state pension and an investment income from private funds.

Our research has looked at the future for annuities. We have found rather than being dead, annuities are simply dormant. We anticipate renewed demand for annuities, in fact, it is more a matter of when rather than if. We anticipate there will be significant growth in demand around 8 to 10 years from now as investors' demand increases in response to their changing circumstances.

Whilst we believe annuities still have an important place right now, data suggests that ageing baby-boomers will stimulate demand as they move into their late 70s. A combination of age, ill health and a reduced appetite to manage investments will make annuities attractive once more.

With this in mind, we think that anyone choosing income drawdown should be mindful of the role annuities may play for them in the future, and take on the role of steward of their pension pots in the intervening years.

There are plenty of possible reasons why demand could pick up sooner:

1. Decline in people retiring with the security of final salary pensions.
2. Drawdown investors who are yet to take income needing to choose a long-term retirement income strategy.
3. A significant fall in the stock market.
4. Improvement in annuity rates.
5. Realisation that interest rates could remain lower for longer.
6. Higher levels of unemployment may increase the number of people accessing their pension. A proportion of these will choose an annuity.

There is a risk of market failure if the decline in demand for annuities in the short term leads to more annuity providers shutting up shop. In turn, this could result in the anticipated increase in demand in the longer term being unfulfilled due to a lack of supply.

Hargreaves Lansdown experience.

The views in the report are based on our understanding of people and their retirement, supplemented by Censuswide survey data that polled 1,001 55-65 year olds with Defined Contribution pensions. These individuals had either not drawn their pension at all or had taken only tax free-cash but no income via drawdown.

Hargreaves Lansdown have over 1 million clients. We provide income drawdown services to 37,000 retirees and are one of the UK's largest annuity brokers. We provide a spectrum of services to our clients, including full regulated financial advice, research and financial planning tools and execution-only investment services.

Secure or flexible income

The population is split on whether the security of income and certainty in retirement offered by an annuity, is more attractive than the flexibility and control offered by income drawdown.

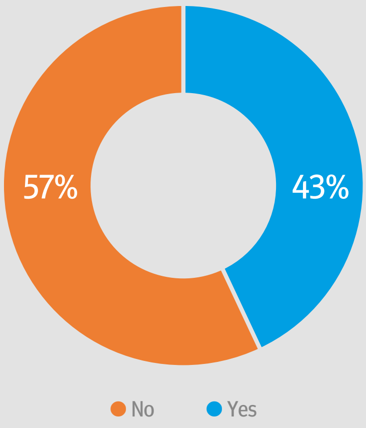
In our survey analysis of 55-65 year olds, 43% said they do envisage buying an annuity, 57% said they do not.

Headline figures show annuities are in decline. Prior to pension freedom, annuities were the default retirement option estimated to be chosen by over 90% of retirees. The latest data from the Financial Conduct Authority (FCA) shows only 12% of people accessing their pension bought an annuity.

This doesn't tell the whole story though. The majority of people accessing their pension have simply taken it as a cash lump sum, although the vast majority of these have been small pensions, many less than £10,000 in value. This is not a long-term income strategy, so whilst annuities have declined the actual pattern remains unclear.

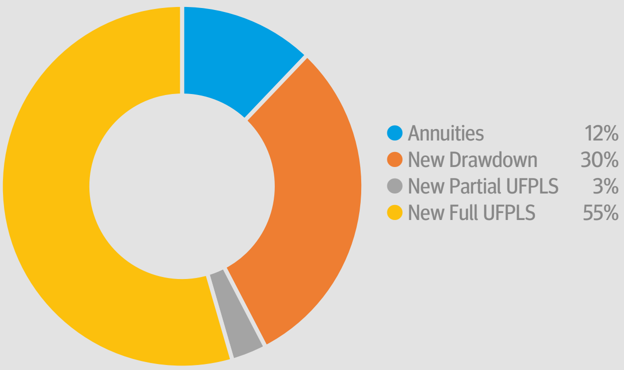
Data from the Association of British Insurers shows since pension freedom was introduced, the split has been 21% of people buying an annuity, 22% opting for drawdown and 57% taking their whole pot out as cash. If we ignore the cash lump sums, since this is not a long-term retirement income strategy, the reality is that 48% bought an annuity whereas 52% chose income drawdown.

Do you ever envisage buying an annuity?



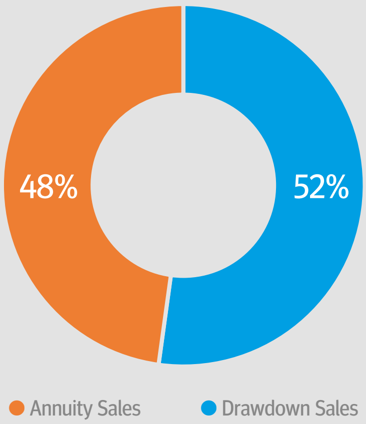
Source: Censuswide Survey October 2017

How pensions were accessed October 2016 - March 2017



Source: FCA Data Bulletin 10

Annuities & drawdown post pension freedom



Source: ABI

We tend to believe that the ABI data is a better representation of the behaviour of serial defaulters in workplace pension plans because the FCA data also covers the platform market which is often used by advised or financially savvy clients. The behaviour of these serial defaulters is a good indicator of what the immediate future might hold for the wave of people accessing their auto-enrolment pension in the next decade.

Around half of those choosing income drawdown are taking no income. These people are not making long-term income decisions and could actually re-visit an annuity when they come to the time that they need to flick on the income switch.

For now any 'new normal' is far from being established.

Recap: income drawdown and annuities

Income drawdown and annuities are both ways to draw income from your pension. Both usually allow you to take up to 25% of your pension as a lump sum, with any remaining monies taxed as income when paid out.

