# Analysing the FCA's retirement income market data - annuity data

April 2018 - March 2024

# Contents


1. Introduction
2. Report highlights
3. Size of the annuity market
4. Annuity pot sizes
5. Annuity sources
6. Annuity options
7. Advice & Pension Wise guidance
8. Annuity rate chart
9. Thank you

# Introduction

## The FCA's retirement income market data

The FCA typically publish their retirement income market data every year (typically between September and December). Each time the FCA publishes new data, I will endeavour to update this document as quickly as possible. This pack covers data from April 2018 to March 2024. A few general points of note concerning the FCA data:

- The FCA data refers to "pots" and "purchases" and not people.
- I believe "pots" and "purchases" actually equate to a single annuity purchase, and not the number of individual pots being used to purchase an annuity. In my experience, on average, more than one pot is used per annuity purchase.
- Any annuity quotations mentioned within the pack were achieved using a publicly available annuity portal in October 2024.
- This document is something I have created as an individual. If you have any questions, feedback or spot any errors, please do let me know using mark.ormston@retirementline.co.uk or message me on any of my socials.

Thank you and enjoy!

Mark Ormston

# Report highlights

# Report highlights

## Key takeaways

The below points are what I believe to be some of the key takeaways from the data presented in this document.

- There is a continued trend of annuities being purchased slightly older. With two thirds of annuities in the latest reporting period being purchased at the age of 65 or older. This compares to 55% during the first reporting period.
- There has been a substantial drop in annuity purchases with pot sizes of less than £10,000. From a peak of 27% of all annuity purchases in the 2021/22 reporting period, down to just 9% in the latest reporting period.
- The gap has closed between annuity purchases with pot sizes of £49,000 and less compared to purchases with pot sizes of £50,000 or more. Although, pot sizes of £49,000 or less still equate to 52% of all annuity purchases in the latest reporting period.
- For the first time since reporting started, annuities purchased from the existing provider were not the largest source for annuity purchases. This will be seen as a positive sign for the open market. However, people with pot sizes of £49,000 or less are generally 50/50 whether they purchase through the incumbent provider or another source.
- In the latest reporting period, around a third of annuities purchased were through regulated advice.
- There has been a huge reduction in annuity purchases after using the Pension Wise service. The data would suggest that most of this reduction has come from those with a pot size of less than £10,000.

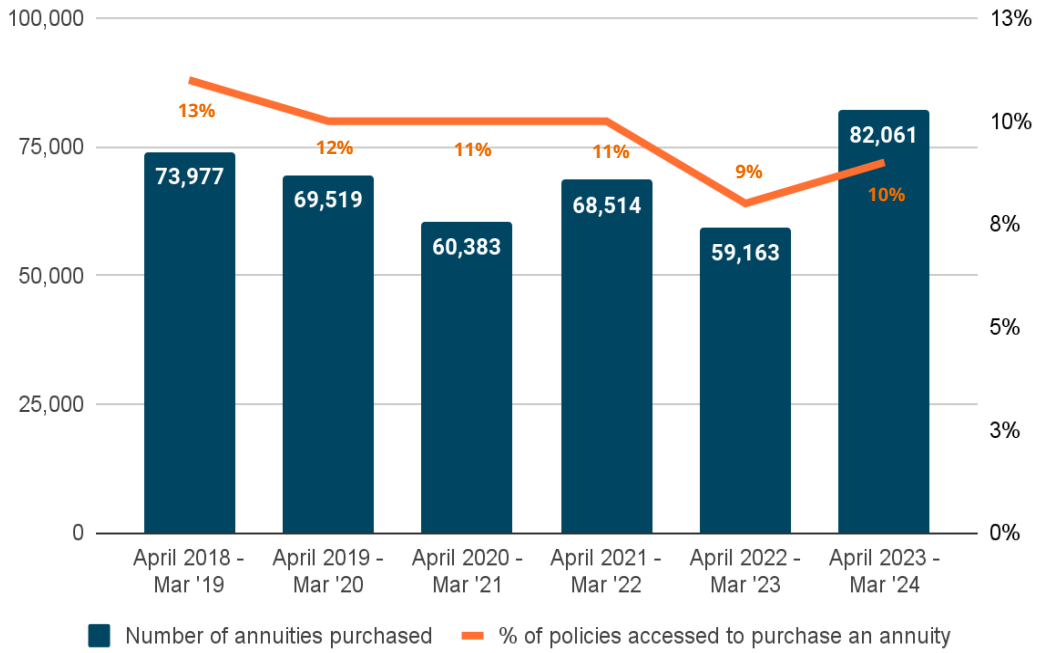
# Size of the annuity market

# Size of the annuity market

## How many annuities have been purchased?

Annuity purchases continue to feature in the bottom half of the pension access table, sitting behind full cash withdrawals and drawdown. With 10% of pension pots accessed opting for an annuity in recent years.

As can be seen, the latest reporting period saw a noticeable increase in the number annuities being purchased. This is largely expected, as annuity rates have been at their highest point for some time. With this said, as noted above, in terms of 'market share' take up of annuities remained fairly stable.

