

# Annuities from Aviva

A guide for customers



# Why Aviva for annuities?

Aviva has been helping clients look to the future with confidence for over 300 years. Today, we continue that legacy by providing you with the products you need to take control of your financial future. Whatever retirement you want, we will be there to help you achieve it.

**Some key features of the Aviva Annuity are listed below.**

## Enhanced annuity option

We offer an enhanced annuity option and we've simplified the application process, making it even easier for you find out if you're eligible for a higher income in retirement.

## Value protection

Should you die within 90 days of your annuity being set up, your fund will be paid back to your estate.

## One-year guaranteed payment period as standard

If you die within a year of buying your annuity, we'll continue to make payments to your estate for the rest of the first year. This option comes as standard, and you can extend this up to ten years.

## Aviva strength and size

Aviva is one of the strongest financial services companies in the world. Our proactive, long-term approach to asset and capital management means that we're strong today, tomorrow and beyond.

## First class service

Our customers' needs are always at the forefront of our mind. Our expert team will provide the highest levels of service and support.

# What is an annuity?

An annuity is a pension product which provides a regular income for the rest of your life, no matter how long you live. For many people, an annuity is the most practical and suitable way to get a pension income during their retirement. The amount of income you receive will be based on a number of factors including your age, your life expectancy at retirement and value of your retirement fund.

Your health can also be an important factor in determining how much income you will receive. If you or your Designated Dependant have ever suffered from medical conditions such as cancer, a heart attack or either of you smoke, we may be able to offer you a higher pension income through our enhanced annuity. Your financial broker will be able to easily check if you can avail of this option.

## **An annuity can provide you with the following benefits:**

- An annuity pays you a guaranteed income for the rest of your life, no matter how long you live.
- You can choose to provide an income for your Designated Dependant when you die.
- You can choose to reduce the impact of inflation on your pension income.
- At Aviva, we guarantee your payments for a minimum of 1 year as standard, even if you were to die before this. You can opt to guarantee your payments for 2, 3, 4, 5 or 10 years.

When considering an annuity, you should also think about the following:

- An annuity is not your only option. You should talk to your financial broker about your retirement options.
- Once you purchase an annuity, you can't cash it in, alter your options or swap it for another product.
- You'll be provided with a guaranteed income for life, but your pension income will not be flexible.
- You can choose to increase your pension income by a set amount each year. This is optional, however you will not be reducing the impact inflation may have on your pension income should you not choose this.

**It is important that you talk to your financial broker about the choices you have and the important decisions you need to make. We recommend that you shop around for the best rate in the market.**





# How does the Aviva Annuity work?

## Buying your annuity

You can use your pension fund to buy an annuity. You can opt to use the full value of your pension fund or any amount left over after you have taken a tax-free cash lump sum. Pension funds from the types listed below can be used to buy an annuity:

- **A personal pension plan**
- **A company or executive pension plan**
- **A buy out bond**
- **Additional Voluntary Contributions (AVCs)**
- **A Personal Retirement Savings Account (PRSA)**
- **An Approved Retirement Fund (ARF) or Approved Minimum Retirement Fund (AMRF)**

## How much income will I receive?

As the level of pension income you may get depends on your personal circumstances, it can vary from one person to the next.

We will look at all sorts of things to work out your pension income, including:

- **The size of your pension fund**
- **The annuity rates at that time**
- **Your age**
- **Your health (if you're applying for an enhanced annuity)**
- **Whether you want to add your Designated Dependant**
- **Your Designated Dependant's age**
- **The health of your Designated Dependant (if you're applying for an enhanced annuity); and**
- **What product features you choose**

We'll use this information to calculate an annuity rate. This is the percentage of your retirement lump sum which you are purchasing your annuity with, that we will agree to pay to you for life in return for that lump sum.

Annuity rates tend to go up and down quite regularly. Once you have bought an annuity, you're locked into the rate you accept. You won't be able to change it later on.

If you or your Designated Dependant (or both) have (or have previously suffered) from medical conditions such as cancer, a heart attack or either of you smoke, we may be able to offer you a higher pension income through an enhanced annuity.

If you're applying for an enhanced annuity rate it's important the details you give us are accurate. We may contact your doctor to confirm that the information you have provided is correct. If the information provided by you is inaccurate, or we cannot verify it within 60 days from the date we request it, we may reduce your annuity payment and / or recover any payments we have already made. This may result in you getting a lower annuity amount than what you might have received from another annuity provider.

Talk to your financial broker to see if you can avail of an enhanced annuity.







# What options are available?

There are lots of extra features that you can add to your Aviva Annuity to tailor it to your personal circumstances. When assessing these, you need to think carefully about your immediate and long-term needs. You do not have to choose these extra features.

## A 'single life' annuity

If you're single, a 'single life' annuity, which provides a pension income only for you for the rest of your life, may be suitable.