Annuity

This is where you exchange the money in your pension for a guaranteed income for life. The income is provided by insurance companies and specialist annuity providers. You can also provide some protection for your family in the event of your death. Options include a pension that pays an income to your dependents after your death, a guarantee your annuity will pay out at least 100% of the amount you originally paid in and a guarantee that income will be paid out for a minimum time period, even if you die earlier.

Annuity rates are determined by two key factors. Long-term interest rates (the yields available on gilts and some bonds issued by companies) and how long people will live.

Not all annuity providers offer the same level of income so it is imperative for those wanting secure income to shop around for the best deal. Health and lifestyle will impact on the amount of income you might receive – unlike other types of insurance, confirming health details usually means you are paid more.

Income drawdown

Income drawdown allows you to keep your pension invested with the option of taking unlimited withdrawals until the money runs out. The income provided is not secure.

You could receive an increasing income in retirement if investments perform well and you don't draw too much income every year. However, you could run out of money if you withdraw too much, investments perform poorly or you live longer than expected.

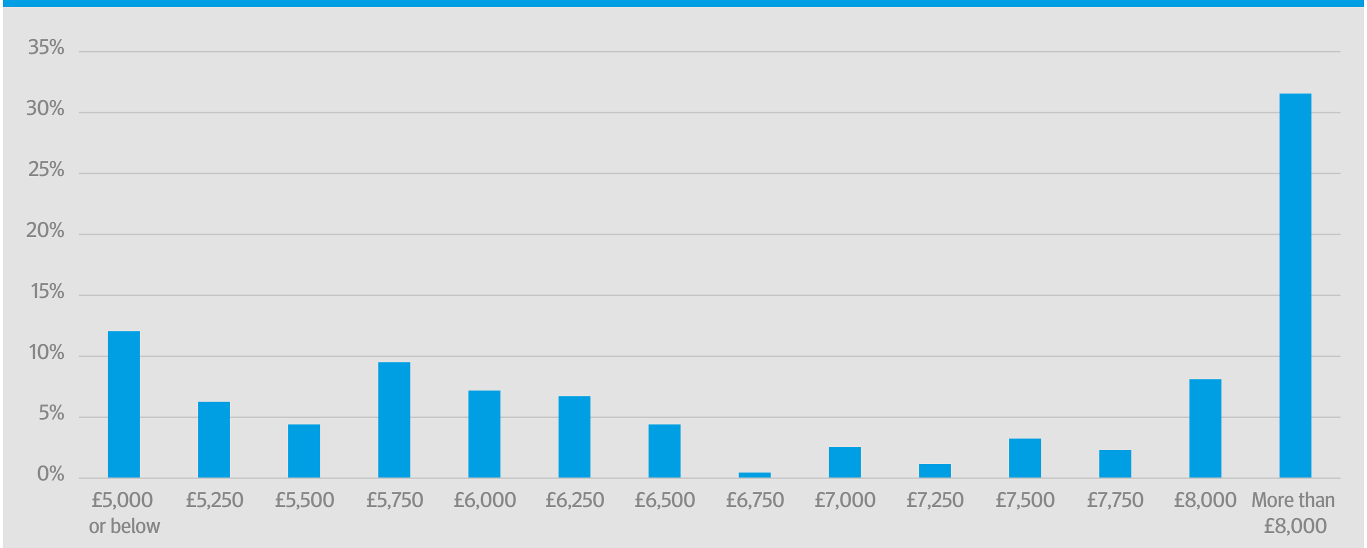
On average at 65 a man is expected to live until 83 and a woman to 85. It is worth remembering this is the average which means that half of people will live longer. Both men and women who reach their statistical date of death from age 65, will on average live a further 6 years.

Price sensitivity to annuities

According to the survey data, the people that envisage buying an annuity will not do so at any price.

Almost half of those who envisage buying an annuity would do so providing they could obtain a rate of income of 6.5% or below. In other words a pay out of £6,500 a year for every £100,000 invested. However 40% would only buy an annuity if the available rate was 8% or more. The graph below shows the attitudes of would be annuity investors.

What annuity would you accept from a £100,000 pension



Source: Censuswide Survey October 2017

To put this in context here are the latest best buy annuity rates based on a £100,000 pension buying a single life, level pension that is guaranteed for 5 years.

	55	60	65	70	75
Single Life, Level Annuity, Guaranteed for 5 Years	£4,146	£4,576	£5,349	£5,979	£7,033

Source: Hargreaves Lansdown Annuity Calculator as at 16th November 2017.

We know from FCA data that annuities are most popular with the group aged 65-74, with 23% of all pensions accessed in this age bracket being used for an annuity.

The week following the Bank of England's interest rate rise we saw a 15% increase in the number of people searching for an annuity, reinforcing that retirees are price sensitive when it comes to an annuity purchase.

The people shunning annuities

Over half (57%) of those aged 55-65 do not envisage buying an annuity.

What is it that is turning people off security and certainty of income in retirement? The answer lies in the fact retirement is hugely personal to everyone, with a variety of factors that will pull people one way or another when it comes to favouring security or flexibility.