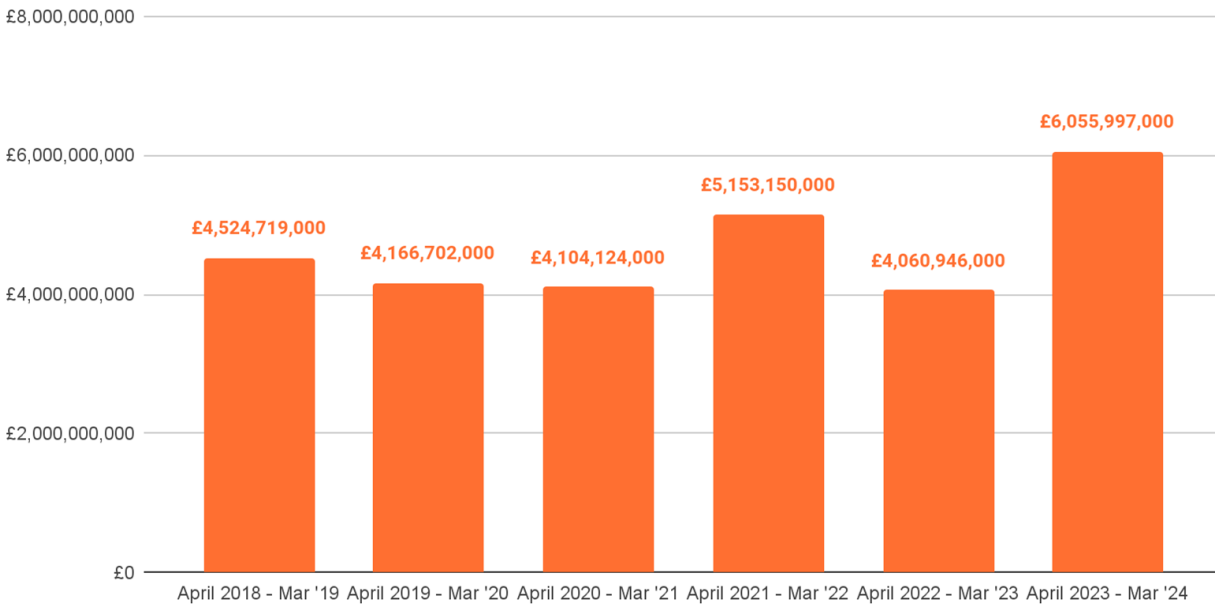


# Size of the annuity market

## Total amount of funds being used to purchase an annuity

This graph shows the FCA data for “Assets Under Administration” (AUA). In essence, the total amount of funds used each reporting year for annuity purchases.

As can be seen in the graph, the latest reporting period saw a noticeable increase, largely in line with the previous page.



# Age at purchase

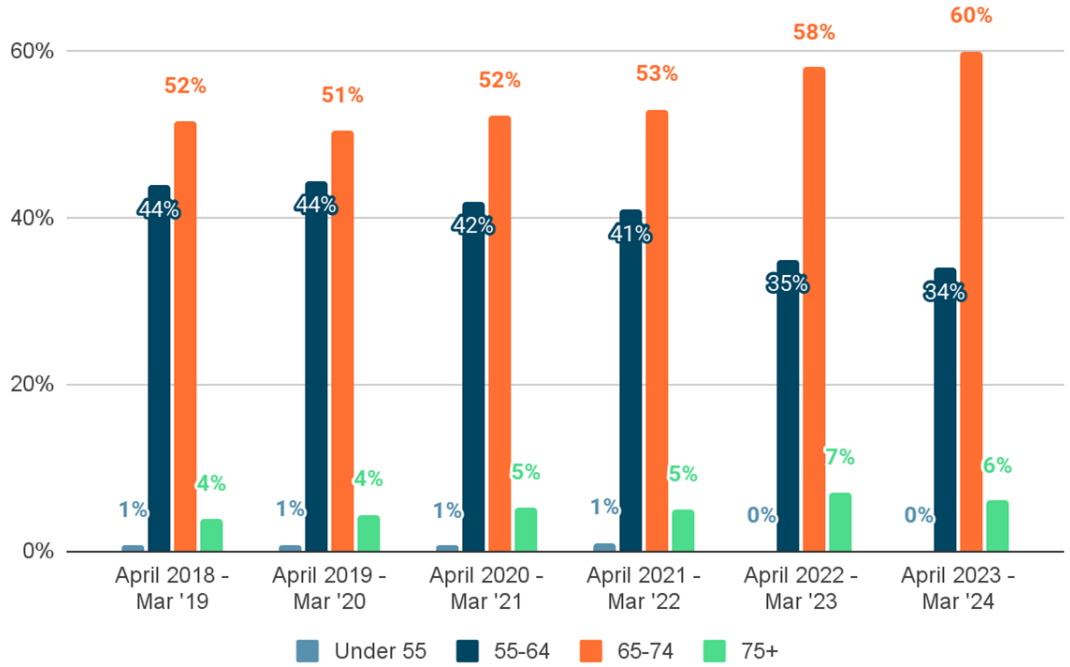
# Age at purchase

## At what age are people purchasing annuities?

The FCA's age bandings are fairly wide and include a section for under 55-year-olds which, as you would expect make up less than 1% of all annuities purchased.

As can be seen, the highest number of annuities were purchased by people aged between 65-74. This age band has generally been increasing throughout the reporting periods. With the 55 - 64 age band in decline.

Interestingly, the 75+ age band, which started seeing some growth, has plateaued somewhat. There are many that believe the future of the annuity market will involve many more annuities being purchased at the age of 75+.



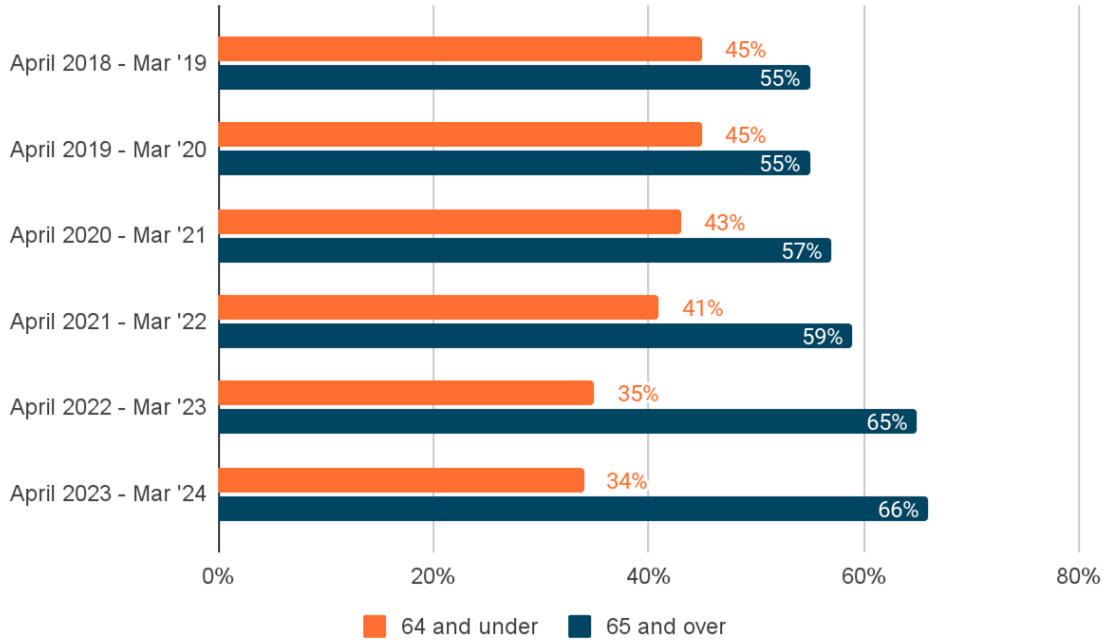
# Age at purchase

## At what age are people purchasing annuities?

This chart shows the percentage split between those who purchased an annuity at the age of 64 and under and those aged 65+.

