IndustryVoice

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Rising demand: Technology & innovation in Annuities

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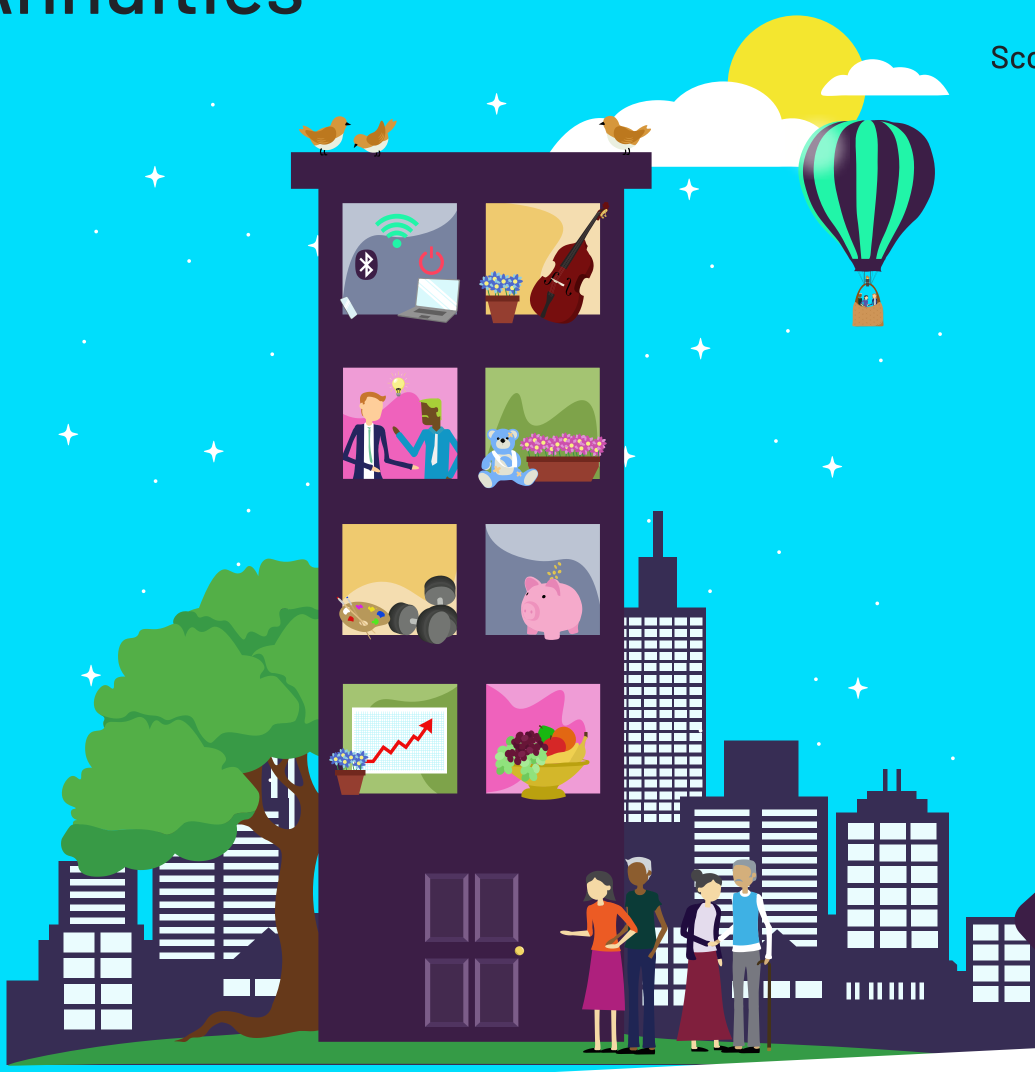

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Welcome

Welcome to another edition of the Industry Voice! This Summer Retirement edition focuses on the annuities market and how we can capitalise on the growing interest in guaranteed income solutions.

With the resurgence in demand, it's an ideal time to explore how technology, data, and modernised processes can unlock growth and deliver better experiences for both clients and advisers.

