A tune up on temporary guarantees

Paraplanners Assembly

23rd September 2026

M
&G

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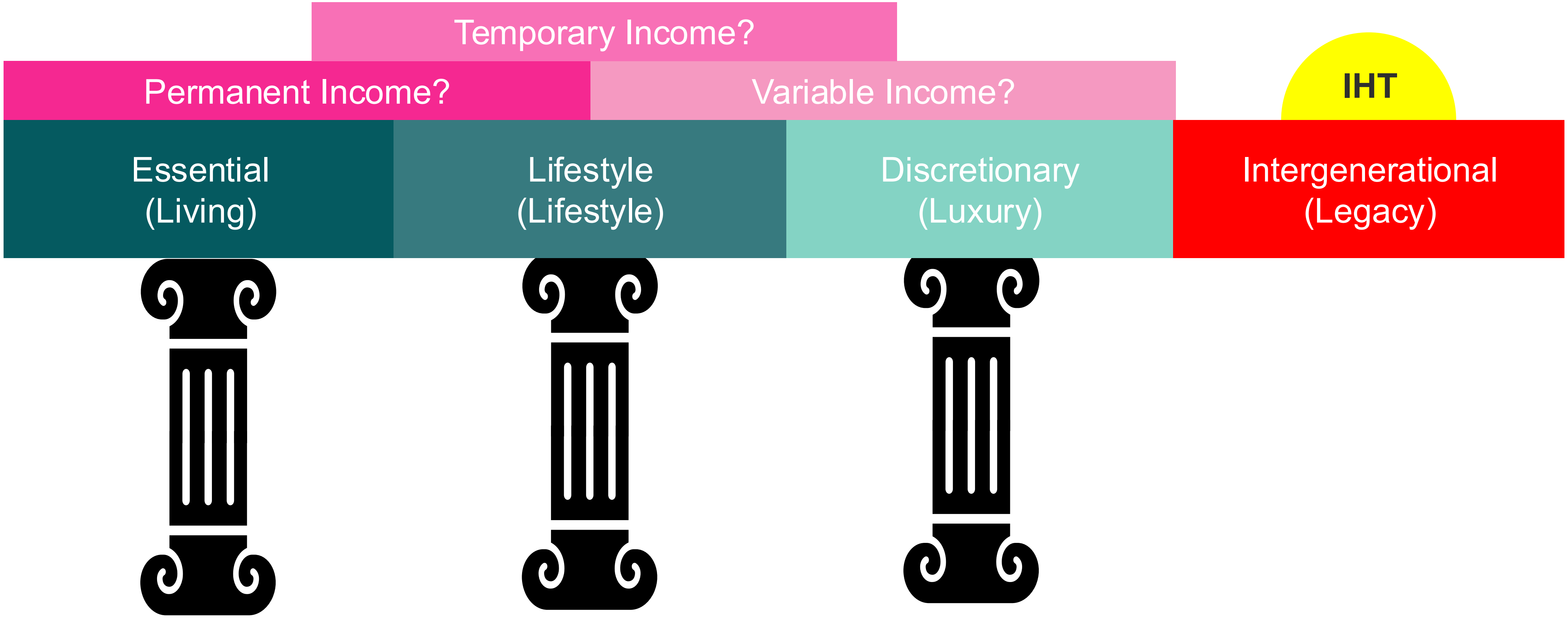
Learning objectives

By the end of this session, you will be able to:

- what temporary guarantees are and how they work
- the options available to clients
- what happens to death benefits
- why you might consider using them in a client’s retirement plan

The 4 spendings



Fixed term or lifetime?

The same promise of certainty — but over very different time horizons

FIXED TERM ANNUITY		PENSION LIFETIME ANNUITY
Certainty with an exit point		**Certainty without an end date**
Policy T&C's	VS	**FOR LIFE**
WHAT YOU GET Guaranteed income, a maturity lump sum — or both		**WHAT YOU GET** Guaranteed taxable income for life
WHAT HAPPENS NEXT Options reopen at maturity; early surrender is possible at a market-linked value		**WHAT HAPPENS NEXT** No maturity fund; death benefits depend on the options selected
BEST PLANNING FIT State Pension bridges, phased retirement and temporary spending needs		**BEST PLANNING FIT** Essential spending that must continue regardless of lifespan

Blend the two: lifetime certainty for essentials, fixed-term certainty for temporary needs.

There's no duck in a Bombay Duck

… Fixed Term Annuities

Standalone	TIP
Drawdown Contract Decumulation only Full transfer - crystallised funds Partial transfer – uncrystallised funds Income to client	Scheme investment Accumulation or Decumulation No transfer = no partial issues Income to scheme bank account

Guaranteed Income / Guaranteed Lump Sum / Both – for a fixed term – 3 to 30yrs

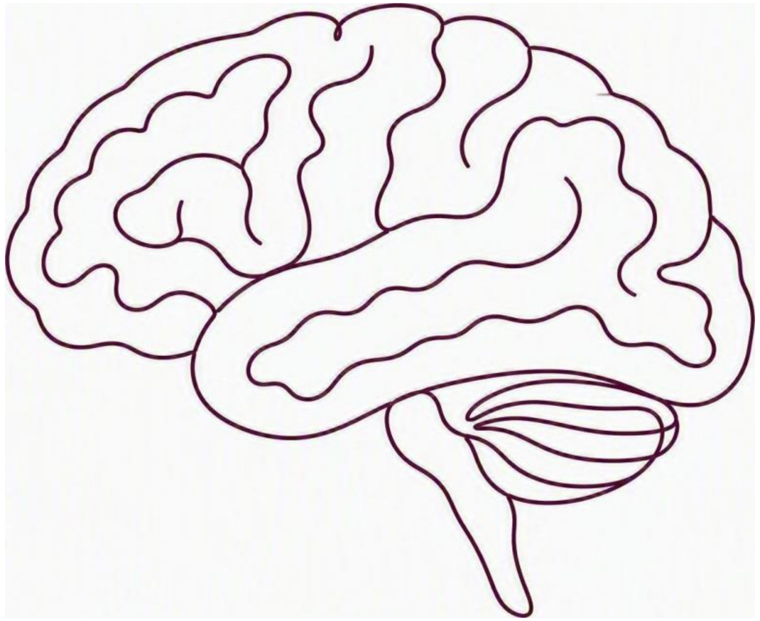
Surrender and death benefit options are either nonexistent, standard or must be selected