As can be seen, there has been an increase in annuity purchases by those aged 65+.

As mentioned on the previous page, there are expectations by some, that a greater number of annuities could be purchased at the age of 75+ or at least, later in retirement income journey. If this does materialise, we can expect this trend to continue.



# Annuity pot sizes

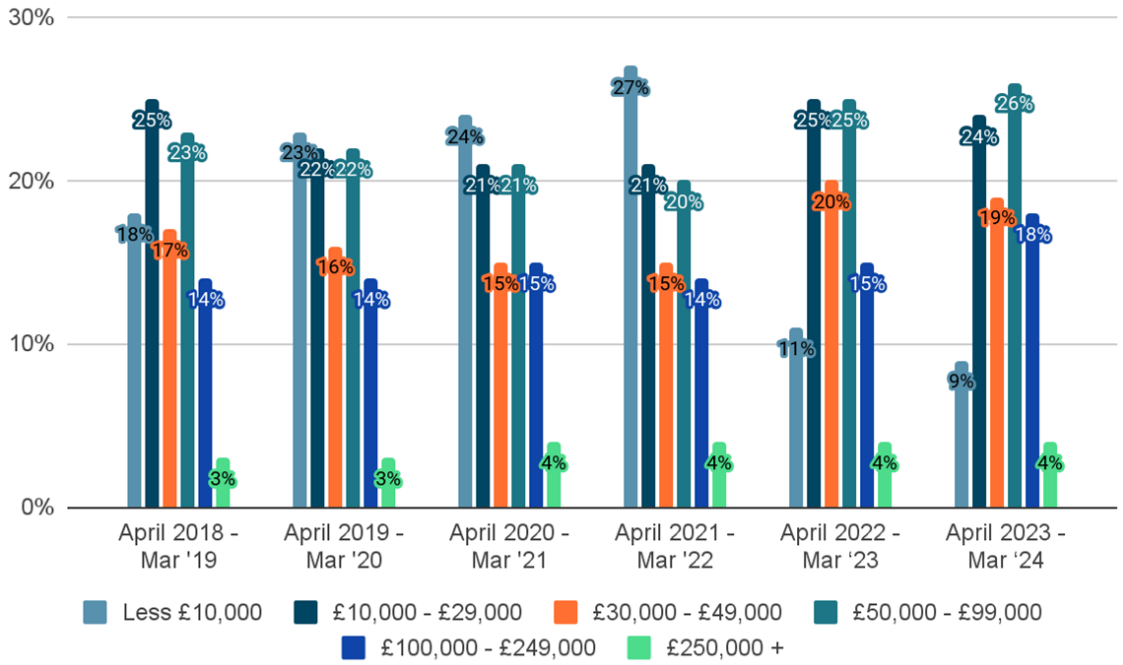
# Annuity pot sizes

## A noticeable drop in small pots

In the last couple of reporting periods, the number of purchases with pots of less than £10,000 has dropped significantly.

In the 2021/22 reporting period pot sizes of less than £10,000 equated to 27% of all annuity purchases. In the latest reporting period, they equated to only 9% of all annuity purchases.

The most consist pot size bracket is £10,000 - £29,000 which generally makes up nearly a quarter of the all annuity purchases in the majority of reporting periods.



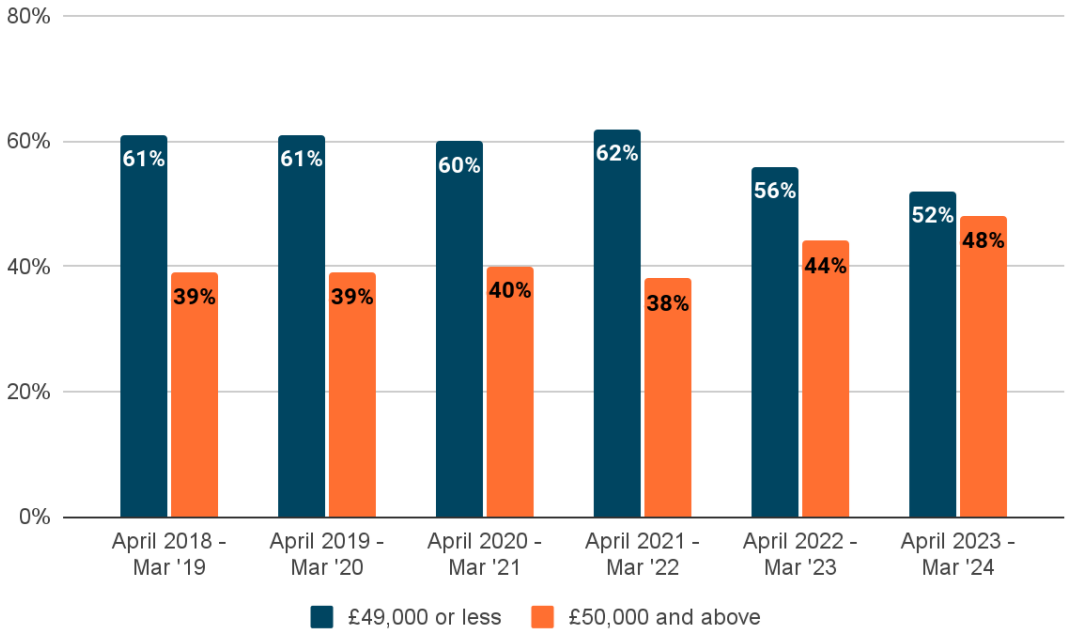
# Annuity pot sizes

## A noticeable drop in small pots

As the last graph was rather ‘busy’, I have put together this graph which shows how many pots of £49,000 or less were used to purchase an annuity.

I believe this graph more clearly shows the trend of more annuity purchases being made with pot sizes of £50,000 or above.

As can be seen, the gap has reduced, but in the latest reporting period, 52% of all annuity purchases were still made with pot sizes of £49,000 or less.