We have some fantastic articles that explore fresh perspectives, practical solutions, and forward-thinking strategies. From driving growth through seamless advice journeys, exploring new uses for the guaranteed income products, to using AI, automation and data to personalise and scale, and solving the health data challenges with underwritten annuities, we hope you enjoy another insightful and thought-provoking edition.

We are always keen to hear your thoughts about this issue and the topics raised.

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Taking stock: The UK Annuity market today and tomorrow

Robert Bowes
Product Lead - Retirement
Iress

We are delighted to see the resurgence of the UK annuity market. After years in the shadow of income drawdown following the 2015 'Pension Freedoms', annuities are firmly back in the conversation. A landscape of higher interest rates and sustained market volatility has reminded retirees of a timeless truth: the value of a guaranteed income is immense.

This article takes stock of the UK market as it stands in mid-2025. We will celebrate its unique strengths, such as its impressive underwriting and recent digital leaps, before looking ahead at what comes next. The future is not about simply choosing an annuity, but about how annuities can be integrated into smarter, more personalised retirement plans, guided by professional advice.

Part 1: Where we are - a strong and sophisticated market

The modern UK annuity market is a world away from the monolithic product of the past, where it was common for retirees to roll onto default, low-value options without their health being considered to enhance their rate. Today, it has evolved into a highly competitive and responsive ecosystem, marked by several key triumphs.

The Unparalleled Security of a Guaranteed Income

The core appeal remains unchanged and is more relevant than ever. An annuity provides a direct and complete solution to longevity risk – the danger of outliving your savings. This removes the stress of managing investments in later life and protects retirees from sequencing risk and market downturns.

A Triumph of Collaboration: The Common Underwriting Form

A standout achievement of the industry is the common underwriting questionnaire for enhanced annuities. Agreeing on this standard was a triumph of collaboration, creating a system that allows for incredibly granular and competitive pricing based on detailed medical underwriting. However, the form itself is ripe for a digital update to ease completion for advisers and clients.

A Rich and Flexible Product Set

The market now offers a diverse toolkit for advisers and their clients:

- Lifetime Annuities: These remain the bedrock, with a high degree of personalisation available through options like joint-life policies, value protection, and inflation-linking.
- Fixed-Term Annuities: These products provide a guaranteed income and an optional guaranteed maturity value for a set period. Their use cases are impressive, from bridging an income gap to a specific age, to enabling tax-efficient withdrawals, or even providing a long-term alternative to a lifetime annuity.
- Innovative Plan Structures: It is possible to wrap an annuity within a SIPP's Trustee Investment Plan. This allows the annuity income to be paid into the plan without being immediately taxed, providing significant flexibility for tax planning until the policyholder decides to draw the funds.

Streamlining the Journey: The 2025 Online Apply Revolution

A major triumph realised this year has been the widespread rollout of a true online application process. The new systems allow client data from an adviser's sourcing software to be transferred seamlessly and directly into a provider's application portal. This move away from paper forms and re-keying data has been revolutionary, dramatically reducing errors, speeding up execution, and freeing up crucial adviser time to focus on strategic advice rather than administration.

> The future lies in a dual approach: it is partly about developing innovative new solutions, and partly about more intelligently using and combining the tools we already have, guided by technology

Part 2: Where to from here – building on powerful foundations

The future lies in a dual approach: it is partly about developing innovative new solutions, and partly about more intelligently using and combining the tools we already have, guided by technology and professional advice

The Hybrid Solution: The Adviser's Central Role

Partial annuitisation is an incredibly powerful strategy. Rather than a single decision, an adviser might construct a plan using a series of annuity purchases over time, or a single annuity to cover essential needs while a separate drawdown fund is managed for growth and flexibility. While we may see more dedicated products to facilitate this, well-planned advice can already execute these sophisticated strategies using existing, separate products.

Product Innovation: Deferred and Investment-Linked Annuities

The UK market could draw inspiration from abroad to solve specific challenges. The introduction of a formal "deferred annuity" or "longevity insurance" product, which starts paying out at a later age (e.g. 85), would be a welcome addition for managing late-life risk.

We might also see the return of more investment-linked annuities, which have been largely absent from the UK for several years. With at least one product now on the market offering some investment-linked upside, this could signal a renewed appetite for products that offer a guaranteed floor with the potential for income to grow.