The maths and the psychology

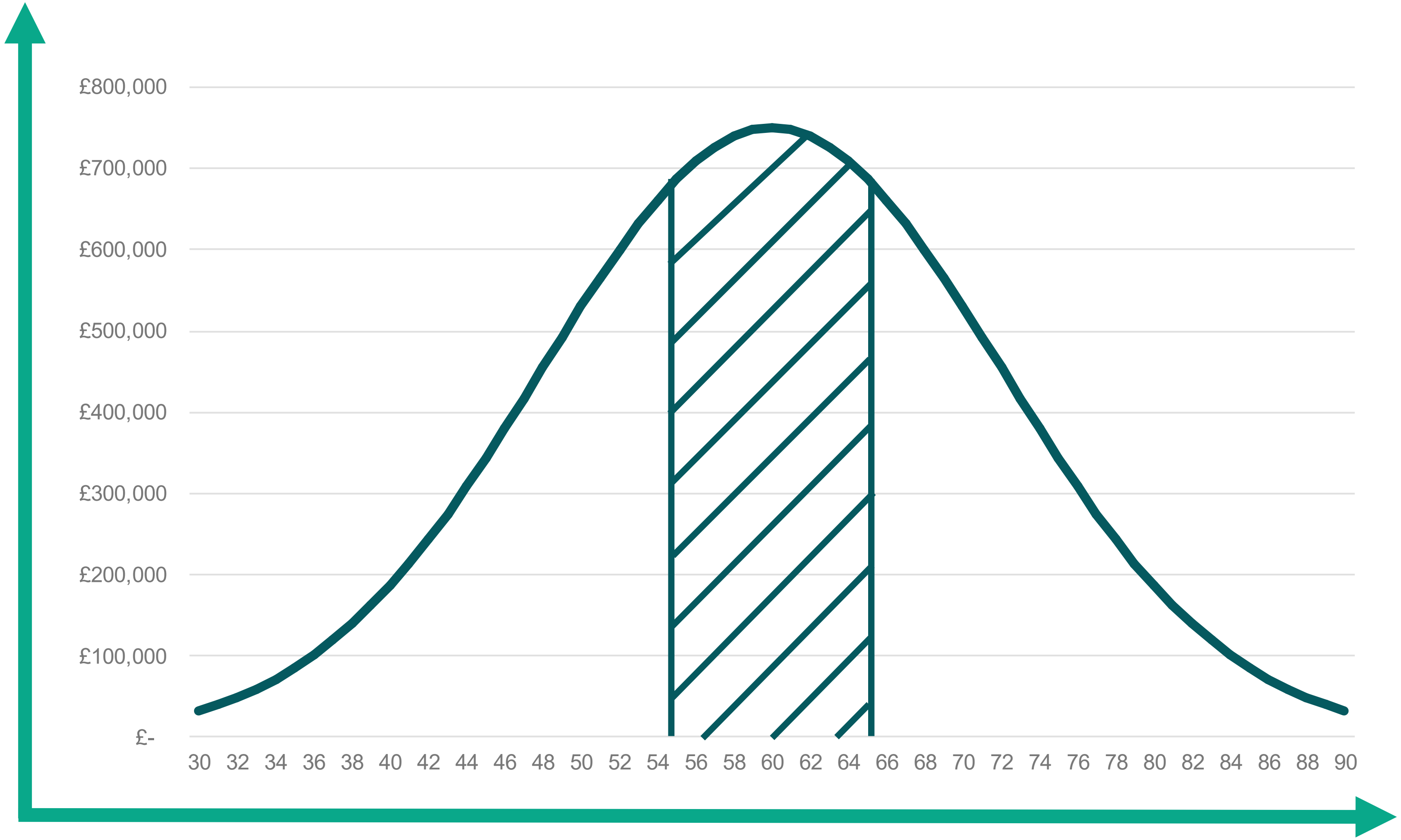
Two lenses on the same retirement income decision

$$\mathcal{F}(x,t) = \int_{-\infty}^{\infty} e^{ikx} \left(\sum_{n=1}^{\infty} \frac{(-1)^{n+1}}{n^{\alpha}} \sin(n\pi t) \right) dk + \sum_{m=0}^{\infty} \frac{\zeta(2m+1)}{(2m+1)!} \left(\frac{\partial^{2m+1}}{\partial x^{2m+1}} \right) \ln(1+x^2) - \int_0^{\infty} \frac{\cos(\omega t)}{\omega^{\beta}+a^2} \left(\int_0^{\omega} \frac{\rho^{\gamma}\, d\rho}{1+\rho^2} \right) d\omega$$

$$+ \frac{\Gamma(\lambda)}{2\pi i} \oint_C \frac{e^{zt} z^{\mu-1}}{(z-a)^{\nu}(z^2+b^2)^{\sigma}} dz - \sum_{k=1}^{\infty} \frac{H_k^{(8)}}{k!} \left(\frac{-\partial}{\partial t} \right)^k e^{-ct^2} \cosh(\kappa x) + \prod_{j=1}^{N} \frac{\Gamma(j+\eta)}{\Gamma(j)} \exp\left(-\delta \sum_{j=1}^{N} \frac{1}{j^p} \right)$$