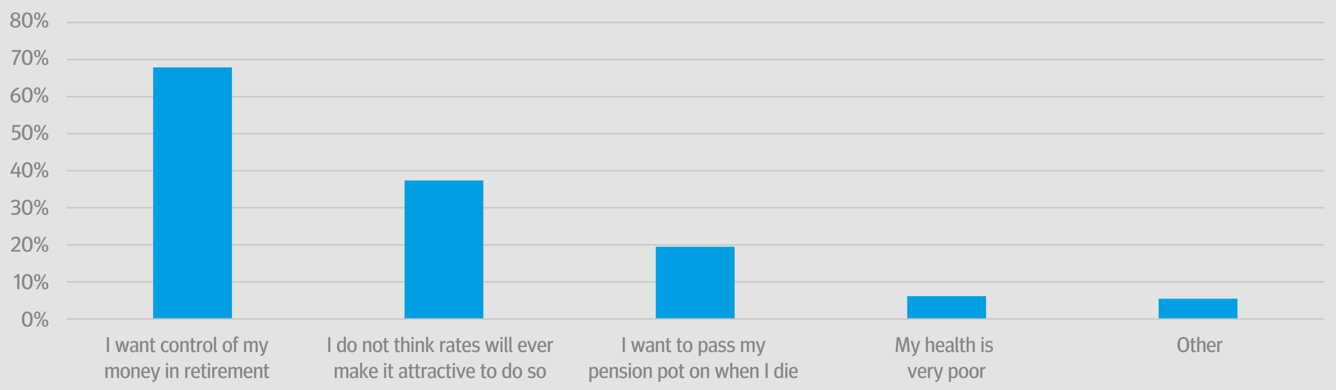
In particular we recognise that mistrust of 'pensions' in general can have an impact on attitudes. Current annuity rates are seen as a 'rip-off' by retirees without them perhaps fully realising the reason that rates have fallen is due to a huge increase in the cost of buying secure income. We also find people who have had a family member die shortly after drawing a pension tend to shun annuities. There are obvious emotive reasons to this behaviour, however none of the existing annuity providers take family medical history into account when determining how much income they will pay. This is because by the time of buying an annuity, many health issues will have manifested themselves and family history becomes somewhat irrelevant.

In the short term we cannot escape these attitudes, but longer term they can change.

The need for control

Our survey results show the chief reason for people not envisaging buying an annuity was the need for control. Often the death benefits of drawdown and the desire to pass wealth onto family members in the event of death are cited as hugely important, but the need to retain control trumps all other factors.

Reasons for not envisaging ever buying an annuity



Source: Censuswide Survey October 2017

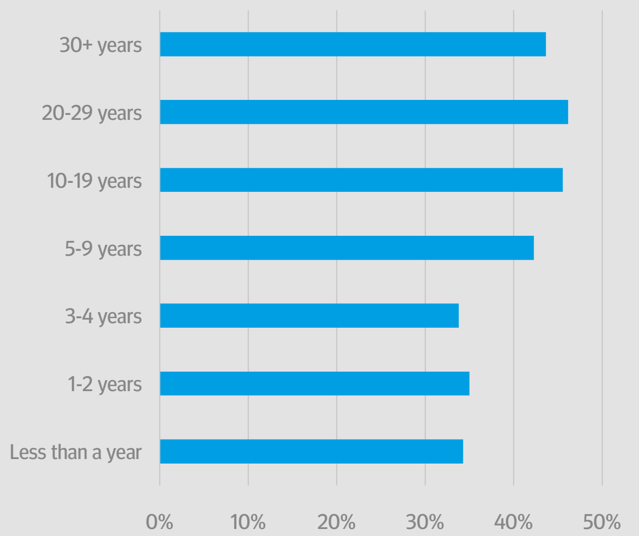
A third of people do not think annuity rates will ever make it attractive to choose an annuity. This is interesting and we explore this further in the section 'what income can an annuity provide?'

Delving into the data gave us some further insight.

There was some regional variance, with the most likely to buy an annuity being in Northern Ireland and the East and West Midlands. The least likely to buy an annuity were those in the East of the country and Scotland.

Length of living in the current home also has a clear impact on attitudes. People who have moved home more recently are least likely to want to buy an annuity, with moving in the past 4 years seemingly a tipping point. We speculate this may be down to people who have moved house recently being more likely to appreciate the need for flexibility based on what life may throw their way – the craving for control played out in a real life scenario.

Those who envisage buying an annuity by length in current home



Source: Censuswide Survey October 2017

The control issue extends still further.

Of the group that did not envisage buying an annuity, 29% said that no longer wanting to manage their investments in retirement would cause them to change their mind. It is surprising how many people are comfortable with the uncertainty of the stock market being involved with the provision of their retirement income, as life after work is a time where certainty becomes more important.

What income can an annuity provide?

More than half of those who envisage buying an annuity would do so if they would receive a return of 6.5%. However 40% would only buy an annuity if the available rate was 8% or more.

We examine when a £100,000 pension pot would provide an income of £6,500 and £8,000 respectively.

To obtain £6,500 for example, you would need to be 73, or 65 but with a variety of health issues.

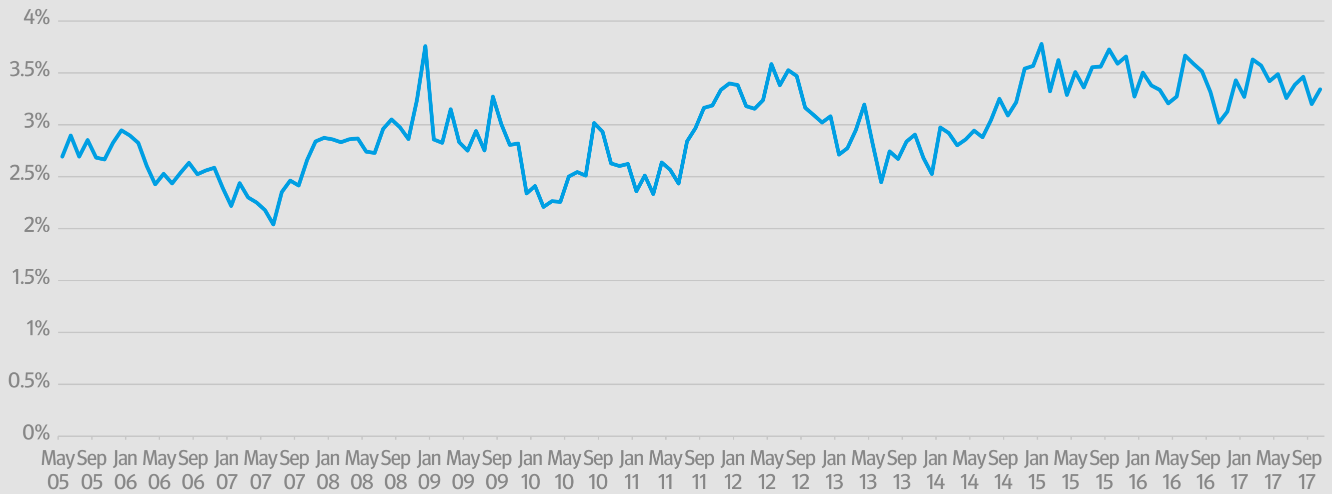
Alternatively, interest rates could deliver the solution: you could be age 65 and in good health but have Gilt yields at 3-4%. Currently 15 year Gilt yields stand at 1.56%.

