

Retirement has more potential with

PRUDENTIAL

Income Choice Annuity

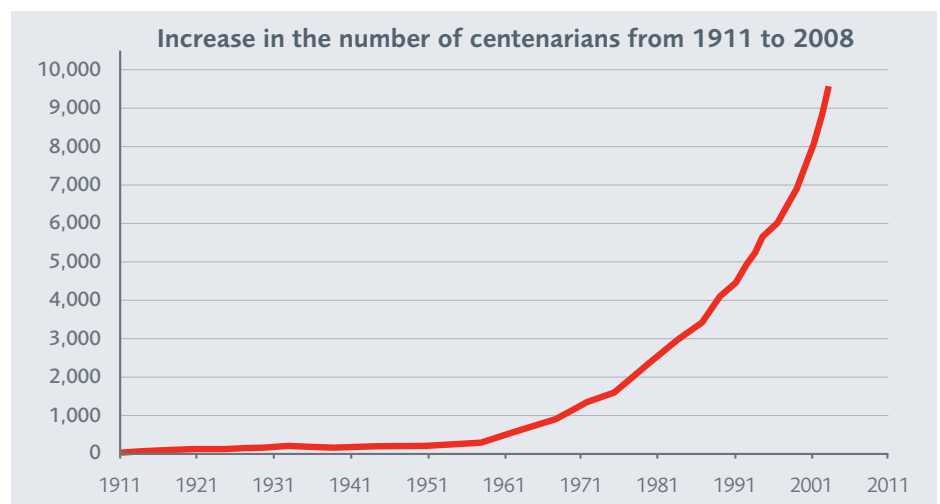
Longevity and long-term inflation

Longevity and long-term inflation can both be factors that influence the quality of your client's retirement income. Some clients may be focused on the initial income delivered by a level conventional annuity when they should be evaluating their long term needs and how best to meet them.

Longevity

During the 20th Century, the UK population experienced a significant increase in longevity. Improved living conditions, medical discoveries and the National Health Service (NHS) contributed to increased life expectancy. Over the last century, male life expectancy has increased by almost 29 years and the number of centenarians has risen dramatically.

This graph highlights the marked rise in the number of centenarians in the UK between 1911 and 2008.



Source: Office for National Statistics, 2009

“ Current population projections suggest the number of centenarians in England and Wales will reach almost 64,200 by mid-2033 ”

ONS

Those approaching retirement often underestimate how long they will live. In fact, these days a 65 year old man is expected to live to around the age of 87. With increased life expectancy, a retiree's pension pot might have to provide an income for longer than expected. Living longer could also mean trying to maintain an existing standard of living on a more limited budget.

Taking too much income too quickly could mean not leaving enough to provide for the later years of retirement.

Our Income Choice Annuity may be a solution for your clients. The risk of living longer than anticipated and having to provide financially for a long retirement could be reduced or avoided. An Income Choice Annuity guarantees to pay an income, usually for life.

In addition to a lifetime retirement income, payouts from an Income Choice Annuity have the **potential for future growth**. So thinking about how to enjoy the good things in life should be your client's only concern during retirement. The next section gives you more details on why your client might consider an income with the potential for growth.

Long-term inflation

Inflation can have a big impact on your client's income in retirement, by eating into their savings and investments and reducing their spending power. So it's important they consider protecting their money against inflation when planning for their retirement.

Even with a low inflation rate of 2%, £1,000 would be worth only £743 in 15 years time and £610 in 25 years time. That's a **reduction in buying power** of 25.7% and 39.0% respectively. Could your client afford to live with that much less money?

The first table opposite shows decreasing purchasing power of £1,000 over time based on a range of different inflation rates. The second table shows how prices for some commonly purchased items have increased over time.

“ The question isn't at what age I want to retire, it's at what income ”

George Foreman

Decreasing purchasing power of £1,000 over time.

Annual Inflation	5 years	10 years	15 years	25 years
2%	£906	£820	£743	£610
4%	£822	£676	£555	£375
6%	£747	£558	£417	£233
8%	£681	£463	£315	£146

Source: Prudential, 2010

Cost increase of selected items over a 10 year period.

	April 2000	April 2010	% Increase
Bacon (per Kg)	597p	870p	46%
Bread – white loaf (800g)	51p	119p	133%
Chicken – fresh (per Kg)	222p	292p	32%
Coffee – ground (per 227g)	179p	235p	31%
Draught lager (per pint)	199p	294p	48%
Eggs – size 4 (per dozen)	138p	281p	104%
Milk – pasteurised (per pint)	34p	44p	29%
Potatoes – new loose (per Kg)	70p	136p	94%
Sugar – granulated (per Kg)	56p	97p	73%
Unleaded petrol (per litre)	80p	121p	51%

Source: ONS, 2010

Pensioner inflation is higher than the level of inflation indicated by the RPI because retirees' expenditure tends to differ from average consumer expenditure.

With the potential to deliver inflation-beating growth, Income Choice Annuity may be the right retirement solution for your clients. Our Income Choice Annuity is linked to our With-Profits Fund, which means your client's income has the **potential to grow at a steady rate each year**, when compared with a direct holding in the stock market. Prudential's With-Profits Fund is composed of a range of investments including equities,

fixed interest, commercial property and cash. It is one of the largest, and financially strongest in the UK – with £61.6 billion invested (as at 31 December 2009).

About Prudential

We are the UK's number one annuity provider. We currently pay pension income to more than 1 million people. We have an AA (negative watch) rating from Standard & Poor's, as at March 2010 (rating based on financial strength).

For further information, please visit www.pruadviser.co.uk where you can try our online tools, or download product guides and literature. If you have any questions please call your Prudential Account Manager, or call our Adviser Contact Centre on **0808 234 0808**.

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