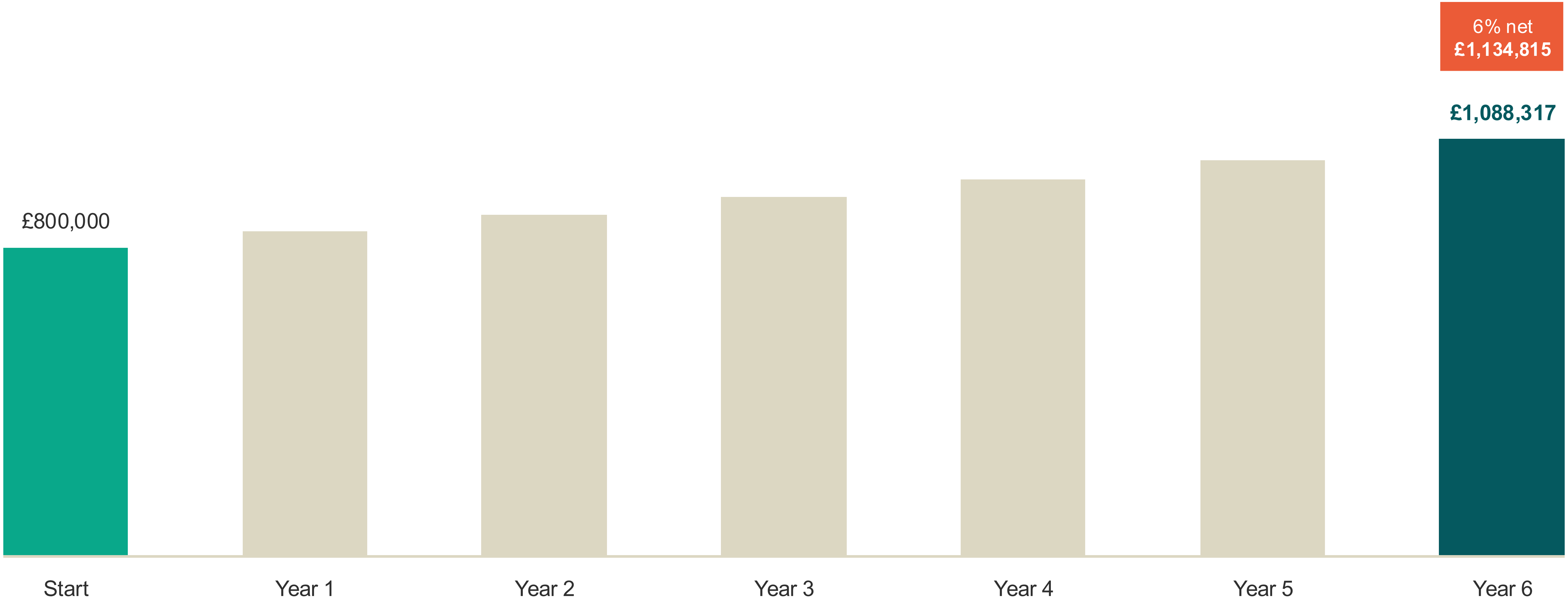
“We can cashflow model until the cows come home but emotions make decisions not maths”



The Fragile Decade

The retirement glide path

Is it best to know where you will be or where you might be?



~~**+£280,777.71**~~
~~Total growth over six years~~

~~**+35.1%**~~
~~Cumulative return on the £800,000 pot~~

~~**5.14% a year**~~
~~Equivalent compound annual growth rate~~

Source: M&G PGIP, 6yrs term max lump sum

Retirement

… the key risks

Annuity rate	Longevity	Mortality
Investment	Inflation	Day one

Incomes

.. but its not all about them, it's about trade offs

Annuity	Income	End fund
FTA - Combo 10yr	£23,609	£200,000
75 - Single Life 20 year guarantee	£23,583	
65 - Single Life with Value Protection	£22,719	
FTA - Combo 20yr	£20,894	£150,000
75 - Single Life 30 year guarantee	£20,510	
65 - Single Life 30 year guarantee	£20,426	
FTA - Max income 30yr	£20,299	
65 - Joint Life - 2nd life age 62	£19,974	
FTA - Combo 30yr	£18,866	£150,000
65 - Joint Life - 2nd life age 40	£18,210	
65 - 2.5%	£15,434	
65 - 3%	£14,439	
65 - 3.5%	£13,592	
65 - RPI	£13,199	
65 - 3.75%	£13,057	

£300,000 purchase price. Source M&G for FTA and Moneywise

Incomes

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Increasing incomes

- are expensive
- mitigate inflation risk
- increase mortality risk

BUT Value Protection is more valuable!

£300,000 purchase price. Source M&G for FTA and Moneywise

Incomes

.. but its not all about them, it's about trade offs

Annuity	Income	End fund
75 - Single Life 30 year guarantee	£20,510	
65 - Single Life 30 year guarantee	£20,426	
FTA - Max income 30yr	£20,299	

At some point pricing is on the expectation of supporting a guarantee as opposed to an income for the life of the annuitant(s)