Income	Age you would need to be	Health conditions you would need to have at age 65	Gilt yields at 65
£6,500	73	65 years old, 10 cigarettes a day, 10 units of alcohol a week, overweight but not obese, high blood pressure, high cholesterol	Estimated 3-4%
£8,000	78	65 years old, 30 cigarettes a day, 30 units of alcohol a week, overweight but not obese, high blood pressure, high cholesterol, one heart attack	Estimated 4.5 – 5.5%

Source: Hargreaves Lansdown annuity tool based on single life, non-increasing pension, guaranteed for 5 years.

We have estimated the likely impact of a rise in gilt yields on annuity rates based on the historic difference between the two. This is illustrated in the chart below.

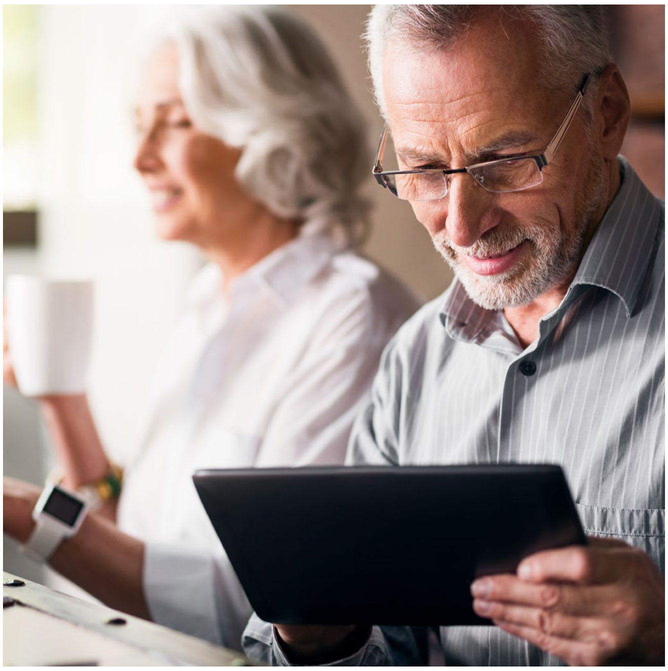
Difference between annuity rates and 15 year gilt yields



Source: Hargreaves Lansdown Annuity Index and Bloomberg

Reinvigorating the annuity market

There is demand for annuities, it is just that people are not prepared to buy at any price. Currently annuity purchases are running at around 33,000 every 6 months compared to 83,000 new income drawdown plans.