Leveraging Technology for Long-Term Planning

Building on the digital progress made with online applications, the industry must focus on improving the entire user journey. The goal should be greater re-use of data, allowing advisers to manage retirement strategies dynamically over many years. For instance, a client's health data could be securely stored and updated over time, allowing their retirement plan to be reshaped as their circumstances change, potentially unlocking a higher income in the future.

Conclusion

The UK annuity market is in a strong position. It is robust, competitive, and with the digital advancements of 2025, it is more efficient than ever.

The path forward is clear: embrace the adviser-led hybrid model, explore the potential of deferred and investment-linked products, and continue to build on recent technological successes. By doing so, we can ensure the annuity continues to go from strength to strength, serving as a cornerstone of a secure and flexible retirement and providing retirees with invaluable peace of mind.

Navigating the regulatory tide: How advisers can build resilient Retirement income strategies

Edward Green
Investment Specialist
M&G

As the regulatory landscape continues to evolve, financial advisers are under increasing pressure to demonstrate that their retirement income advice delivers good outcomes for clients. The FCA's Consumer Duty and the Retirement Income Advice Assessment Tool (RIAAT) have sharpened the focus on suitability, sustainability, and personalisation in decumulation advice. But with the right tools and support, advisers can turn these challenges into opportunities to deepen client relationships and deliver lasting value.

Understanding the Regulatory Framework

The FCA's Consumer Duty requires advisers to "act to deliver good outcomes for retail clients," with a particular emphasis on understanding and evidencing client needs. This is where the RIAAT comes in. Developed during the FCA's thematic review of retirement income advice, the RIAAT provides a structured methodology for assessing the suitability of advice and disclosures. It encourages advisers to segment income needs into three categories:

- Essential income: Covering basic living costs.
- Lifestyle income: Supporting a desired standard of living.
- Discretionary income: Funding aspirational or non-essential spending.

This segmentation is not just a compliance exercise—it's a framework for truly knowing your client. Advisers must demonstrate how they've assessed income sustainability, capacity for loss, and the client's changing circumstances over time.

The Role of Providers in Supporting Advisers

Recognising the complexity of today's financial environment, providers have a crucial role in delivering strengthened retirement propositions that cater to the diverse needs of clients. In this dynamic landscape, it's essential for providers to develop innovative solutions that offer a degree of certainty amid market fluctuations, ensuring that clients' essential and lifestyle income needs are met with robust and reliable planning.

And by constructing hybrid income strategies that balance the need for immediate security with long-term growth potential, advisers are better equipped to address the evolving goals of their clients.

Ultimately, these strengthened retirement propositions empower advisers to focus on truly understanding their clients' needs, leading to more personalised and and effective retirement planning.

Making Advice More Personal and Predictable

Adviser support doesn't stop at product innovation. The Industry must continue to invest in adviser experience programmes, modelling tools, and educational content to help advisers with the most complex planning needs.

I've had some advisers say that the start point with retirement advice should be: what income does the client want and why? From there, it's about building a strategy that reflects the client's capacity for loss, income sustainability, and long-term aspirations.

Conclusion: From Compliance to Confidence

The regulatory bar has been raised—but so too has the opportunity for advisers to demonstrate their value. By embracing tools like RIAAT and partnering with providers, advisers can not only meet their Consumer Duty obligations but also deliver retirement income strategies that are robust, responsive, and truly client-centric.

In doing so, we help clients retire not just with security, but with confidence.

[Find out more about Prudential Guaranteed Income Plan](#)

Meeting the demand for income certainty in a digital world

Pete Cowell
Head of Annuities, Individual Retirement,
Standard Life

After pension freedoms in 2015, falling annuity rates and greater market choice helped to fuel a shift towards income drawdown as the standard for accessing retirement income.

For nearly a decade, drawdown appealed to clients as a more flexible, potentially higher-growth route for managing retirement income. The move away from annuities made sense in a low-rate environment, but the retirement landscape has evolved again.