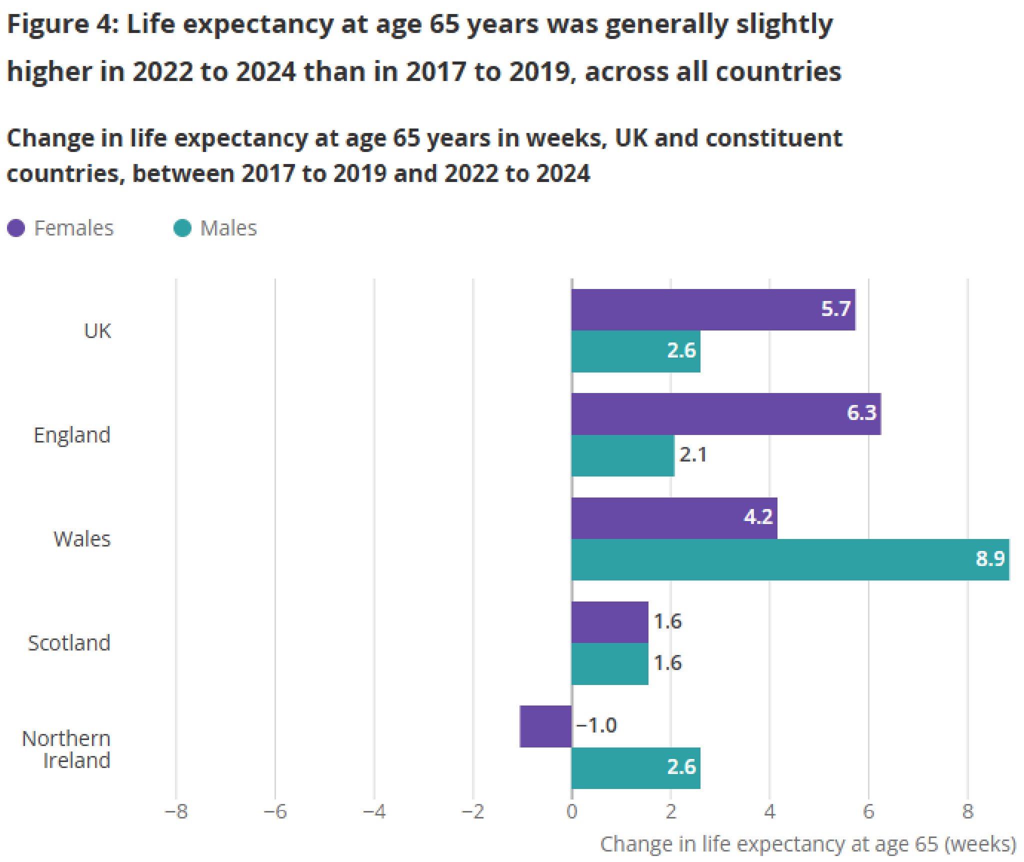
This warrants the consideration of long term fixed term annuities

£300,000 purchase price. Source M&G for FTA and Moneywise

How long will you need the income?

Office for National Statistics

Life expectancy at age 65 years was 21.2 years for females and 18.7 years for males in 2022 to 2024 in the UK.



Temporary guarantee

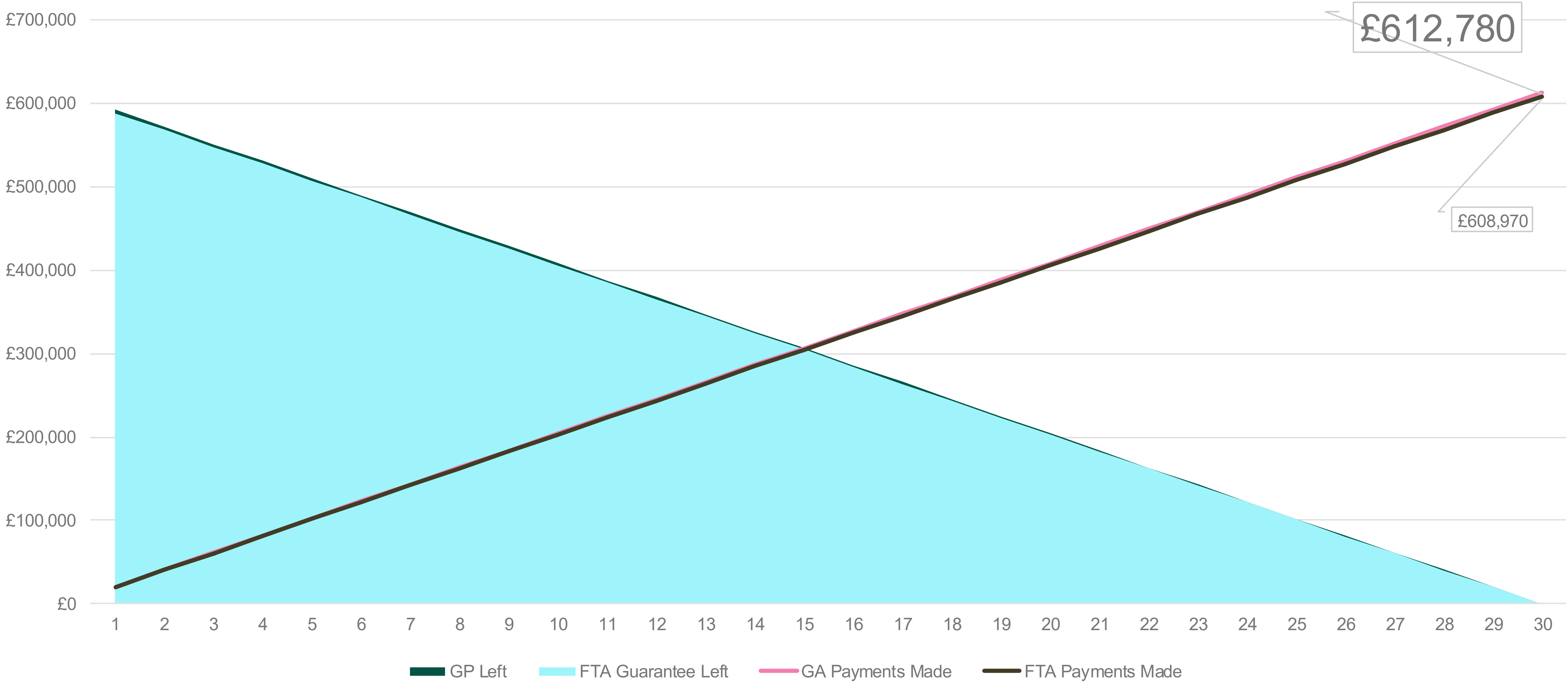
… or not?