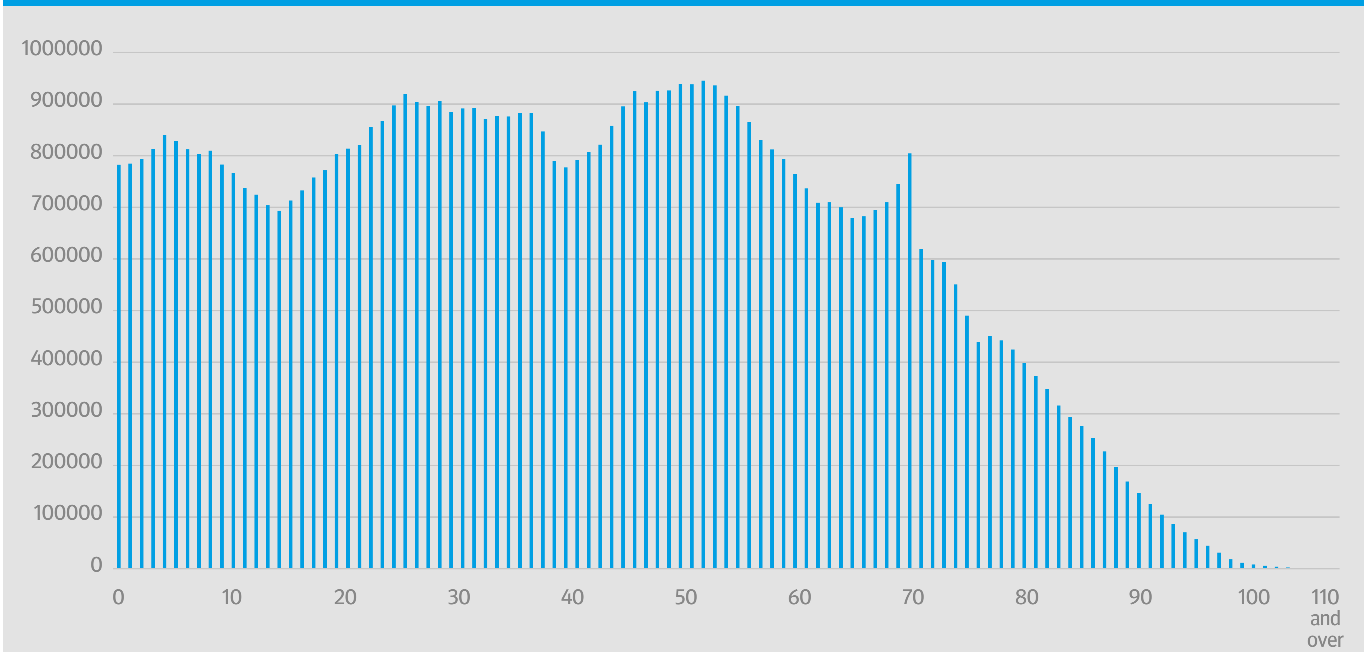


The baby boomers are currently enjoying their new found pension freedom and some have turned their back on annuities. We know that as they age, or their health deteriorates they will be eligible for a higher annuity rate and may become more interested in the secure, guaranteed income an annuity offers. From age 65, men spend 10.6 years in 'good health' on average compared to women who spend 11.5 years. This means that from around 75 or 76 on average health begins to deteriorate (source: ONS Healthy life expectancy at age 65 2012 to 2014).

We also know that 29% of those who do not envisage buying an annuity will re-consider when they no longer want to manage their investments in retirement.

The chart below shows the significance that the changing habits this group might have on annuity purchases in the years to come.

Number of people by age cohort in the UK



Source: ONS 2016-based National Population Projections

We estimate, based on available data, the number of people buying annuities will double by 2025. The shift will occur as baby boomers become older, less well and less inclined to manage their money, and this does not factor in general improvement to annuity rates.

Short-term stimulus

We recognise the annuity market may be re-invigorated a little sooner. Here are 6 further stimuli that could boost the annuity market before 2025.

1. The current group of baby boomers retiring now often have defined benefit pension schemes in addition to other pensions meaning they are less likely to need the certainty of income from an annuity. Almost half (46%) of retirees using HL retirement services post pension freedom also had a final salary pension. However, we are past 'peak defined benefit' and with every successive year that passes, more people will arrive at retirement without the security of a defined benefit pension to support them. Work by the DWP estimated around 40% of those reaching retirement in 2014 had only a defined benefit pension, by 2034 it is estimated to be around 15%.

2. Around half of those choosing income drawdown have taken only the tax-free lump sum, meaning they are yet to embark on a long-term retirement income strategy. We could see short term support for annuities when this group need to start drawing income.

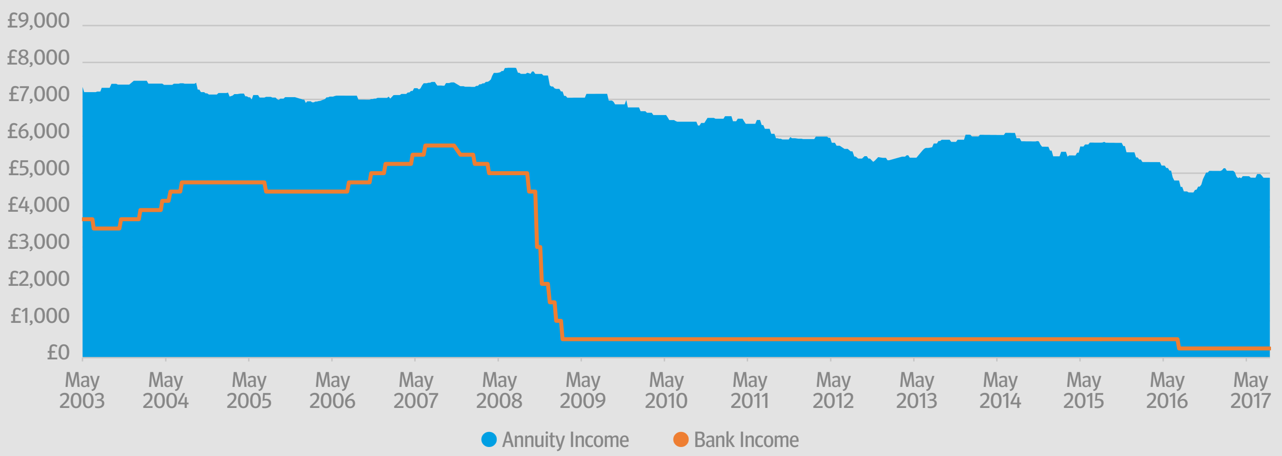
3. Global stock markets have risen steadily since they bottomed in the wake of the global financial crisis. Many new drawdown investors have only ever experienced a rising stock market. A fall in asset prices and the value of investors' pension funds might prompt some to revaluate the appeal of guaranteed income, free from investment risk.

4. Improved annuity rates. As of 17th November, rates are up 19% since their lowest in September 2016 in the immediate aftermath of the Brexit referendum result. Interest rates have begun to rise, which if continued or accelerated could also see a further improvement in annuity rates.

5. We believe many people still anchor to the thought of cash interest rates at around 5%, meaning current annuity rates of 5.3% at age 65 are perceived as poor value. The consensus view is that interest rates will remain at low levels for a prolonged period of time, if this becomes the recognised norm and this anchoring dissipates, we may see more appetite for annuities.

   The below chart illustrates the difference between the income from an annuity bought with a £100,000 pension and the interest from £100,000 invested in the bank (using Bank of England base rate).

Annuity income vs Bank of England base rate - £100,000 invested



Source: Hargreaves Lansdown Annuity Index and Bank of England

6. Any rise in unemployment amongst older workers could see an increase in people accessing their pension out of necessity rather than choice. This could provide further demand for annuities, with at least a proportion of these individuals opting for an annuity.