In 2024, pension annuity sales reached £7 billion according to the ABI – a 34% increase on the previous year. And nearly 90,000 annuity contracts were written, marking a ten-year high and signalling a realignment in retirement income strategy.[1]

How do I make my money last?

This renewed appetite for a guaranteed income is largely driven by consumer concerns around market volatility, inflation and long-term affordability in retirement. Our latest Retirement Voice research reveals that 9 in 10 clients now want both a guaranteed income and flexibility in retirement[2] – a clear sign that income certainty is back in favour among consumers. And the cost-of-living crisis continues to bite, with 38% of clients reporting an impact on their mental health[2], and 2 in 5 saying they're worried about running out of money in later life.[2] It could be argued that these fears are moving more people to seek retirement income solutions that will help to remove financial uncertainty.

And strong annuity rates currently offer a compelling alternative to drawdown. Our latest annuity rate tracker shows that average rates reached 7.72% in May 2025[3] – the highest in the past decade. So, a healthy 65-year-old with a £100k pension pot could secure a guaranteed income of £7,720 a year. Income predictability is becoming increasingly attractive as clients look to reduce stress around the cost of living, and ensure a sustainable income throughout their retirement.

The digital shift from convenience to expectation

Of course, it's not just the financial landscape that's evolved in the last ten years - consumer behaviours and expectations have also changed. In 2015, online financial processes may have been viewed by clients as a nice-to-have. Today, they're a basic expectation. Consumers want services that are fast, seamless and digital by default.

It's telling, then, that over 20% of our annuity applications through Iress in June came from online applications. And given the surge in demand for guaranteed income products, that number is likely to grow. For many clients, especially younger generations, paper forms now seem outdated. In a world where one-click purchases and instant confirmations are standard, a paper-based application process can feel like a step back. AKG's Ten Years of Freedoms report highlights the shift to digitisation - with outdated admin practises, legacy systems and lengthy turnaround times increasingly seen as unacceptable in a future-facing advice market.[4]

The benefits of digitisation

As people increasingly manage their lives digitally, our industry must follow suit. According to AKG, 48% of advisers cite better use of technology as the area where they most want to see progress in pensions and retirement planning.[4]

Clients expect easy access to products that can support their long-term financial wellbeing, and advisers need streamlined processes that help them to deliver that. A fully digital application journey not only meets these expectations, but brings tangible benefits: fewer keying errors, reduced admin time, and faster processing. For annuities in particular, speed matters. Online applications can reduce the overall cycle time for an annuity purchase, saving around 5 -7 working days compared with paper-based applications. This ensures clients can complete well within the quote guarantee period and lock in the income they're expecting.

Looking ahead

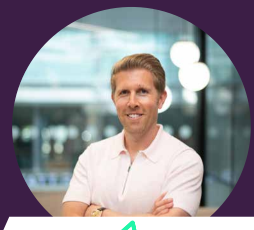
It's clear that digitisation will be key to keeping pace with client demand for guaranteed income solutions, and in helping advisers manage their increased workloads efficiently. So, we've already taken steps to deliver a better digital experience.

We're the first provider in the market to offer a fully integrated, signatureless, online annuity application journey that works seamlessly with portals like Iress. But we know that expectations will keep rising. That's why we're also investigating how we can better integrate with intermediary back offices, and investing in further improvements to streamline our application experience and reduce manual processing.

After all, from pension freedoms in 2015 to the resurgence of annuities in 2025, the pensions market continues to evolve significantly, and so too must the tools we use to support it.

Explore our range of retirement income solutions, and find out how we can support your clients at standardlife.co.uk/adviser

Sources: 1. ABI, 2025. 2. Retirement Voice: Adviser Edition, 2025. 3. Standardlife.co.uk 4. Ten Years of Freedoms, AKG, accessed 2025.



We have seen a surge in demand for our annuity proposition, perhaps linked to Consumer Duty. We have invested heavily in our service in recent months and with the addition of online applications (initially supported by Standard Life) we are creating efficiencies for our customers moving forward.

Warren O'Connell, Head of Business Development - Sourcing, Iress

Innovative Annuities for Today's Retirees

Retirement is evolving, and so are the solutions. With changing needs and rising expectations, modern annuities are offering more tailored, flexible options.