# Annuity sources

# Annuity sources

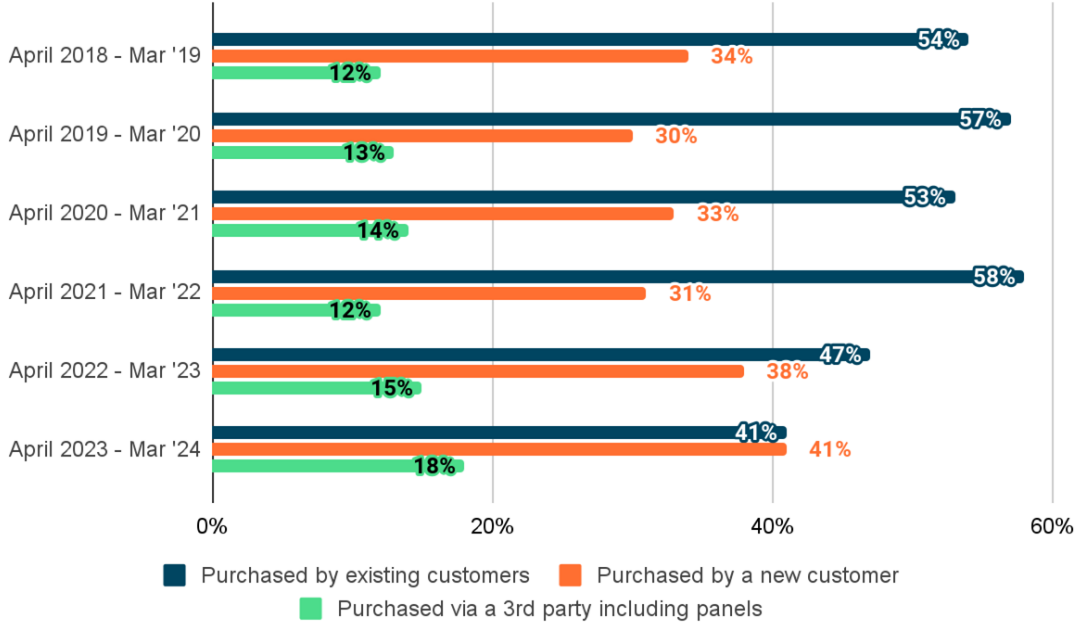
## Where have people purchased their annuities?

The FCA data splits annuity sources into three categories:

- Annuities purchased by existing customers (from the incumbent pension provider)
- Annuities sold via 3rd parties (such as panels)
- Annuities sold to new customers (people going directly to an annuity provider)

This graph shows the breakdown between these three categories. As can be seen, until the last reporting period, annuities purchased from the existing provider was the largest category.

The latest results will be seen as a positive sign for the open market and people shopping around for the best annuity rates.



# Annuity sources

## Pot size matters

Unsurprising, pot size mattered. There is a difference between those who purchased an annuity with a pot size of £49,000 or less and those with a pot size of £50,000 or more.

In last couple of reporting periods, for those with a pot size of £49,000 or less, it has been fairly equal weather they purchased their annuity from their existing provider or not.

As can be seen, those with a pot size of £50,000 or more have been more likely to purchase an annuity externally.

| | Pot size of £49,000 or less | | Pot size of £50,000 or more | |
|---|---|---|---|---|
| | Purchased by existing customers | Purchased externally | Purchased by existing customers | Purchased externally |
| April 2018 - Mar ‘19 | **55%** | **45%** | **54%** | **46%** |
| April 2019 - Mar ‘20 | **59%** | **41%** | **54%** | **46%** |
| April 2020 - Mar ‘21 | **56%** | **44%** | **49%** | **51%** |
| April 2021 - Mar ‘22 | **63%** | **37%** | **49%** | **51%** |
| April 2022 - Mar ‘23 | **50%** | **50%** | **44%** | **56%** |
| April 2023 - Mar ‘24 | **49%** | **51%** | **33%** | **67%** |

# Annuity options

# Annuity options

This section focuses on some of the key annuity decisions and options selected with an annuity purchase such as:

- single life vs joint life
- level payments vs increasing payments
- inclusion of capital protection/value protection

Understandably, all of the FCA's data on the annuity options are at a high level. However, with this said, the data still provides a good indication of which annuity options are being opted for over the reporting periods.

**A note about guarantee periods**

Due to the data being at a high level and knowing at least one annuity provider offers a one year guarantee period as standard, it can make this option a little more difficult to come to any conclusions.

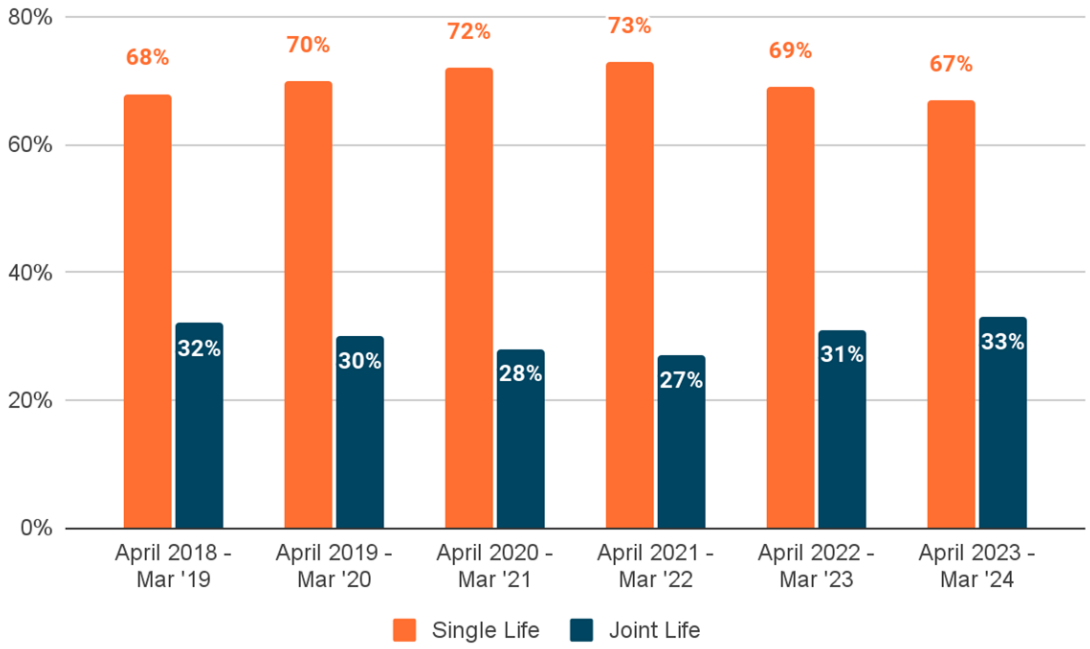
# Annuity options

## Single life or joint life annuity?

A single life or joint life annuity is typically the first annuity quote shaping decision most people make when obtaining an annuity quotation.