Beware the shrinking annuity market

The annuity market currently has 7 active annuity providers, although Canada Life are in the process of buying Retirement Advantage and so we feel it is unlikely they would now directly compete against one another.

- Aviva (standard and enhanced)
- Canada Life (standard and enhanced)
- Hodge Lifetime (standard rates only)
- Just (enhanced rates only)
- Legal & General (standard and enhanced)
- Retirement Advantage (standard and enhanced)
- Scottish Widows (enhanced rates only)

A further 7 providers have pulled out of the open market in recent years, though some of these were never particularly competitive;

- Aegon
- LV=
- Partnership (merged with Just Retirement)
- Prudential
- Standard Life
- Friends Life (merged with Aviva)
- Reliance Mutual

Clearly this is a significant reduction in the number of providers, with the total number halving. This only tells part of the story, with this actually representing the survival of the fittest. Hargreaves Lansdown data shows the loss of these 7 providers represents only 15% of the annuities arranged in the 4 years up to April 2015. However, any subsequent provider withdrawals could cause significant consumer detriment. We are reliant, to a certain extent, on the patience of these providers over the short term to ensure we have a healthy retirement market in the years to come.

The annuity market faces a significant short term challenge. The FCA have decreed that by 1 March 2018 all annuity quotes must also provide comparison quotes to show if a higher income is available elsewhere. Whilst this could be good news for investors and for market competition, there are a couple of stumbling blocks.

1) There is sizeable system development for providers in order to be ready for these new rules.

2) The comparison quotes do not actually have to include details of an enhanced income due to health or lifestyle. Given the majority of annuities are now arranged on an enhanced basis, there are some concerns that this could result in clients underestimating the importance of shopping around and providing medical details.

The future of the annuity market could well be shaped in 2018.

What this means for workplace pension schemes

Many workplace pensions have changed how members' pension plans are invested so that when they reach their retirement age they still have a good proportion of their money invested in the stock market.

The fact that there remains demand for annuities should be taken into consideration by employers and pension scheme Trustees. Default investments need to be made for people retiring in the future, not those retiring now. Above all, the shape of future retirements is not yet clear and to declare drawdown the 'new normal' is somewhat premature.

Those in charge of workplace pension plans need to recognise that retirement remains personal, all members are different and so the only way to adequately help solve the retirement conundrum is to drive higher levels of interest in retirement planning earlier in life. Deciding when it is best to try and stimulate member interest can be difficult. Increasingly we believe age 50 is the most appropriate: close enough to be relevant, yet far enough away to influence what retirement ends up being like.

For the serial defaulters in workplace pensions, retirement will be the first time that they are making decisions with their pension. Their confidence in making these decisions is very low because of their lack of experience. There is a huge question mark if drawdown is actually right for these people.

What retirees should do now

People coming up to retirement now are faced with a quandary. Take an annuity and buy into current annuity rates, or remain invested and draw what you need from your pension risking the fact that low or erratic investment returns could see you run out of money before you die.

Retirement decisions require a long-term income strategy to be put in place when income from employment or self-employment either finishes or reduces. So far, around half of those entering income drawdown are taking only a tax-free lump sum but no income. Clearly, these people have not yet taken long-term income decisions.

Given our experience, there are two long-term income strategies that are likely to serve investors well:

Blend secure income and flexibility

Many will be well served by securing sufficient guaranteed income (state and final salary pensions or an annuity) to cover the basic retirement spending needs, with a flexible income for the retirement nice-to-haves.

Once you have used your pension to buy any additional secure income you need (through an annuity), your drawdown pot becomes completely flexible as, if you run out, you still have sufficient income to sustain your needs.

Natural yield

Natural yield is a sustainable way of drawing from your pension, where you take only the income produced by your investments.

The challenge when drawing down from your pension is that you not only have to select where to invest, you need to select an appropriate level of income to draw.

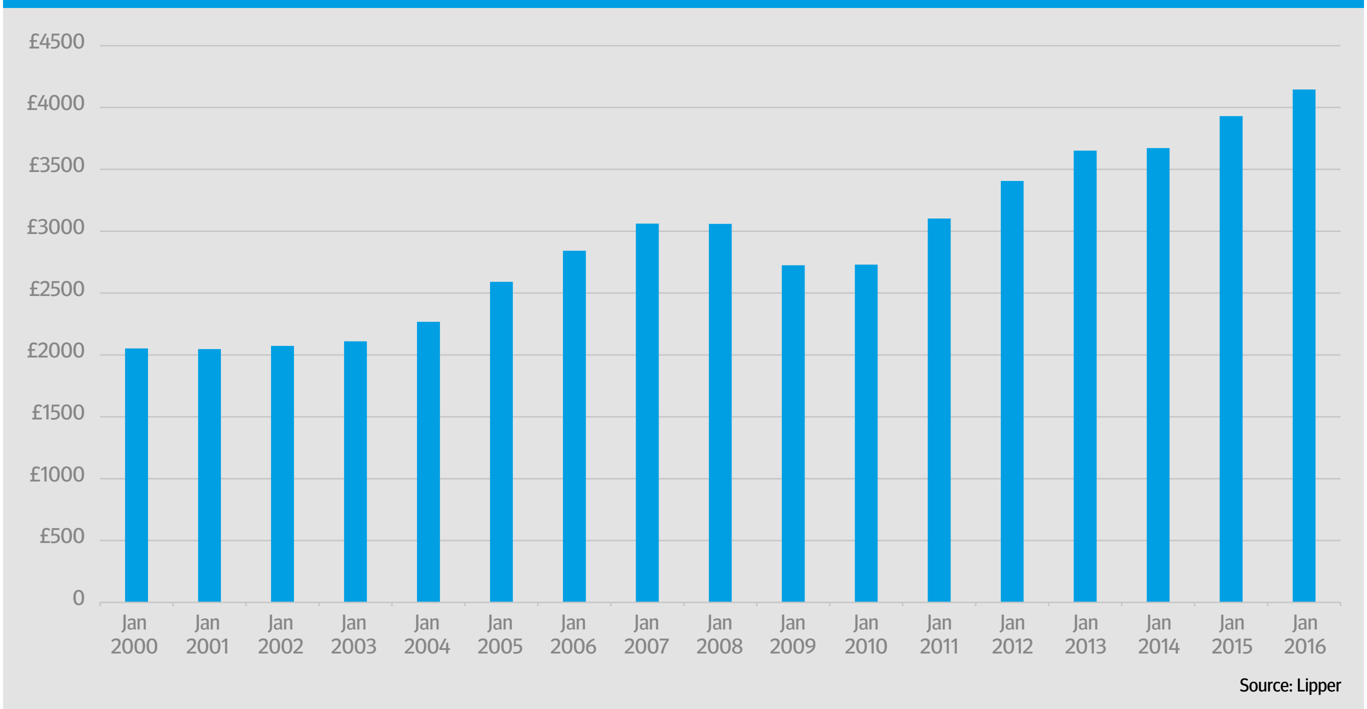
Natural yield provides sustainability of income as you are never nibbling away at your capital when the stockmarket falls which is where retirees run the most risk of running out of money.