- **Enhanced annuities** consider health conditions like diabetes or heart disease, offering higher income to help manage healthcare costs.
- **Investment-linked annuities** combine market growth potential with guaranteed income, giving retirees more control and opportunity.
- **Flexible annuities** allow contributions over time, ideal for those without a large lump sum but still seeking long-term security.

These innovations reflect a shift from one-size-fits-all to personalised retirement planning. By staying informed, you can better support clients in building financial confidence and peace of mind for the years ahead.

Kay Westgarth, Head of Retirement Distribution, Aviva

"Like many, I'm used to a time when annuities were often overlooked in favour of drawdown due to a perceived lack of "flexibility." However, thanks to changes in market conditions and increased innovation from both product providers and advisers, we're now seeing much more creative retirement planning strategies emerge. Fixed Term Annuities are often at the core of this, bringing certainty alongside the advantages of drawdown and helping advisers blend retirement plans to cover all bases.

When we combine this with the positive uptake in online applications we've not been in such a positive place for some time.

I think it's really important that we build on this current momentum to help as many people achieve their goals in retirement as possible."

Michael McQuillan, Senior Business Development Manager, Iress

The hidden benefits of Annuities in financial planning

Cecilia Furner
Distribution Director, Retail Annuities
L&G

Retirees with annuities are more likely to report higher financial confidence and lower stress levels. But many overlook them as a retirement income option – according to the FCA, only 10% of pension pots first accessed in 2021/22 were used to buy an annuity.

So how do you bridge that gap?

A recommendation from their financial adviser is the top reason people choose an annuity. According to the ABI, 36% of annuity buyers in 2024 sought financial advice beforehand, up from 29% in 2023.

The measurable happiness that annuities bring

Our "Happiness in Retirement" study, conducted with the Happiness Research Institute, found that retirees with an annuity score more positively than those without across multiple wellbeing measures.

We explored the lives and finances of 3,000 UK retirees to investigate the connection between financial security and wellbeing in retirement, and the link between annuities and happiness. Clients with a guaranteed income are:

- More satisfied with life, relationships, free time and social activities
- 51% more likely to report lower levels of stress

Annuity holders also benefit from stronger financial management. Compared to non-annuity holders, they are:

- More likely to report the highest level of financial confidence (24% versus 21%)
- 27% more likely to find their finances predictable and easy to manage

Strengthen client relationships

Only one in ten pension pots first accessed in 2021/22 were used to buy an annuity (FCA), so many clients may not have considered them.

Helping clients understand annuities shows your commitment to both their financial and personal wellbeing – and can strengthen your relationship.

Layering client portfolios

Annuities offer guaranteed income and wellbeing benefits, but they're unlikely to be the only solution your clients need to support their retirement. We are seeing more advisers incorporating annuities alongside drawdown or other investment income as part of a blended approach to retirement planning.

This layered approach appeals to a wide range of clients by offering both flexibility and security, ensuring essential expenses are covered while enabling the growth of other assets.

What clients need to know about annuities

According to Mintel, 51% of DC pension savers aged 35+ don't understand the difference between annuities and drawdown, - rising to 60% among 45- to 54-year-olds.

Explaining these differences could be a good starting point. There's a clear need for financial advice to help clients navigate complex decisions. If they choose an annuity, they'll need to consider:

- **How much income the annuity will provide, for how long**

- An annuity can pay out for life or for a fixed term. A series of fixed term annuities can be useful in a blended retirement plan. Clients can hold multiple annuities.

- **How often they'll be paid and whether they're paid in advance or in arrears**
- **Death benefit options, which can include:**

- An income for their spouse, civil partner or other financially dependent partner after they die

- A guaranteed minimum payment period, so their annuity keeps paying out if they die during that period

- Value protection, your client can protect all or part of the amount they used to buy their annuity

- **The importance of underwriting**

- Although it can be difficult to discuss health issues with clients, it's important to encourage openness about medical conditions. Enhanced annuities offer higher regular payments because of medical history, lifestyle choices and current health status.