	Average Life Expectancy		Live to 67		Live to 90		Live to 100	
	Male	Female	Male	Female	Male	Female	Male	Female
55	84 85	87	90.6%	94.0%	34.7%	47.9% 85	3.6%	7.5%
65	85 95	87	97.6%	98.4%	33.6%	46.3% 95	2.9%	6.3%
75	87 105	89	Made it!		36.1%	47.9% 105	2.6%	5.5%

If the term is long enough to extend beyond the client's reasonable life expectancy, isn't the income effectively lifetime for practical planning purposes?

How do the guarantees compare

Pretty similar



Bill and Ben

The retirement income men

- Bill and Ben are 65
- Both are widowers with non-dependent families
- They have £300,000 pension pots
- Both are concerned with dying early and not getting value for money
- They have both been in drawdown for several years after their DB transfers but are now looking for some of the certainty they gave up when transferring their DB scheme.

BILL	BEN
30 YEARS	30 YEARS
GUARANTEE ANNUITY	MAX INCOME FTA
£20,510	**£20,299**

Who is richer?


BILL
VALUE?
BEN

Keeping the key

Cost / Benefit

Lifetime certainty (probably)

Income protected from drawdown risks

Ability to change your mind and do something else

Flexibility on death

Lower income (material?/trade off)

Drawdown risks **if you want to** unlock the door

Unknown value **if** you unlock the door

Potentially unknown value on death

NO LONGEVITY INSURANCE

Inflation risk

65 year old – 3.75% indexing

	Lifetime Annuity 3.75% Indexation	Fixed Term Annuity Level Income	Invested	Income Balance	6% Add growth	LTA top up	Closing
1	£ 13,057.00	£ 20,299.00			£ 7,676.52	£ -	£ 7,676.52
2	£ 13,546.64	£ 20,299.00			£ 15,294.62	£ -	£ 15,294.62
3	£ 14,054.64	£ 20,299.00			£ 22,831.32	£ -	£ 22,831.32
4	£ 14,581.69	£ 20,299.00			£ 30,261.55	£ -	£ 30,261.55
5	£ 15,128.50	£ 20,299.00			£ 37,557.98	£ -	£ 37,557.98
6	£ 15,695.82	£ 20,299.00			£ 44,690.83	£ -	£ 44,690.83
7	£ 16,284.41	£ 20,299.00			£ 51,627.74	£ -	£ 51,627.74
8	£ 16,895.08	£ 20,299.00			£ 58,333.57	£ -	£ 58,333.57
9	£ 17,528.64	£ 20,299.00			£ 64,770.16	£ -	£ 64,770.16
10	£ 18,185.97	£ 20,299.00			£ 70,896.19	£ -	£ 70,896.19
11	£ 18,867.94	£ 20,299.00			£ 76,666.88	£ -	£ 76,666.88
12	£ 19,575.49	£ 20,299.00			£ 82,033.82	£ -	£ 82,033.82
13	£ 20,309.57	£ 20,299.00	£ 82,033.82	£ -			£ 86,945.28
14	£ 21,071.18	£ 20,299.00	£ 86,955.85	£ -			£ 91,401.03
15	£ 21,861.35	£ 20,299.00	£ 92,173.20	£ -			£ 96,141.25
16	£ 22,681.15	£ 20,299.00	£ 97,703.59	£ -			£ 101,183.66
17	£ 23,531.69	£ 20,299.00	£ 103,565.81	£ -			£ 106,547.07
18	£ 24,414.13	£ 20,299.00	£ 109,779.76	£ -			£ 112,251.42
19	£ 25,329.66	£ 20,299.00	£ 116,366.54	£ -			£ 118,317.88
20	£ 26,279.52	£ 20,299.00	£ 123,348.54	£ -			£ 124,768.93
21	£ 27,265.00	£ 20,299.00	£ 130,749.45	£ -			£ 131,628.41
22	£ 28,287.44	£ 20,299.00	£ 138,594.41	£ -			£ 138,921.64
23	£ 29,348.22	£ 20,299.00	£ 146,910.08	£ -			£ 146,675.47
24	£ 30,448.78	£ 20,299.00	£ 155,724.68	£ -			£ 154,918.39
25	£ 31,590.60	£ 20,299.00	£ 165,068.17	£ -			£ 163,680.65
26	£ 32,775.25	£ 20,299.00	£ 174,972.26	£ -			£ 172,994.34
27	£ 34,004.32	£ 20,299.00	£ 185,470.59	£ -			£ 182,893.50
28	£ 35,279.49	£ 20,299.00	£ 196,598.83	£ -			£ 193,414.27
29	£ 36,602.47	£ 20,299.00	£ 208,394.76	£ -			£ 204,594.97
30	£ 37,975.06	£ 20,299.00	£ 220,898.44	£ -			£ 216,476.29

