



Retirees with an annuity enjoy greater life satisfaction and fewer affordability struggles

- Annuity-holders are more likely to report lower levels of stress (51%) and the highest level of financial confidence (24% versus 21%) compared to those without one
- A recommendation from a financial adviser is the top reason people opt for an annuity (31%)

Retirees with a guaranteed income report higher levels of satisfaction and face fewer affordability challenges, according to a new study from Legal & General and the Happiness Research Institute, an independent Danish think tank focusing on wellbeing, happiness and quality of life¹.

The research, which explored the lives and finances of 3,000 UK retirees, looked at the connection between financial security and wellbeing in retirement, and the link between annuities and happiness.

The study found that retirees with an annuity score more positively across multiple wellbeing measures than those that don't. They report greater satisfaction with their current lives, relationships, free time and social activities. They are also 51% more likely to report lower levels of stress than those without one.

The advantages for annuity holders go beyond just wellbeing considerations and include benefits around managing finances in retirement. Annuity-holders are more likely to report the highest level of financial confidence compared to those without one (24% versus 21%). Even when the data was controlled across income levels, those with an annuity were 27% more likely to find their finances predictable and easy to keep track of. When examining reported affordability challenges, they were also 40% more likely to consistently afford their credit card payments or loans compared to those without one.

Despite these benefits, many retirees continue to overlook annuities as a valuable financial tool. The latest FCA Retirement Income Market Data shows that, despite a recent increase in annuity sales, only 10% of pension pots accessed for the first time in 2023/24 were used to purchase an annuity².

Advice is a key driver in choosing a guaranteed income

When it comes to what drives people to choose an annuity, advice plays a crucial role. A recommendation from a financial adviser is the top reason people opt for an annuity (31%), underlining the importance of advice and guidance in the retirement planning process. The draw of receiving regular payments and the assurance of a stable income that lasts a lifetime are also key factors, with 23% saying these benefits are important. Additionally, 16% opted for an annuity to make budgeting easier, while 13% wanted greater control over their finances.

Retirees are also looking to use annuities as part of a blended retirement, understanding the importance of choosing retirement products that are right for each individual's circumstances.

Lorna Shah, Managing Director, Retail Retirement, L&G: "Too often, conversations around the value of an annuity are limited to rates. However, our findings reveal a clear 'happiness advantage' for those with annuities.

¹ Analyses were conducted by the Happiness Research Institute on a population-weighted sample of 3,000 UK retirees that responded to a cross-sectional online survey conducted by Opinium in April 2024. The happiest retirees were defined as those with a life satisfaction score greater than the sample median.

²FCA Retirement Income Market Data 2024

“The stability of a guaranteed income gives retirees peace of mind that their money won’t run out, even if they live past 100. It takes the guesswork out of budgeting and lets people focus on enjoying retirement, rather than spending time worrying about their finances. While the benefits of an annuity can often be overlooked when it comes to retirement planning, it’s important to note they don’t have to be the only solution as they can be part of a blended approach. Combining the guaranteed income of an annuity with other sources, such as income from investments or drawdown, can provide even more flexibility, ensuring that essential expenses are covered, while offering the freedom to grow other assets.”

-ENDS-

Notes to editors

About Legal & General plc

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with £1.2 trillion in total assets under management (as at FY23) of which c40% (circa £0.5 trillion) is international.

We have a highly synergistic business model, which continues to drive strong returns. We are a leading international player in Institutional Retirement, in Retail Savings and Protection, and in both public and private markets through our Asset Management division. Across the Group, we are committed to responsible investing and dedicated to serving the long-term savings and investment needs of customers and society.

As at 7 June 2024, we estimate the Group's Solvency II coverage ratio to be 224%.

As at 11 June 2024, Legal & General has a market capitalisation of £14.6 billion.

About our Retail Division

Legal & General Retail helps create brighter financial futures for all our customers. The division covers the savings, protection and retirement needs of our c.14 million retail policyholders and workplace members.

In 2023, we had total individual annuity sales of £1,431 million, and issued £299 million of Lifetime Mortgages and Retirement Interest Only Mortgages. Our Workplace pension platform served 5.2 million members, while our Protection businesses gave peace of mind to several million direct, group and US customers, taking in £1,991 million of UK and \$1,584 million of US gross written premiums.

Further information

Name: Claire Byrd

Role: Senior PR Manager

Division: L&G Retail

Tel: +44 (0) 7385 347 769

Email: Claire.Byrd@landg.com

Name: Lewis Wilks

Firm: Lansons

Tel: +44 (0) 7903 260 560

Email: lewisw@lansons.com