The graph opposite clearly shows that most annuities are purchased on a single life basis.

The latest reporting period shows the highest take up of joint life annuities. Although, this still option still only equated to a third of all annuity purchases.

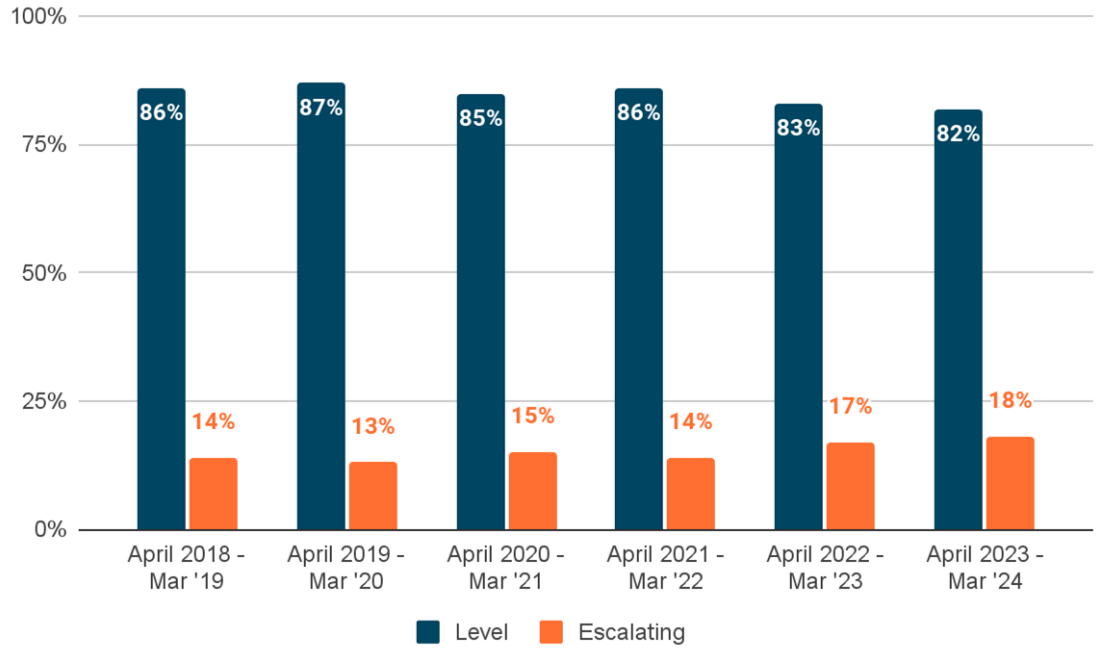


# Annuity options

## Level or escalating annuity payments?

I suspect the clear adoption of level annuity payments over escalating annuity payments will not come as too much of a surprise.

With this said, with annuity rates at their highest level for sometime and being in a higher inflationary period, the last couple of reporting periods have shown an increase in the number of annuities being purchased with escalating annuity payments.



# Annuity options

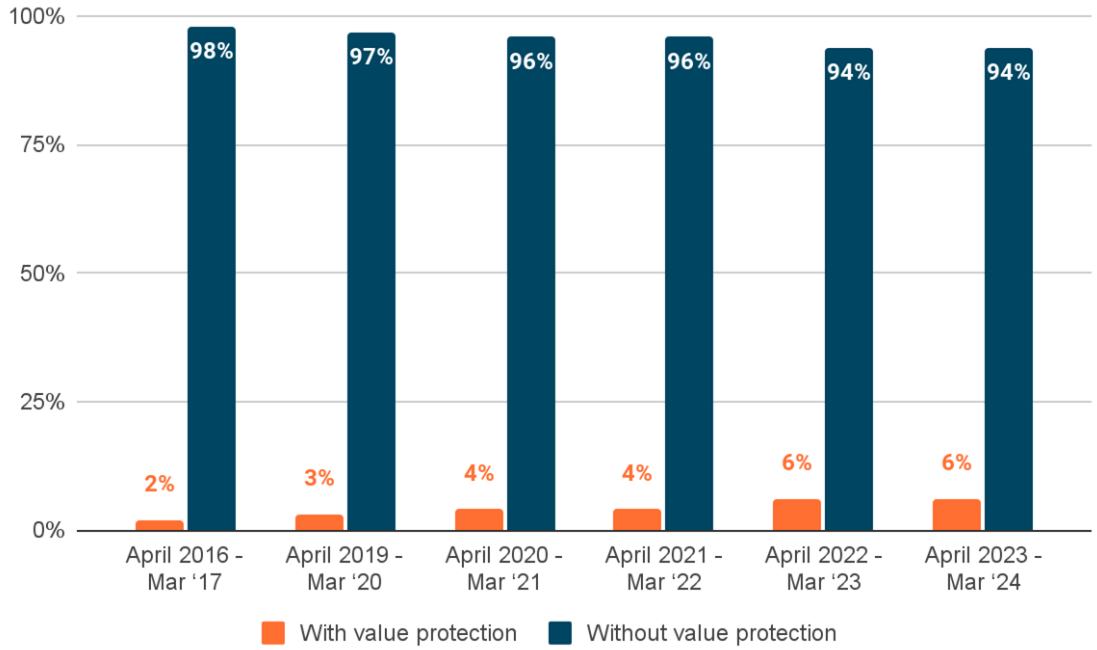
## To capital protect or not to capital protect?

The next annuity option is capital/value protection.

Out of all the FCA annuity options data, this option has the smallest take-up.

With this said, there has been an increase throughout the reporting periods. Albeit, still a very small take up, with well under 10% of all annuity purchases including this option.

With annuity rates being so competitive, longer length guarantee periods can often achieve similar results as Value Protection and be more cost-effective.