## A 'joint life' annuity

If you have a Designated Dependant who relies on you financially, you may want to consider a 'joint life' annuity, as this will continue to pay them a pension income for the rest of their life if you die before them. You have a choice as to how much your Designated Dependant's pension income will be from 100% of your pension income down to as low as 20%. If you choose this option your pension income will be lower.

## Fixed pension income

These are the most basic types of annuities. They pay a higher starting pension income than other types of annuity, but your income will always stay the same, so the buying power of your pension income will reduce each year because of inflation. These are called 'level annuities'.

## Escalating annuity

Inflation is a fact of life and if your pension income remains flat, its buying power will reduce over time. For this reason, with the Aviva Annuity you can choose for your pension income to increase each year to lessen the effect of inflation.

The pension income you start on will be lower than a level annuity. This is because some of the money from your pension fund is held back initially to pay for

increases to your pension income each year. Typically, you have the choice of your pension income growing by up to 3% each year. These types of annuities are called 'escalating annuities'.

You should be aware that it can take quite a number of years before the pension income under an escalating annuity reaches the amount payable under a level annuity. You should speak to a Financial Broker to ensure the decision is right for you.

## Value protection

**Single Life Annuity:** If you die within 90 days of the earlier of your contract date or annuity start date, we will make a payment to your estate. This will be equivalent to the value of your purchase amount, minus any payments already made to you.

**Joint Life Annuity:** If you die within 90 days of the earlier of your contract date or annuity start date, and your Designated Dependant (who is named on your policy) dies before you, a lump sum equivalent to the value of your purchase amount, minus any payments already made will be paid to your estate. No further payments will be made under your policy.

The contract date is the date the policy comes into force and the annuity start date is the date your annuity payments accrue from.

## Guaranteed payment periods

These are guarantees made by us that if you die within a set period of time, the money you would have received for the rest of that period will be paid as an income to your Designated Dependant or personal

legal representative. We offer a minimum one-year guaranteed payment period as standard, but you will always have the option of selecting a different guaranteed payment period when applying for an Aviva Annuity. You can choose a guaranteed payment period of:

- **2 years**
- **3 years**
- **4 years**
- **5 years**
- **10 years**

For instance, if you buy an annuity with a five-year guarantee but die at the end of year one, your Designated Dependant or personal legal representative will still receive the pension income for the remaining four years. Of course, if you live beyond this five-year period, you will still receive a regular pension income for life.

## Overlap

Overlap is only relevant to 'joint life' annuities with a guaranteed payment period of 5 years. Upon your death, an annuity with overlap will commence paying the second pension income to your Designated Dependant and in addition, will continue to pay the main pension income to your Designated Dependant up to the expiry of the guaranteed payment period.

This is best illustrated by an example:

Peter has just retired, and he and his wife Alice take out a joint life annuity with a guaranteed payment period of 5 years. Peter's pension income is €12,000 a year reducing to €6,000 a year (i.e. the Designated Dependant's pension) on his death.

Unfortunately, Peter dies after only 3 years. Therefore, Alice starts to receive the reduced pension income of €6,000 a year and in addition receives the remaining 2 of the 5 guaranteed years of Peter's pension income. In effect Alice receives a total pension income of €18,000 a year in years 4 and 5, reducing to €6,000 a year thereafter.

For annuities without overlap, Alice's pension income only starts when the guaranteed payment period ends. So, in the example above, Alice continues to receive the remainder of Peter's pension income of €12,000 a year in years 4 and 5 and thereafter the reduced amount of €6,000 a year.

## How will these options affect my pension income?

The features you choose affect the level of pension income you receive. Generally, the more options you add, the more it will cost you, so the lower your pension income will be.

However, some options will hardly affect your pension income at all. It's worth speaking to a Financial Broker about this and to find out how much you could get depending on the options you select.

# Additional important information

An annuity can often take a couple of months to set up and start paying you a pension income, so make sure you leave yourself plenty of time. The information and documentation we will require are set out on our application form.

## How often can I receive my pension income?

You will be able to choose how often you receive your pension income. We can pay this to you monthly or yearly. The payment frequency you choose will also apply to any pension income that may be paid to your Designated Dependant or personal legal representative following your death.

Payment will be made on the 1st day of the month following receipt of all documentation required to set up your annuity. This applies for both monthly and yearly paid annuities. If we do not receive all of the relevant documentation within 15 working days of the end of the month, it is likely that your annuity will not be paid until the 1st day of the subsequent month – but your first payment will be in respect of that month and the previous month.

## How do you pay me my pension income?

Payment of the annuity must be to a bank, building society or Credit Union. Money will be credited to the nominated account by Electronic Funds Transfer (EFT).

**Please note:** The account details must be of a current account within the Republic of Ireland, which can accept Electronic Fund Transfers, or a European SEPA account which can accept Electronic Fund Transfers.

