

Having a health problem could boost your income

In January last year, I covered the topic of the open market option (OMO) available from pension funds when it is time to start receiving an income for your retirement.

But it is not just an OMO that could boost your retirement income. Did you know that by having a health issue, you could also see your income boosted significantly?

What is an annuity?

An annuity is simply a lump sum payment made to an insurance company that provides you with an income for the rest of your life.

The annuity rate is the conversion factor used to turn your pension fund into an income, and the rate is determined mainly by index-linked gilts and life expectancy.

So the older you are at the time an annuity is set up, the higher the rate you should receive. Equally, annuity rates for women are lower than those for men as women's life expectancy is generally higher. The amount of income you receive also depends on what extras you use such as the payment frequency, whether or not the income increases to counteract inflation or if you want your spouse to receive an income on your death.

It is important to note that once an annuity starts, it is not possible to change the terms, so make sure you

WHAT ARE... ENHANCED ANNUITIES?

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are entirely happy with your choice. **Where does my health come into it?** As I have already stated, life expectancy plays a part in determining an annuity rate. So it is logical to think that if your life expectancy is not as good as could reasonably be expected for someone of your age, you could benefit from an enhanced annuity rate.

Although people with serious health issues and a life expectancy of less than five years could benefit the most, you do not have to hear a large lady clearing her throat to sing to be able to qualify for an enhanced annuity rate. If you have smoked or have what may seem a minor health problem, you could still find yourself eligible for an enhanced annuity.

What evidence will I need to provide? Unfortunately, insurance companies will not just accept your word. For a start, you will be required to complete a questionnaire giving information on your medical history.

Quite unbelievably, eight providers of enhanced annuities have a common form that you only have to fill in once. Your financial adviser can then send it to all eight companies at the same time for them to analyse whether or not you meet their criteria for a higher income.

Some may ask your doctor for a medical report and you may even be required to attend a medical examination.

So what sorts of increases in income are possible?

If your only health issue is being a smoker, the annuity rate may increase by up to 20pc. Those in the poorest of health can see increases of 100pc. These are not insignificant increases and the income you receive is for life – even if the medical experts get it wrong and you live for a lot longer than anticipated.

And finally . . .

This is not an encouragement for you to take up smoking, eat deep fried Mars Bars or never move from in front of your television. But it could be a way for your pension fund to work a bit harder for you when you need it most. As ever, though, make sure you take independent financial advice before taking any decisions.

■ **Robert Clarke is an independent financial adviser at Almary Green.**



UNHEALTHY: But smokers could be entitled to enhanced annuities.

CURRENT ACCOUNTS

Credit interest rates	Gross interest	Minimum funding	Details
Halifax Reward Current Account 0845 720 3040	£6.25pm	£1K pm	–
Alliance & Leicester Premier Direct Current 0500 959595	5.84%	£500 pm	Introductory variable rate for limited period
Santander Current (Credit Option) 0800 731 7774	5.84%	£1K pm	Introductory variable rate for limited period
Lloyds TSB Classic Plus 0800 015 5000	2.47%	£1K pm	–

All products subject to change without notice.

Overdraft rates	Overdraft rate	Minimum funding	Details
Alliance & Leicester Premier Direct Current 0500 959595	0.0% EAR	£500 pm	No overdraft fees for 12 months, thereafter charged at 50p per day, maximum £5 per month.
Norwich & Peterborough BS Gold Current 0845 300 2511	11.74% EAR	£1.5K pm	Transferred accounts charged at 0% for 6 months
cahoot Current Account www.cahoot.com	11.8% APR	Nil	–
Santander Current (Debit Option) 0800 731 7774	12.9% EAR	£1K pm	Transferred accounts charged at 0% for 12 months

CREDIT CARDS

Introductory purchases	Card type	Introductory purchase rate	Details
Tesco Bank Clubcard 0800 406050	MasterCard	0%	for 1st 12 months
Sainsbury's Finance 0800 032 1365	MasterCard	0%	for 1st 10 months
Marks & Spencer Money 0800 997996	MasterCard	0%	for 1st 10 months
SAGA Over 50's Platinum 0800 096 4082	Visa	0%	for 1st 9 months

Introductory balance transfers	Card type	Introductory balance transfer rate	Details
Virgin Money Credit Card 0800 096 9939	MasterCard	0%	for 16 months. 2.98% BT fee payable
Barclaycard Plat with 15 Mth BT 0844 811 9151	Visa	0%	for 15 months. 2.9% BT fee payable
Santander Credit Card 0800 022 3307	MasterCard/Visa	0%	for 15 months. 3.0% BT fee payable
Egg www.egg.com	Visa	0%	to 1.4.11. 3.0% BT fee payable

Cashback cards	Card type	Cashback rate	Details
American Express Platinum Cashback Card 0800 085 7799	American Express	5%	Introductory rate for 3 months Dependent on amount spent
Bank of Ireland (UK) Moneyback 0800 085 0444	MasterCard	0.50%	Up to £15K spend per year
Capital One Bank World 0800 952 5358	MasterCard	1%	£18 per year fee. Additional £10 cash back paid annually
Egg Money World www.egg.com	MasterCard	1%	£1 per month fee. Up to £20K spend per year.

All products subject to change without notice. Alternative terms/cards may be offered according to credit status.

The rise in inflation spells yet more bad news for the UK's long suffering savings customers, who are already experiencing small returns as a result of the base rate remaining at 0.5pc.

According to recent research by Moneyfacts.co.uk, the average no-notice savings account fell over the past month by 0.02 percentage points to 0.73pc, and there are

currently no fixed-rate bonds offering more than 5.83pc. To break even, a saver who is a basic rate taxpayer currently needs to find an account that pays a rate of at least 4.38pc, while a higher rate tax payer will need to secure an account that pays at least 5.83pc.

■ **Check out the best savings deals at Moneyfacts.co.uk**

MORTGAGES

Fixed rates	Rate	Period	Max LTV	Fee	Details
first direct 0845 610 0100	3.29%	for 2 years	75%	£998	Flexible & offset option. Remtgs free legal fees
Nationwide BS 08000 304058	5.98%	for 2 years	90%	£495	House purchase. Flexible. Free legal fees.
Yorkshire BS 0845 120 0874	4.14%	to 31.3.13	75%	£495	Flexible option. Remtgs free valn & free legal fees
Yorkshire BS 0845 120 0874	4.79%	to 31.3.15	75%	£495	Flexible. Remtgs free valn & free legal fees
The Co-operative Bank 0800 633 5286	5.49%	to 30.6.20	75%	-	Flexible. Remtgs free valn & free legal fees

Tracker rates	Rate	Period	Max LTV	Fee	Details
Yorkshire BS 0845 120 0874	2.64%	to 31.3.12	75%	£495	Flexible option. Remtgs free valn & free legal fees
NatWest Mtg Services 0800 587 6599	2.99%	to 29.2.12	80%	£999	House purchase only
Leek United BS 01538 380047	2.69%	for 3 years	75%	£950	Free valn. £250 rebate
first direct 0845 610 0100	2.89%	for term	65%	-	Flexible & offset. Free valn. Remtgs free legal fees
HSBC 0800 494999	5.19%	for term	90%	£999	House purchase only

All products subject to change without notice. LTV=Loan to value.