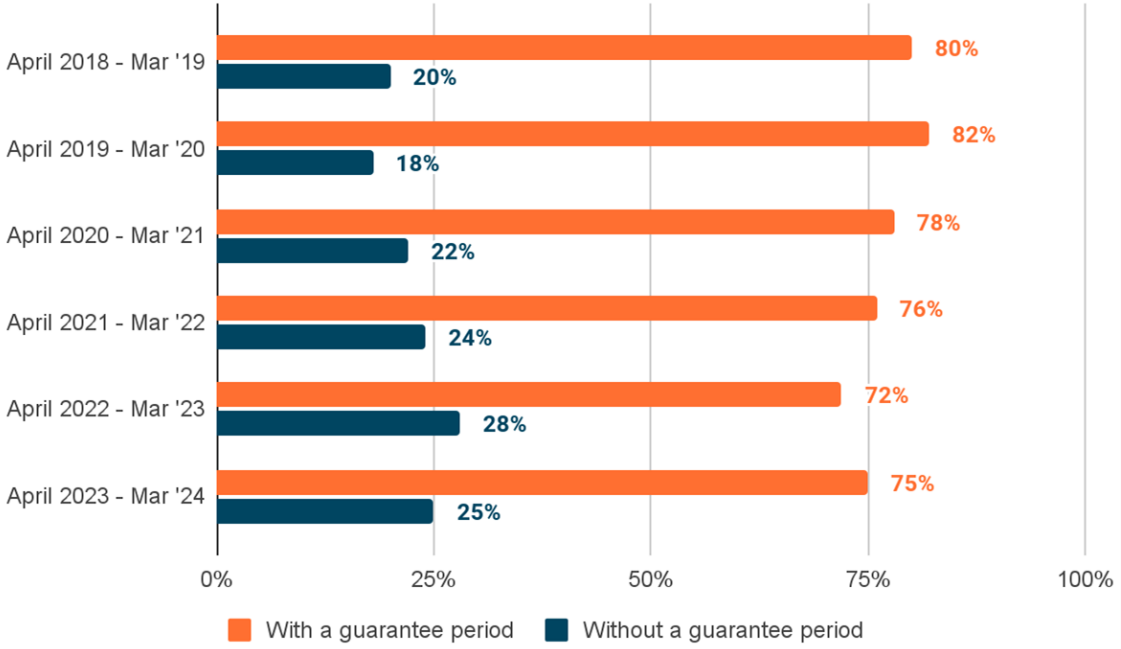


# Annuity options

## Guarantee periods

As mentioned within the introduction of this section, the guarantee period data can be difficult to draw any solid conclusions from. However, what I believe can be said with a high degree of confidence, is that this annuity option is the most commonly selected.

In recent reporting periods, there have been fewer annuity purchases with guarantee periods. However, in the latest reporting period, they are still have been included on three quarters of all annuities purchased.



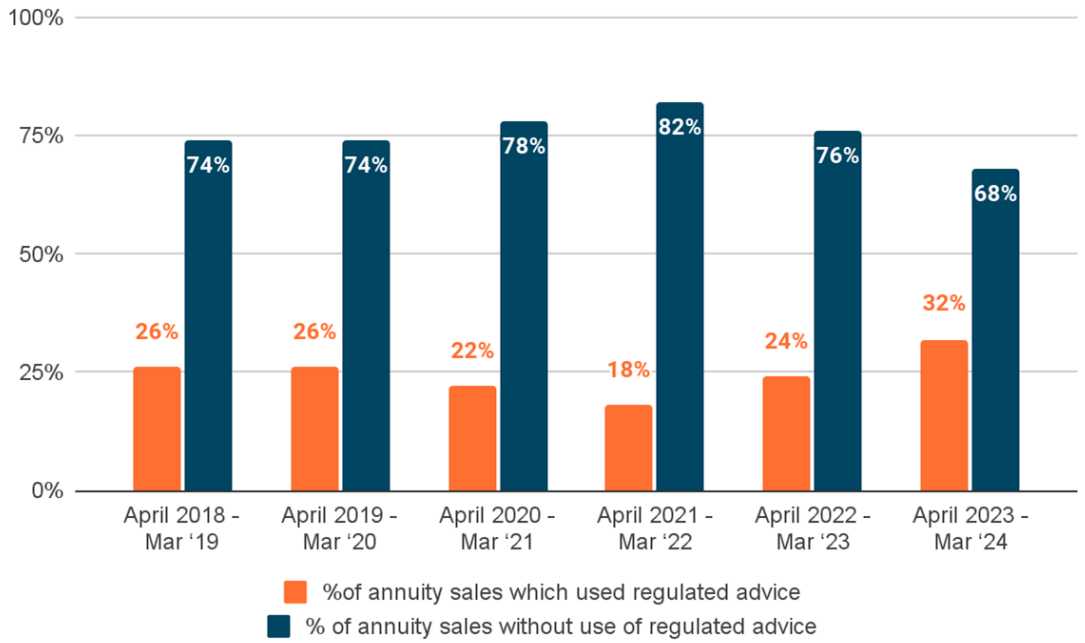
# Advice & Pension Wise guidance

# Advice and Pension Wise guidance

## The use of regulated advice

In the latest reporting period, the number of annuities purchased through regulated advice hit its highest point to date. With nearly a third of all annuities purchased being done so through regulated financial advice.

With annuity rates being at their highest point for some time, it seems right that the number of purchases through this channel increased.



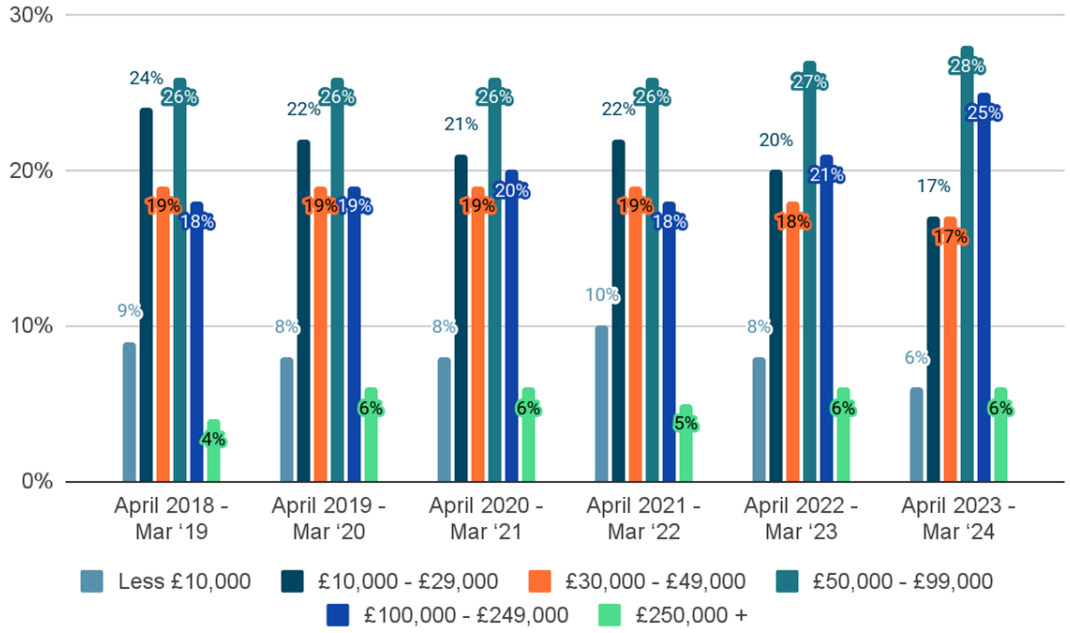
# Advice and Pension Wise guidance

## The use of regulated advice by pot size

This graph shows annuity purchases through regulated advice by pot size.