## What happens to my pension income when I die?

Single life annuity – if you do not have a guaranteed payment period on your annuity your pension income will stop when you die.

Annuities with guaranteed payment periods - if you die during a guaranteed payment period your pension income will continue to be paid to your Designated Dependant or personal legal representative at the same frequency it was paid to you. The next payment will normally occur on the 1st of the month after we receive all of the requirements to process the death claim. This payment will include any back payments that may be due since your death. However, no proportionate payments will be made in respect of the period from the date of your death to the 1st of the following month.

For yearly paid annuities the next payment will occur on the yearly payment date after we receive all of the requirements to process the death claim. However, no proportionate payments will be made in respect of the period from the date of death to the yearly payment date.

Joint life annuities - if a pension income is to be paid to your Designated Dependant or personal legal representative following your death, the first payment will occur on the 1st of the month after we receive all of the requirements to process the death claim. This payment will include any back payments that may be due since your death. However, no proportionate payments will be made in respect of the period from the date of your death to the 1st of the following month.

For yearly paid annuities the next payment will occur on the yearly payment date after we receive all of the requirements to process the death claim. However, no proportionate payments will be made in respect of the period from the date of your death to the yearly payment date.



## Can I cash in my annuity?

No. Under current Revenue rules it is not possible to stop an annuity and trade in any balance for cash. Neither is it possible to change any of the features of the annuity (for example the rate of escalation or switching the annuity from a single life to a joint life) once the annuity has been bought. Annuities are designed to provide you with certainty of income during retirement. Once the initial set of options are chosen they cannot be changed. So, it's important to choose your annuity carefully and get it right the first time. Talk to a Financial Broker before you buy your annuity.

## How is my pension income taxed?

The income from it will be taxed as earned income, according to the tax rules at the time you retire. The tax you pay will be based on your personal circumstances.

You will have to pay income tax at your highest rate and may also be subject to the Universal Social Charge (USC) depending on your income and age. Any tax deducted will be paid to the Revenue Commissioners on your behalf.

## Important

There is no need to contact Revenue to register tax credits with Aviva, we will do that for you when your payment starts. However, if you have any queries about how your tax credits are allocated, you will need to contact Revenue directly, on (01) 738 3636.



# A commitment to quality service

Any enquiries or complaints regarding your policy should be in the first instance directed to our Pension Claims Department. We will try to deal with any matter you raise in a satisfactory manner. In the event that you are dissatisfied on any matter, you may refer your complaint to:

## Financial Services and Pensions Ombudsman

Lincoln House, Lincoln Place, Dublin 2, D02 VH29.

**Tel:** (01) 567 7000

**Email:** [info@fspo.ie](mailto:info@fspo.ie)

**Website:** [www.fspo.ie](http://www.fspo.ie)

Full details of the remit of the Financial Services and Pensions Ombudsman can be obtained directly from their office.

## Get in touch



### In writing

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# Aviva

## Our Financial Strength

Aviva PLC (Aviva) is a leading international savings, retirement and insurance business. In 2019 it served 33.4 million customers worldwide & paid out £33.2 billion in benefits and claims<sup>1</sup>. The business provides a wide range of products and solutions to help customers and partners to make the most of life. Aviva have been taking care of people for more than 320 years, in line with its purpose of being 'with you today, for a better tomorrow'.

Aviva has been operating in the Irish market since 1780 (240 years) and serves over one

million customers through our life and general insurance businesses. Aviva acquired Friends First in 2018 and the integration of the two businesses has completed leading to a stronger life assurance provider, Aviva Life & Pensions Ireland DAC (ALPI). ALPI is Aviva's Irish based life subsidiary that is regulated locally by the Central Bank of Ireland. Our innovative life and pensions propositions enables us to continue to serve our customers over the long term, helping them save for their future, draw a secure income in retirement and protect what matters most to them.

1. Source: Aviva PLC Annual Report 2019.

2. Source: [www.aviva.com/newsroom/news-releases/2020/04/update-on-covid-19-and-2019-final-dividend/](https://www.aviva.com/newsroom/news-releases/2020/04/update-on-covid-19-and-2019-final-dividend/)



**33.4m**  
customers we  
served worldwide  
in 2019



**£33.2b**  
were paid in  
benefits  
and claims



**182%**  
estimated  
capital  
ratio



## It takes Aviva

Aviva Life & Pensions Ireland Designated Activity Company, a private company limited by shares.  
Registered in Ireland No. 165970. Registered office at Building 12, Cherrywood Business Park, Loughlinstown, Co. Dublin, D18 W2P5.  
Aviva Life & Pensions Ireland Designated Activity Company, trading as Aviva Life & Pensions Ireland and Friends First, is regulated by the  
Central Bank of Ireland.  
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