Only spend FTA income to match LTA income
&
invest balance

Use investments to top up FTA to match LTA

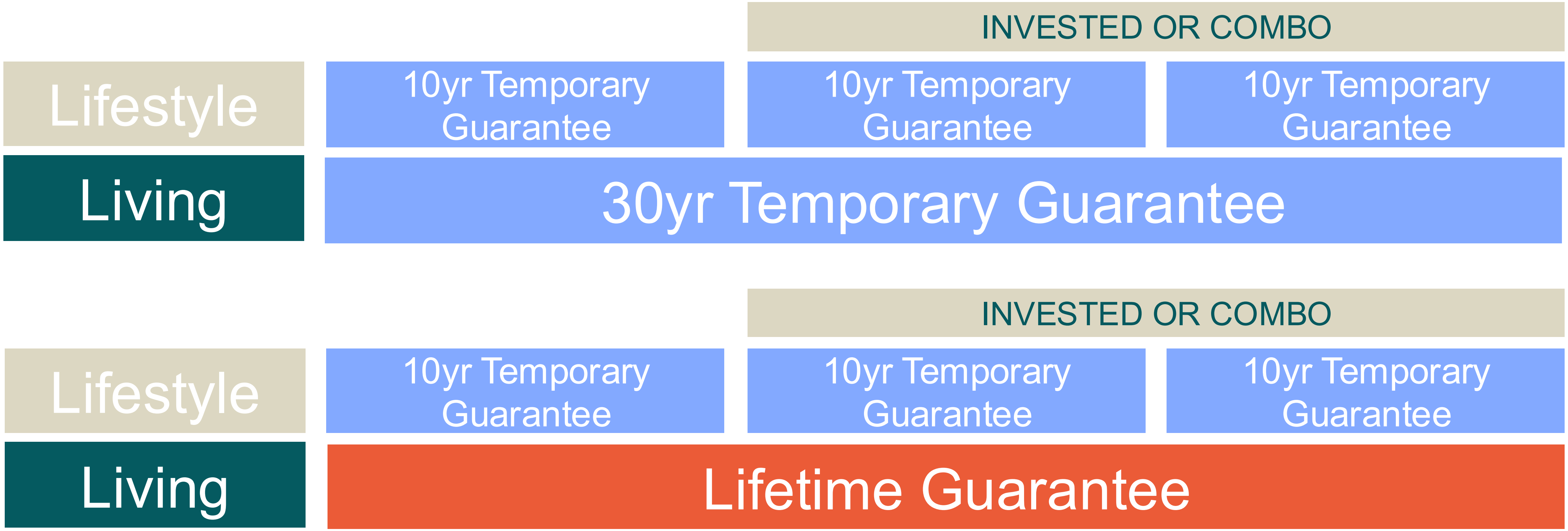
Mix and match

… give your clients money a job

Lifestyle	30yr Temporary Guarantee
Living	30yr Temporary Guarantee
Lifestyle	30yr Temporary Guarantee
Living	Lifetime Guarantee
Lifestyle	Lifetime Guarantee
Living	Lifetime Guarantee

Mix and match

… give your clients money a job



One tool rarely does the whole job

But some tools do many….

Long guarantees could be effectively lifetime guarantees for planning purposes?

If your retired life is in "sections", should the income be too?

Fill the post-retirement, pre-state-pension gap?

NEOOI? With a stop button?

Lock in what you'll have?

Supporting the beneficiary's beneficiary?

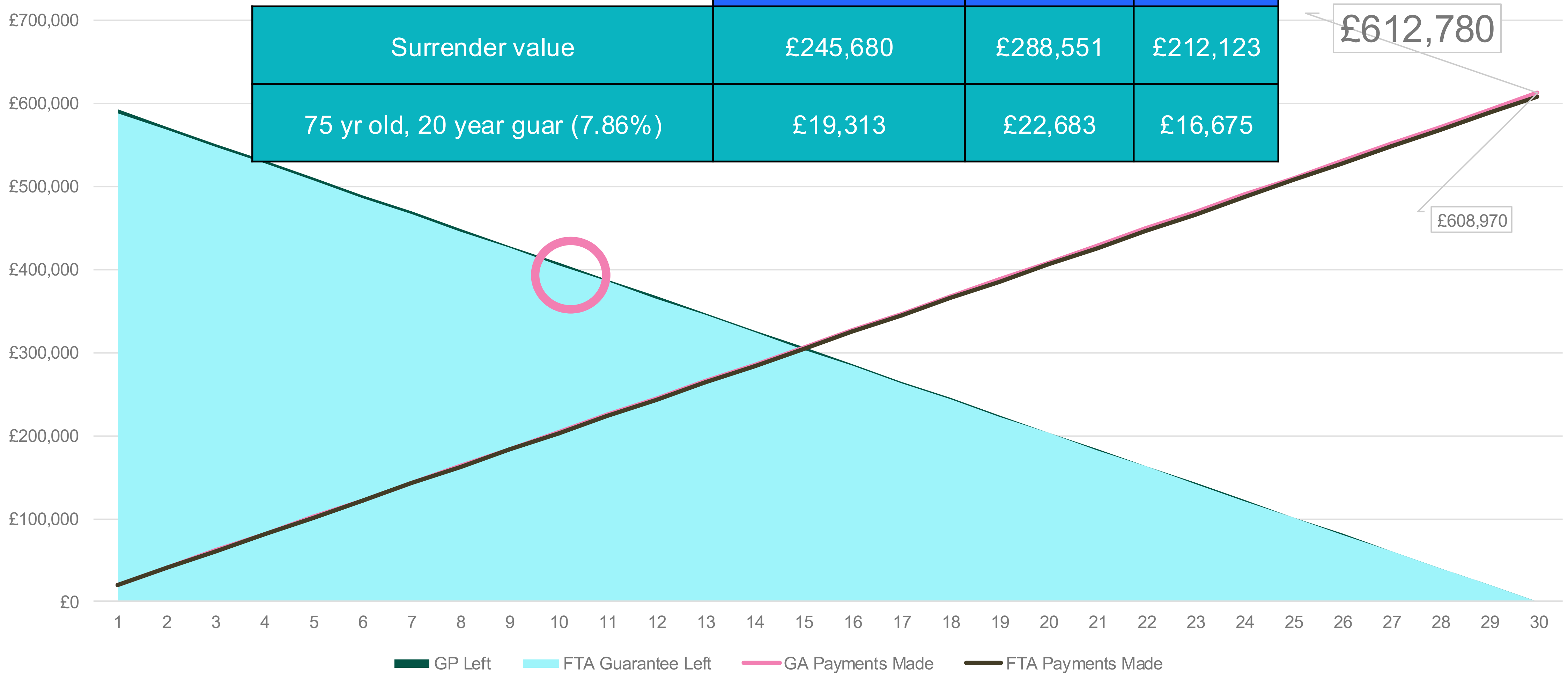
Blend, don't choose

The right answer usually combines several options.