Potentially surprisingly, typically, the lowest use of regulated advice to purchase an annuity is seen in the largest pot size banding of £250,000+.

Pot sizes of £50-000 - £99,000 are consistently the most common pot size being used to purchase an annuity through regulated advice.



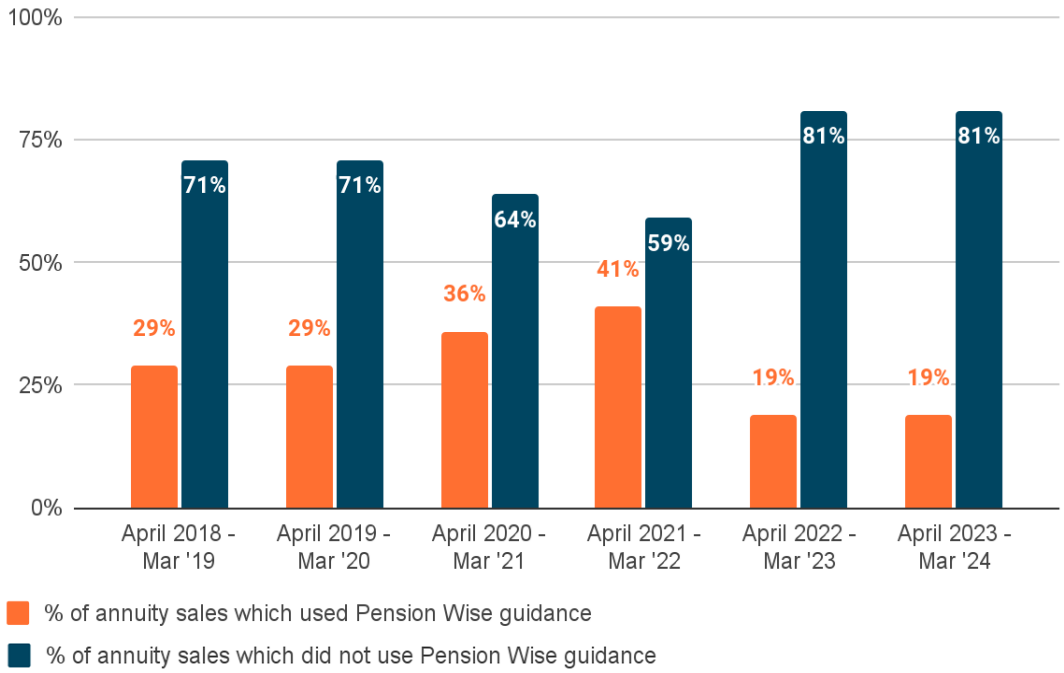
# Advice and Pension Wise guidance

## The use of Pension Wise guidance

This graph shows the percentage of annuity purchases after use of the Pension Wise service.

Somewhat surprisingly, annuity purchases after the use of Pension Wise has dropped dramatically in the 2022/23 reporting period and remained static for the latest reporting period.

I am not completely certain what is behind such a dramatic fall. Although, there might be some clues on the next page!



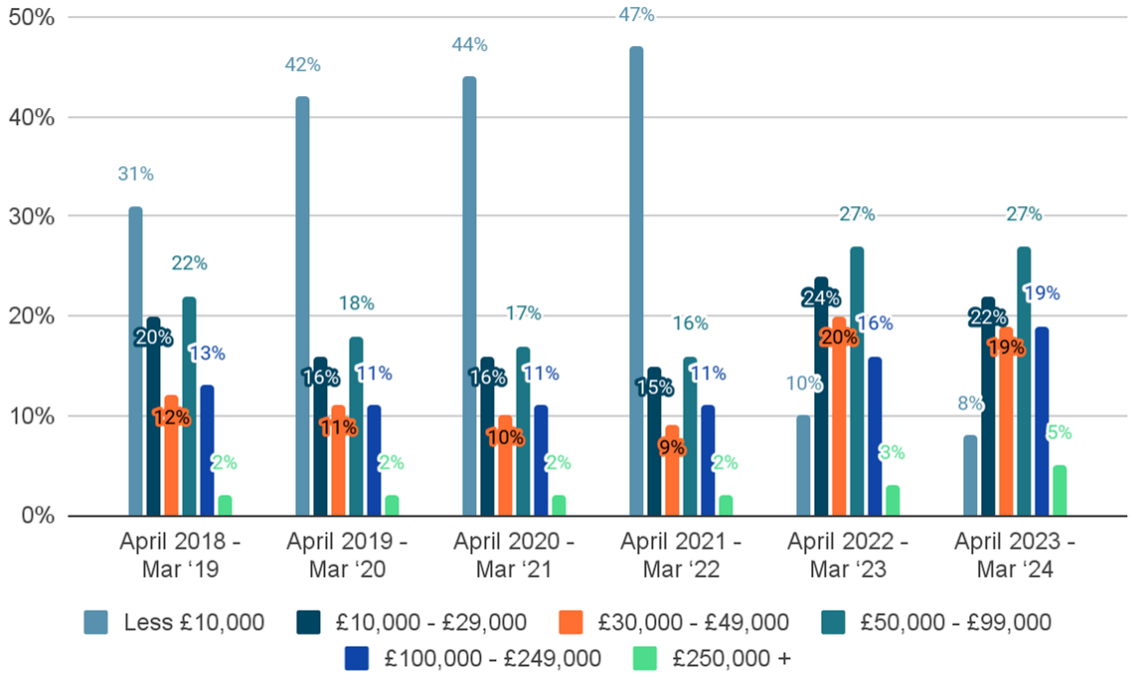
# Advice and Pension Wise guidance

## The use of Pension Wise guidance by pot size

This graph provides a breakdown of annuity purchases after the use of Pension Wise by pot size.