The reason natural yield is so effective, is that whilst dividends can fluctuate they are far less volatile than share prices, provided you have a diversified portfolio. Dividends are dictated by a company's underlying profitability, whereas share prices are determined by people's sentiment towards owning shares and human beings have a tendency to not always act rationally.

Looking at the FTSE All-Share from the turn of the millennium, twice you would have lost over a third of your pension value in a 12 month period. However, the level of income received was far more robust. Income fell in 2009 by 11%, stabilised in 2010 before returning to a greater level than 2008 in 2011.

The chart below shows the level of income that £100,000 invested in the FTSE All-Share in January 2000 would have paid out in each subsequent year. It shows increasing payments with little fluctuations.

£100,000 invested in the FTSE All-Share



Given available data shows many people in drawdown will ultimately re-visit an annuity purchase in later life, it is important that they take on a role of stewards of their retirement income, ensuring the pot is sufficient throughout their entire life. This conservative approach of drawing only the natural yield allows drawdown investors to retain control, which we know to be their key motivation, as running out of money leaves you with no control whatsoever.

What can you buy right now?

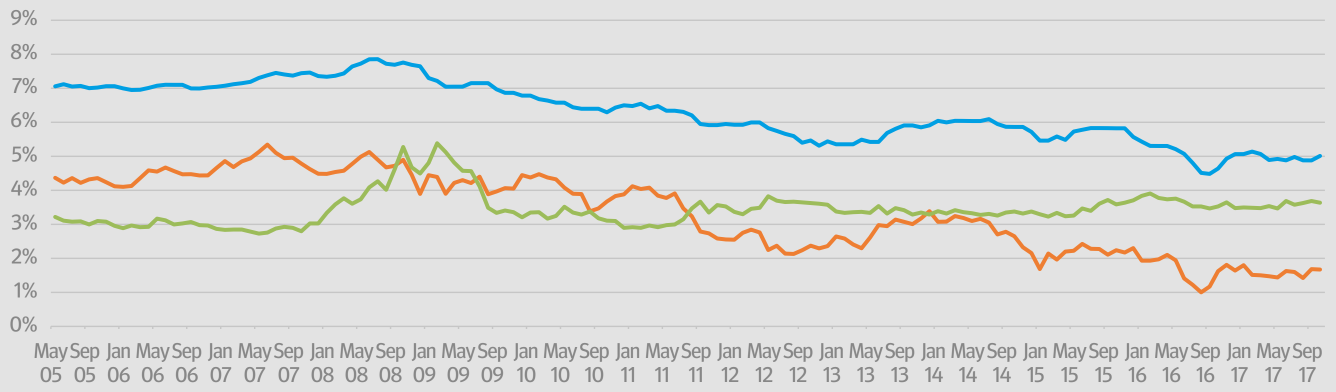
Natural yield income currently looks an attractive alternative to other retirement options.

Option	Income from a £100,000 pension
Single Life, Level **Annuity** at 65 with 5 Year Guarantee	£5,349
Single Life, RPI Linked **Annuity** at 65 with 5 Year Guarantee	£3,287
Natural Yield - FTSE All Share	£3,670
Natural Yield - Average IA UK Equity Income Sector	£4,180 (range 2.72% to 7.03%)

Source: Hargreaves Lansdown annuity tool and Bloomberg. Annuity rates at 17 November 2017, FTSE All Share Natural Yield figures (source: Bloomberg) at 24 November 2017.

The chart below shows how the 'natural yield' from the FTSE All-Share has generally been in a range of 3-4%, whereas annuity rates have declined closely linked to the fall in the yield of 15 year gilts.

Hargreaves Lansdown Retirement Index



Source: Hargreaves Lansdown Annuity Index & Bloomberg

Despite the decline in annuity rates over recent years, the short term trend is a positive one with annuity rates up 19% since they bottomed out in September 2016.

Relative to the natural yield that can be drawn from equity income funds, it could be argued annuities do not look great value. However, income from drawdown is variable and not guaranteed unlike an annuity. Many people simply cannot tolerate the risk of either running out of money or having a drop in income in retirement.

