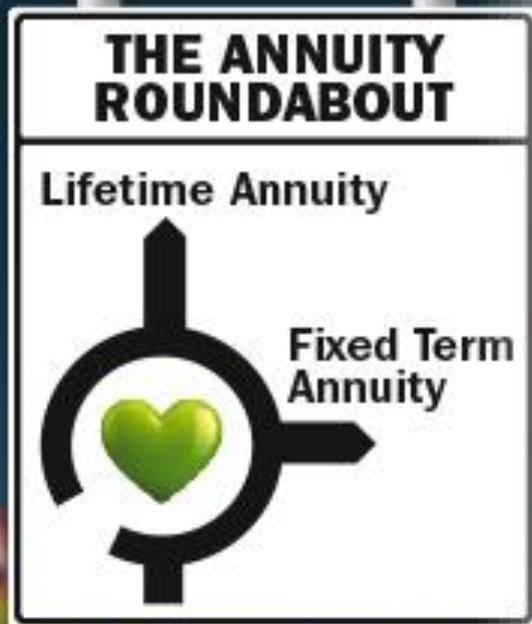


# Lifetime vs Fixed Term Annuity

## Comparison tool user guide



## Navigation

Use these buttons below and in the top right of the screen to navigate to the next page, or the previous page. To exit the guide simply close the pdf:



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This guide is for financial advisers only and not for use with customers.



# User Guide

## Introduction



LV= is one of the pioneers of the fixed term annuity market in the UK and we believe it's a product with broad appeal to a growing number of retirees looking for more control and flexibility in retirement.

Although the potential benefits of a fixed term annuity are well known – future annuity rate increases, worsening of health and changed personal circumstances can all lead to potentially better financial outcomes than a traditional lifetime annuity – the exact extent of the changes required to generate that financial upside has been difficult to quantify...until now.

Our lifetime vs fixed term annuity comparison tool uses the same data and evidence gathered in our thought leadership paper – Fixed term annuities: fact and fiction – to produce the first tool of its type that can help bring clarity to these issues. It gives you the power to demonstrate in a graphical format when a fixed term annuity could produce a better financial outcome for a client compared to a lifetime annuity.