Typically, a fixed term annuity:

- **Pays income for 3 - 40 years**
- **Offers a guaranteed maturity amount at the end of its term**
- **Can be a single or joint life annuity**
- **Can offer additional flexibility depending on the options chosen**

- Clients can cash in or transfer their plans if they've chosen death benefits that allow that

Helping clients prepare for the cost of care

Preparing for future care fees is a crucial part of any later life financial plan. Immediate needs annuities offer a practical way to meet costs if they arise – something that can't be separated from broader retirement planning.

Enhancing the annuity application process

The benefits are endless when you move the application process online. You can wave goodbye to wet signatures, and piles of paperwork. And, welcome automatic updates, faster processing times, and plenty of support.

[Find out more at L&G Apply](#)

Unlocking the future of Guaranteed Income: Technology, data, and innovation at the helm

Carolyn Jones
Retirement Director
Scottish Widows

SCOTTISH WIDOWS

As economic uncertainty and longevity risk continue to shape retirement planning, guaranteed income solutions—particularly annuities—are experiencing a resurgence. This renewed interest prompts financial institutions to reimagine how these products are delivered, integrated, and experienced. By embracing digital innovation, data intelligence, and streamlined processes, the industry can unlock growth and deliver superior outcomes for both clients and advisers.

Driving growth through seamless advice journeys

Traditional retirement decumulation journeys are often fragmented, time-consuming, and difficult to navigate. However, digital tools and better design can transform this experience. For example, pre-filled forms, straight through processing and intuitive dashboards can help advisers focus on value-added, client focussed activity rather than administrative tasks. Embedding annuity options directly into retirement income modelling tools also allows clients to see the tangible benefits of guaranteed income in the context of their broader financial goals.

Adviser enablement through product provider support, training and digital content can ensure that professionals feel confident and equipped to discuss optimal decumulation solutions. The result is a more engaging, and efficient advice journey that drives both trust and uptake.

Exploring new uses for Guaranteed Income Products

Guaranteed income products are no longer one-size-fits-all. Today's clients have diverse needs, and annuities—both lifetime and fixed-term—can play a more dynamic role in financial planning. Fixed-term annuities can be used to bridge income gaps between early retirement and state pension age, while lifetime annuities can provide a secure foundation for essential expenses. Blending annuities with drawdown can offer both flexibility and security, appealing to clients who want to manage market risk without sacrificing control. With IHT changes looming large, there's also growing interest in the use of annuities as part of inheritance planning or to fund long-term care. By positioning these products as versatile tools rather than rigid solutions, advisers can better align them with their clients' evolving needs.

Using AI, automation, and data to personalise and scale

Artificial intelligence and automation are revolutionising how financial services operate—and guaranteed income is no exception. Intelligent systems can analyse vast amounts of client data to recommend personalised annuity solutions based on lifestyle, health, and financial goals. Automation can streamline the application process, reducing paperwork and speeding up underwriting decisions. Predictive analytics can also help providers anticipate client needs and proactively offer relevant solutions. Digital processes are the natural go-to for Gen Z and Gen Y. To attract and retain the next generation of clients, both providers and advisers need to engage with customers through their preferred communication channels and meet their service expectations. These technologies not only enhance engagement but also drive operational efficiency. Advisers can serve more clients with greater precision, while clients receive tailored recommendations that reflect their own unique circumstances.

Solving the health data challenge with Underwritten Annuities

Underwritten annuities can offer higher income for clients with certain health conditions, but the process of collecting and verifying health data has traditionally been a pain point. Clients may be reluctant to share sensitive information, and advisers face an additional administrative burden. To overcome this, the industry must adopt new approaches that prioritise simplicity, accuracy, and trust. Digital health questionnaires, integrated with medical databases can streamline data collection, while maintaining discretion and privacy. AI can assist in interpreting health data and flagging inconsistencies, reducing the need for manual intervention. Partnerships with healthcare providers and data aggregators can also improve the quality and accessibility of health information. By making the process less intrusive and more efficient, underwritten annuities can become a more attractive and accessible option for a wider range of clients.