How do the guarantees compare

Pretty similar

	No change to yields	-2%	2%
Surrender value	£245,680	£288,551	£212,123
75 yr old, 20 year guar (7.86%)	£19,313	£22,683	£16,675



Annuities

Death Benefits

FTA

Beneficiary Drawdown	Drawdown Lump Sum Death Benefit	Beneficiary Drawdown
JOINT LIFE	VALUE PROTECTION	GUARANTEE PERIOD
Direction	Discretion or direction	

LTA

Fundamentally...

This is what's happening …

s5 IHTA 1984

Estate dictated by death benefit **distribution arrangements**

A P R I L 2027

s150A IHTA 1984

Estate dictated by the **death benefit type**

Annuity Death Benefits

… one of the answers to the pensions and IHT issue?

Joint Life Spouse / Civil Partner

Joint Life NOT Spouse / Civil Partner

Value Protection Lump Sums

Guarantee Periods

Excluded benefits on death
BUT Transfer of Value on purchase

Notional Pension Property
Exemptions available

Transfers of value

Is an annuity purchase one?

…a transfer of value is a disposition made by a person (the transferor) as a result of which the value of his estate immediately after the disposition is less than it would be but for the disposition; and the amount by which it is less is the value transferred by the transfer.

S3(1) IHTA1984

~~NO DEATH BENEFITS~~

WITH DEATH BENEFITS

Value Protection

Is it a dead death benefit?

VALUE PROTECTION (100%) DEATH BENEFIT DISAPPEARS BETWEEN 79 AND 80

Annuity	Income	End fund	Age 80 values	
			Income Shortfall	Death Benefit Value
65 - Single Life with Value Protection	£22,719		NA	

£300,000 purchase price. Source M&G for FTA and Moneywise

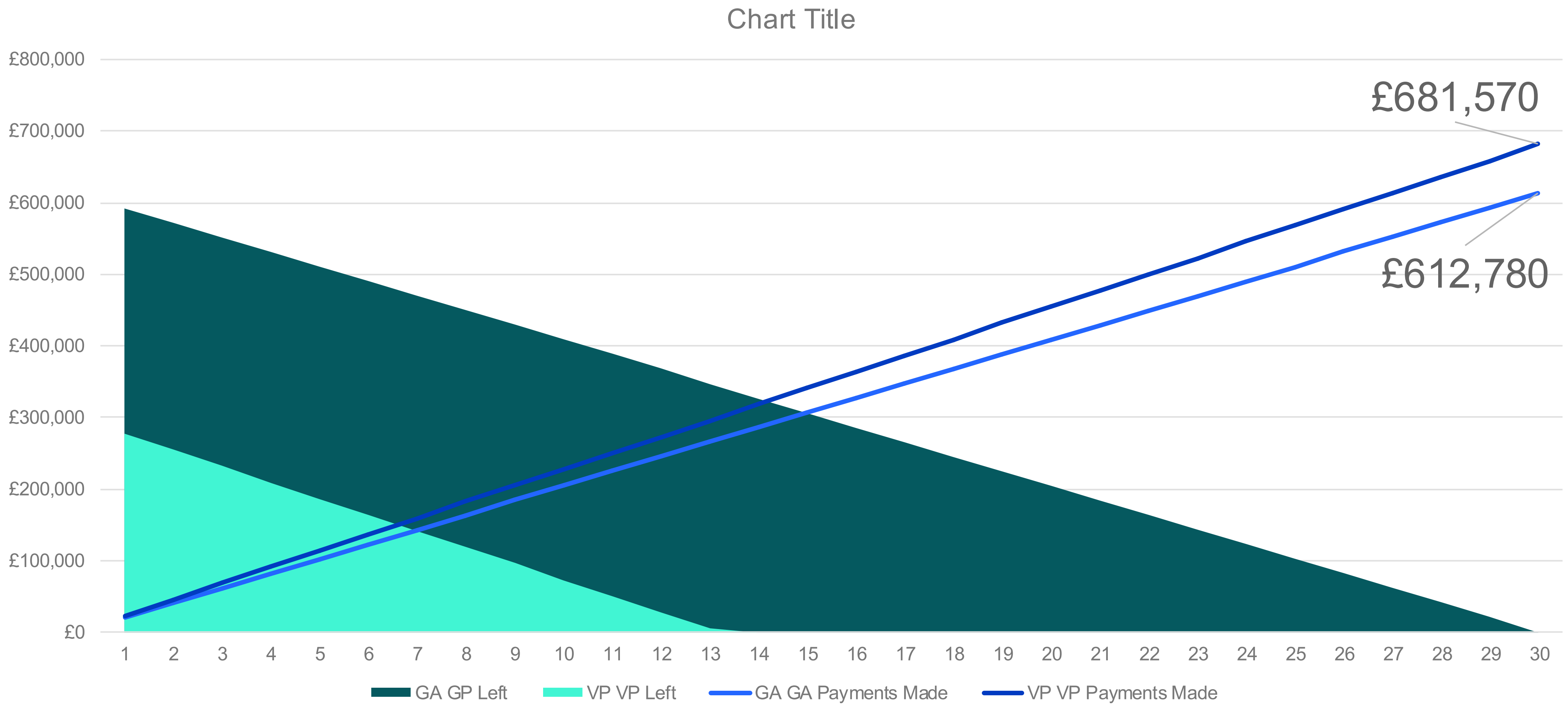


Chart Title
£800,000
£700,000
£600,000
£500,000
£400,000
£300,000
£200,000
£100,000
£0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
£681,570
£612,780
GA GP Left
VP VP Left
GA GA Payments Made
VP VP Payments Made

Beneficiary Annuities

Death Benefits

~~JOINT LIFE~~

~~VALUE PROTECTION~~

~~GUARANTEE PERIOD~~

What do we do about the beneficiaries beneficiary?