Potentially linked to big drop on the previous page. This chart shows a substantial drop in the number of annuities being purchased with a pot size of less than £10,000 after speaking to Pension Wise.

In the reporting period 2021/22, 47% of annuities purchased were with pot sizes of less than £10,000 after speaking to Pension Wise. In the latest reporting period, this equated to just 8% of all the annuity purchases after using the service.



# Advice and Pension Wise guidance

## The potential 60% target

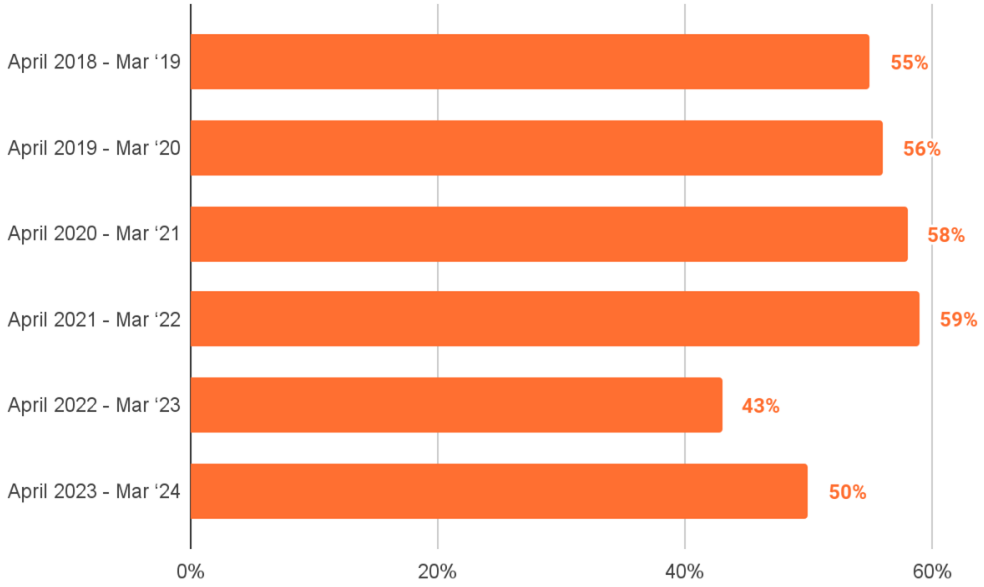
Not that long ago, there was a House of Commons Work and Pensions Committee report* which stated:

*"the Government sets a goal for the Money and Pensions Service for the combined use of Pension Wise and paid-for advice when accessing pension pots for the first time. This goal should be at least 60 per cent."*

The 60% figure was suggested due to the Government (at the time) ambition for the use of regulated advice and/or Pension Wise to become 'the norm'.

This graph shows that the current levels are falling short of the proposed 60% target.

*House of Commons Work and Pensions Committee Protecting pension savers— https://committees.parliament.uk/publications/8514/documents/86189/default/



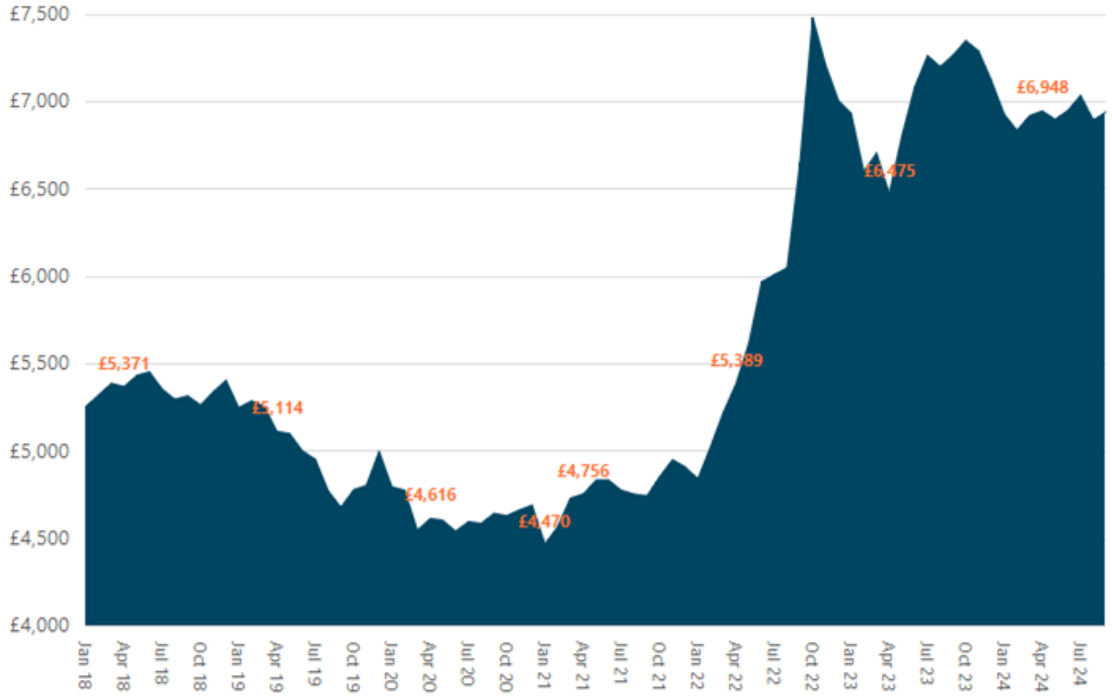
# Annuity rate chart
# 2018 - 2024 (Oct)

# Annuity rate chart

## Tracking annuity rates

This chart tracks standard annuity rates over the reporting periods. As can been seen and mentioned throughout this pack annuity rates have seen a noticeable increase within the last couple of reporting periods.

This chart shows the average top standard annuity rate each month using £100,000 purchase price for a 65 year old, on a level payment basis and a 5 year guarantee.



# Thank you

# Thank you

Thank you to anyone who has read this document. I hope it has been useful.

The vast majority of the data used has been taken from the FCA's Retirement income market data full data tables, a copy of the latest data table can be downloaded by clicking the link below:
https://www.fca.org.uk/publication/data/retirement-income-underlying-data-2023-24.xlsx

As mentioned within the introduction within this document, should anyone have any questions, feedback or spotted any potential errors, please do get in contact.

**Mark Ormston**

**October 2024**