Additionally, 71% of individual annuitants now qualify for an enhanced annuity, judging by annuities arranged by Hargreaves Lansdown in 2016. Even minor health conditions or lifestyle habits like smoking, drinking alcohol or being over or underweight can impact on how much income someone receives. The average uplift for those obtaining an enhanced annuity quote in the last 12 months was £921. That's an average uplift of 18%. Over a 20 year retirement that adds up to an extra £18,420 of income. Source: HL Annuity Tool.

Case Studies

Case Study 1:
The need for secure income

Mr Wilson, a 66 year old retired lecturer from Middlesex qualified for an enhanced rate by confirming his health and lifestyle details.

"As a former lecturer, most of my retirement income will be provided by my teacher's pension. However, I had another workplace pension which I needed to either turn into an annuity or move into drawdown.

My son recently got a new job that involves a lot of travelling so I was planning to use my tax-free cash to help him buy a new car. With the rest, I decided to use the funds to purchase an annuity in time for my retirement. This was for two reasons: firstly the extra income would help cover my essential bills; and secondly, as the income is guaranteed, I wouldn't have to worry about the money ever again.

After receiving a quote from my pension provider I decided to shop around and check the rates offered by other providers. By providing my medical details, I managed to qualify for an enhanced rate which increased my income even more. The difference between the top and bottom rate was quite startling, over £600 a year."

Case Study 2:
Blending secure and flexible income

Mr John Carter, a 63 year old retired air ambulance pilot from Buckinghamshire bought an annuity with some of his drawdown funds.

"I have been retired now for three years. I bought an annuity with some of my drawdown pot in July. I decided to buy an annuity that would rise in line with retail prices to help protect my income from inflation. I like knowing my income is safe from economic factors I can't control.

I find my drawdown account perfectly straightforward to manage so I'm happy to leave the rest of my funds in drawdown.

I'm constantly factoring the State Pension into my planning. At the moment, I'm topping up my income by withdrawing the dividends I receive from my investments. This, plus my annuity, will help give me the perfect amount of income until I start receiving the State Pension in three years' time."

What could the government or regulators do?

What can policymakers do to address failures in the annuity market? Here are some possible interventions the government could consider; the best solution may lie in adopting a combination of more than one of these proposals.

Reintroduce the minimum income requirement

Until April 2015, investors who wanted to use flexible drawdown were required to have a secure income of at least £12,000 a year from their State Pension, a defined benefit pension or an annuity. This figure had originally been £20,000, before George Osborne announced his pension freedom plans on 19 March 2014. If an investor couldn't satisfy this requirement they could still use drawdown but only the capped version, which restricted their income withdrawals and reduced the risk of their running out of money.

The government may decide it is in the interests of individuals, and society more generally, that people should have adequate secure income in retirement before being able to access the pensions freedoms.

Pros

- Would address concerns about individuals running down their money and not having enough left to live on.
- Helps to protect taxpayers from the welfare risk of individuals running out of money
- Offers guidance on what a prudent retirement mix between secure and flexible incomes might look like

Cons

- Reverses pension freedom for those with smaller pension pots; it becomes a policy only for the wealthy
- Could undermine trust and confidence in the system
- Politically difficult to reverse the popular freedoms which have quickly been accepted by investors

Government to issue pension-specific gilts to support higher annuity rates

The government could elect to intervene in the annuity market by offering bespoke gilts to annuity providers at preferential rates, thereby boosting the return available to investors.

Pros

- Could increase annuity pay outs
- Targets government funding to address a specific market failure
- Government could calibrate and price yields fairly precisely
- Could reverse the trend in falling annuity sales

Cons

- Would be complex to deliver without causing unintended consequences
- Would cost the Treasury money
- Could exacerbate intergenerational inequalities by channelling taxpayer funds to older cohorts

Tax relieved income from annuities

The Treasury could introduce a tax incentive for investors to purchase an annuity, for example in the form of reduced income tax on the first slice of someone's annuity income.

Pros

- Would use a voluntary incentive approach to encouraging good decision-making
- Stops short of compulsion, which can be politically unpopular
- Could help to establish new cultural norms
- Government could control the incentive

Cons

- Could have unintended consequences, such as benefitting higher earners who could take advantage of the tax incentive even if they didn't need to
- Might not be trusted by investors: a future government could reverse the tax break
- It would constitute a tax-subsidised transfer of wealth from the general population to retired investors and might therefore be criticised for exacerbating intergenerational inequalities

Age 50 MOT

The government could introduce a mid-life financial health-check around the age of 50. This could be used as a vehicle to educate investors about the value and importance of having at least some secure income for life in retirement; for most people the appropriate level of this secure income would be in excess of their State Pension.

Pros

- Relatively low cost
- Delivers broader financial capability outcomes, as well as an opportunity to promote the value of annuities
- Doesn't require any fiscal or legislative intervention
- Harnesses resources of government, industry and third sector
- Promotes individual responsibility and financial capability
- The concept is already widely regarded as desirable

Cons

- Doesn't directly address the annuity market
- Won't change outcomes immediately
- Will require coordination and training to deliver

Introduce a 'controlled drawdown'

As an alternative (or possibly complementary) to annuity purchase, drawdown providers could offer investors a controlled drawdown product. This could have pre-selected investment strategies and restricted levls of income withdrawals.
It would be designed not to run out of money. To achieve this it would be necessary to restrict income withdrawal rates perhaps to a level set by the government. All drawdown providers could be required to offer this product alongside their flexible drawdown options.

Pros

- Would achieve some of the same financial security goals as an annuity purchase
- Avoids any unwinding of pension freedom
- Avoids pushing investors towards buying an unpopular product
- Addresses some of the wider concerns around investors not understanding the risks they face in drawdown

Cons

- Wouldn't secure guaranteed lifetime incomes for investors
- Puts more responsibility back onto drawdown providers