How do you protect

… the beneficiaries beneficiary?

James :

- father died at 88, leaving him a £500,000 pension pot.
- he is 58 with children of his own
- intends to use the money to support his impending retirement
- would like some certainty over his income.
- is concerned that a beneficiary annuity cannot have death benefits if he dies early.
- would like some provision for his children when he dies.

James' adviser explains his potential options using temporary guarantees to resolve his dilemma

If you die before your dad did they'll put the value of the guarantees you didn't get into your pension for the kids.

Values source: M&G PGIP Calculator, all options 30 year term

Annuity to fund WOL

Straightforward?

WOL Considerations

Can you get it?

Can you get enough cover?

Place in trust!

IHT treatment of premiums

Gifts!

Periodic Charges
(discretionary trust)

Liability or legacy

Straightforward?

But…

WOL Considerations

Nothing to use in lifetime

Annuity provider gets growth on capital

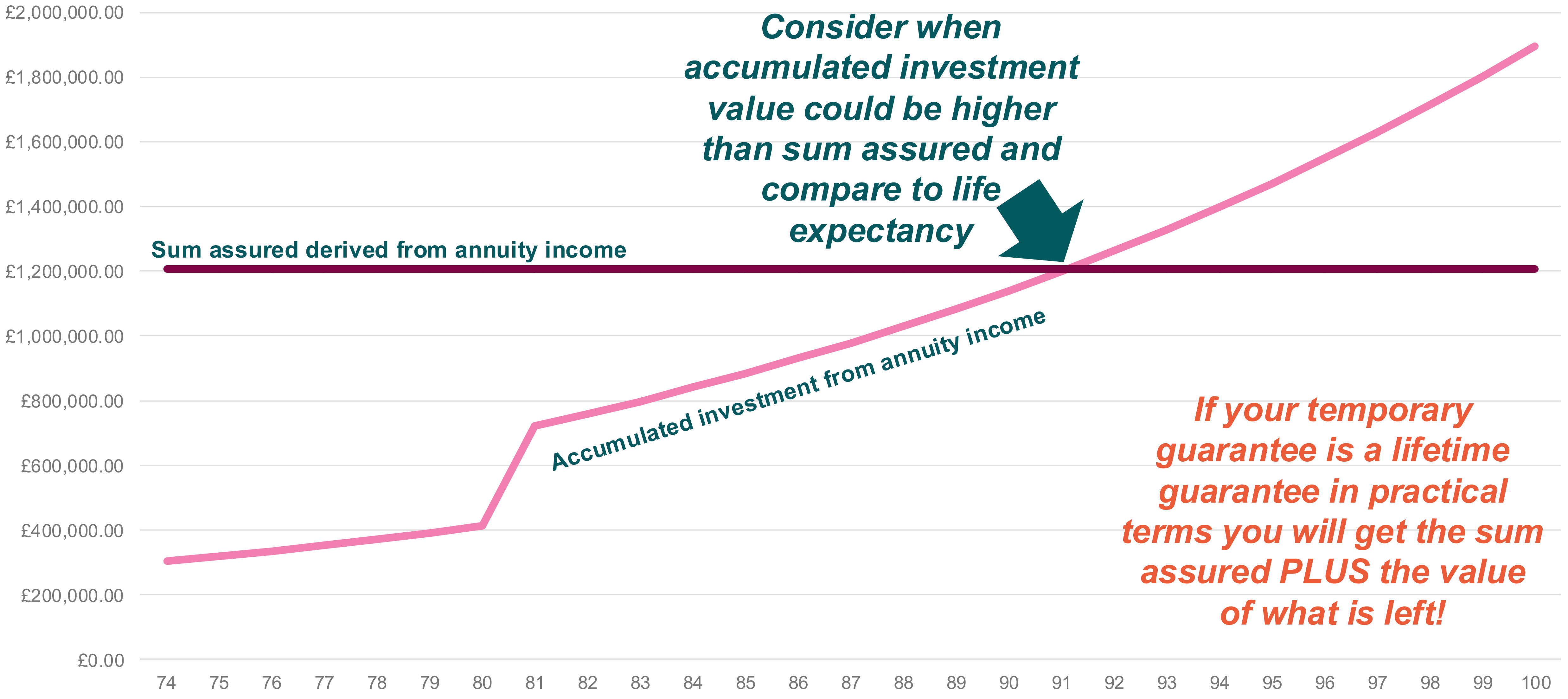
WOL provider receives growth on premiums

Lapse Risk?

Inflexible

Can attorney continue to fund it?

In principle



Retirement Planning

… getting the balance right

Lifetime Guarantee

Certainty
Inflexible

Comes with Risks

Temporary guarantee

Certainty for fixed period
Flexibility – income and death benefits
Growth potential?

Comes with Risks

No guarantee

Uncertainty
Flexibility – income and death benefits
Growth potential

Comes with Risks

There is no such thing as a risk free retirement

Learning objectives

By the end of this session, you will be able to:

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Any questions?

Thank you

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