A call for innovation and collaboration

The resurgence of interest in guaranteed income is not just a market trend—it's a call to action. Financial institutions, technology providers, and advisers must collaborate to modernise how these products are delivered and experienced. Scottish Widows are investing in digital infrastructure, embracing data-driven decision-making, and rethinking traditional processes. This also means listening to clients and adapting to their changing needs with empathy and agility. By doing so, the industry can not only capitalise on current demand but also build a more resilient, inclusive, and client-centric future for retirement income.

Blending certainty and flexibility: The rise of annuities in modern retirement planning

Nick Flynn
Retirement Income Director
Canada Life

Before the pension freedoms legislation came into force in April 2015, most clients opted for either drawdown-type products or annuities - it was rare that the two were combined. This may have been because average pot sizes were more modest and those going into drawdown might have had significant defined benefit (DB) pensions as well.

However, with the defined contribution (DC) pensions market maturing due to auto enrolment and employers switching to DC from DB in the early 2000s, plus some decent fund growth over the last decade or two, many clients' DC pots are well into six figures and a good few are over the £1million mark.

So, with this in mind, what does having a guaranteed income as part of your retirement income mean? Assuming the State Pension has, or will have, kicked in, providing an additional guaranteed income ensures that the client knows that whatever happens they will have a set income to contribute to their day-to-day bills, leaving the remaining funds to be invested maybe more aggressively, or for the longer term.

When combined with other assets such as ISAs and property wealth, a lot can be achieved. With annuity rates riding high and significant market competition, the appeal of annuities is growing with huge chunks of funds being disinvested from platforms to purchase annuities. Many of these are advised clients, but some clients are taking action themselves and doing a bit of financial DIY.

What about inheritance tax (IHT)? How does that change things?

In last October's Budget, the government announced that it plans to bring unused pension funds into estates for the purpose of IHT from April 2027. Does this change our approach to retirement planning and IHT? It does, but be prudent not to make too many decisions before the final legislation is agreed and published.

Canada Life is actively engaging with the government on this issue, and working in partnership with the industry and our trade bodies to explore more workable solutions that won't cause unintended consequences to families at such a difficult and distressing point in their lives.

As it stands, those impacted are likely to be a minority of the population, but a huge chunk of advised clients. If we assume housing wealth will continue to tick up (probably not rocket up) and pension funds will continue to grow, it may not be long before those paying IHT will increase dramatically, especially if the client dies close to retirement. With this in mind, why leave those pension funds unused as a gift to HMRC? They can be used to generate income (guaranteed or otherwise) while you and your clients explore other solutions to the ever-tightening IHT legislation.

Fixed term or lifetime annuity?

With both fixed term and lifetime annuities booming, how do you decide which is for your client? Firstly, a lifetime annuity, whether standard, lifestyle or enhanced, will continue paying for the client's life, plus any death benefits, value protection or guarantees. Don't forget death benefits, as they can offer very good value, but are often misunderstood by clients. For a client that wants or needs a guaranteed income, with rates as they are, it's very tempting to go for the lifetime option as it makes sense for many. However, for those that are looking for income to bridge a gap, say between retirement and the State Pension, or while a business or property sale completes, then a fixed term annuity could be considered. To give an example, the two most popular terms on our product are five and ten years - for the majority this is filling an income gap.

With fixed term annuities it's not just about the income. For those that might want some income and the balance to roll up with compound interest, fixed term annuities can be very attractive. In fact, it's possible to have a 10-year income stream of £4,888* per annum and get the £100,000 invested back as a guaranteed maturity value at the end of the term. This will be 100% guaranteed and covered in full by the Financial Services Compensation Scheme (FSCS).

The remaining option is the guaranteed maturity value only. This is effectively a pure investment decision that allows the client to know exactly what they will receive at maturity. This does not give equity-type returns or risk, but for £100,000 invested, 10 years later its valued at £163,719*. This can then be taken as income, reinvested or used to purchase an annuity. In effect, all options are reopened.

If you have a client looking for income or guaranteed growth, you can obtain quotes to start seeing how this may work. Guaranteed retirement income is back in vogue thanks to improved long- term gilt yields.

*Canada Life, July 2025. The figures used in this example are for illustrative purposes only. Based on a 10-year plan, 65-year-old male investing £100k.

Get in touch

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