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News

# OAPs are getting the worst-ever returns from their pension

By **ROSHAN** - September 11, 2019

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OAPs are getting the worst-ever returns from their pension as annuities stoop after decade of low rates of interest

- **New pensioners are going through a far much less sure future than earlier generations**
- **Analysis reveals a steep drop within the variety of folks giving up work rearily**
- **Hundreds of savers who attain retirement age use their pot to purchase an**

## annuity

- **However the quantity they get depends upon returns accessible from authorities bonds**

By James Burton Chief Metropolis Correspondent For The Every day Mail

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Retirees are getting the worst-ever returns from their pensions as a result of havoc wreaked by a decade of ultra-low rates of interest.

A 65-year-old who has saved £50,000 for his or her outdated age now will get a file low of £2,237 a yr once they purchase an annuity.

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In September 2007, the identical £50,000 pot would have purchased a assured annual earnings of £three,627 for all times, in keeping with analysis group Moneyfacts.

Hundreds of savers who attain retirement age use their pot to purchase an annuity. The quantity they'll get depends upon the returns accessible from authorities bonds [File photo]

The 38 per cent fall in worth has been triggered by rock-bottom rates of interest because the monetary disaster.

It leaves new pensioners going through a far much less sure future than earlier generations and is believed to have been an element behind a steep drop within the quantity giving up work early.

Baroness Ros Altmann, a former Conservative pensions minister, mentioned: 'The longer the policy of low rates goes on, the worse the damage seems to get. There just seems to be no end to the pain for pension savers. They're having to work more durable and more durable simply to face nonetheless.'

A complete of 336,000 retirees used the freedoms to get £2.8billion of money within the three months to June, in keeping with HM Income & Customs, that means greater than £28billion has been withdrawn because the reforms began

Hundreds of savers who attain retirement age use their pot to purchase an annuity. The quantity they'll get depends upon the returns accessible from authorities bonds.

However these are intently linked to the Financial institution of England's base rate of interest which was slashed in the course of the monetary disaster of 2008/09 to guard the financial system and stays at zero.75 per cent, near its lowest ever and properly beneath inflation.

Annuity charges dropped to a earlier low in 2016 after the Brexit vote, earlier than bouncing again over the next months.

However they've fallen sharply once more to date this yr, slumping by 12.5 per cent since January.

Annuities stay a significant supply of earnings for 1000's. Nearly 34,000 had been offered within the six months to March 2018, the Monetary Conduct Authority says.

Nevertheless, reforms launched by former Chancellor George Osborne imply retirees now have alternate options.

As a substitute of an annuity, you may have a 'draw down', the place the pot stays invested and continues to rise in worth however cash might be withdrawn when wanted.

The entire pot might be withdrawn, though a few of will probably be taxed.

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Sir Steve Webb, a former Liberal Democrat pensions minister who now works for financial savings agency Royal London, mentioned: 'This is a reminder of why pension freedoms are so important. You don't need to lock into discount basement annuity charges any extra, which is saving 1000's of individuals from a reasonably depressing retirement.

'If you've labored exhausting all of your life and constructed up a pension pot, then being compelled to show that right into a low-income annuity may be very unfair.'

Richard Eagling, of Moneyfacts, mentioned: 'Given the prevailing political and economic uncertainty, there are obvious merits in a retirement product that can guarantee a regular income for life. The question is whether current rates are still a price worth paying.'