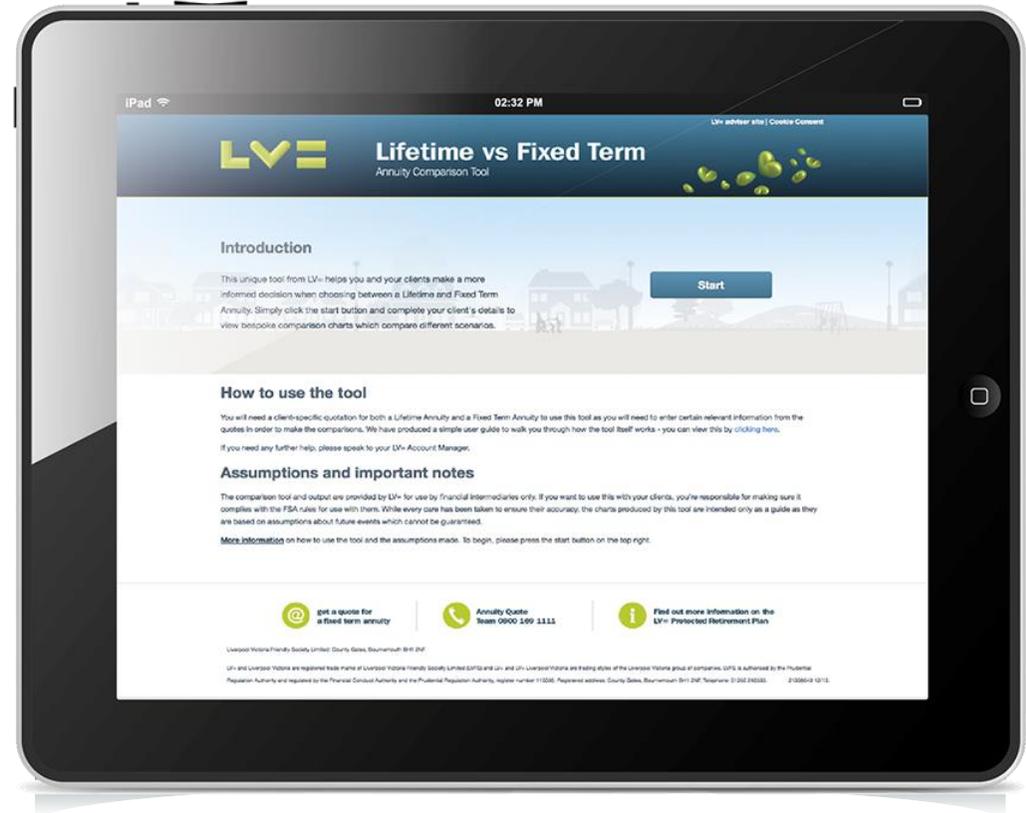
# Step 1

## Introduction

Once you arrive at the tool (<http://lifetimevsfixed.lv.com>) or download the app version from iTunes you'll see some introductory text. This sets out the 'terms of use' for the tool itself.

You can also click to see the assumptions built in to the calculations. It's important that you read these before using the tool. The data and financial modelling behind the calculations was commissioned by LV= from actuarial consultants Milliman.

Remember that the tool is only designed as a guide. The wide range of variables and the fact that future annuity rates cannot be predicted or guaranteed means that the graphs are illustrative only. If you want to use the graphs with your clients then you're responsible for ensuring they comply with FCA regulations.



# Step 2

## Client details

Once you've read the assumptions and important notes, you're ready to begin. Click the Start button and enter your client's details.

You'll need to have a quotation for a lifetime annuity and a fixed term annuity to hand so that you can put the specific details in the relevant boxes, such as the amount of income your client will get and the maturity lump sum etc.

There are information pop-ups on the page  to help you should you need it and to clarify certain entry fields.

On this page you can also enter an assumed future medical uplift at the end of the fixed term contract (i.e. you can assume your client will qualify for an enhanced annuity). If you leave this at 0%, then the 'future health deterioration' scenario on the results page won't affect the figures if selected.

Once you're happy with your inputs, you can press the CALCULATE button. If you've missed any mandatory fields, some warning text will appear in red.



### Client Details

[Back to home page](#)

#### Member / Spouse Details

Policyholder Name	<input type="text" value="John Smith"/>
Do you know the policyholder's date of birth?	<input type="text" value="No"/>
Policyholder Age	<input type="text" value="61 yrs"/>
Which type of policy is this comparison for?	<input type="text" value="Joint Life"/>
Spouse's Age	<input type="text" value="50 yrs"/>
Spouse's Pension (%)	<input type="text" value="2%"/>

#### Annuity Details

Date of Annuity Quote	<input type="text" value="10/01/2014"/>
Retirement Fund	<input type="text" value="100,000"/>
Pension (%) Escalation Rate (p.a.)	<input type="text" value="0%"/>

#### Annuity Details - Specific to Lifetime Annuity

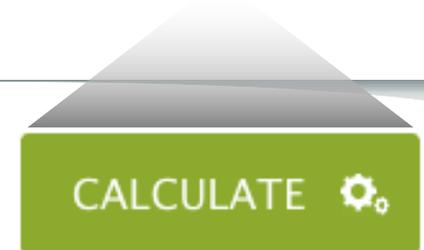
Current Lifetime Annuity Amount Avail. (p.a.)	<input type="text" value="5,000"/>
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#### Annuity Details - Specific to Fixed Term Annuity

Fixed Term	<input type="text" value="3 yrs"/>
Current Fixed Term Annuity Amount Avail. (p.a.)	<input type="text" value="4,950"/>
Guaranteed Maturity Value	<input type="text" value="85,200"/>
Assumed (%) Medical Uplift	<input type="text" value="30%"/>

On completion please click the calculate button below to see your results.

[Calculate](#)



# Step 3

## Review results

The default result displayed by the tool assumes nothing changes during the term of the fixed term annuity (the graph runs out to 30 years in the future).

This means that the future annuity that could be purchased by the maturity lump sum from the fixed term annuity plan is assumed to be the same as it is today, based on your client's age at that point.

You can now start to demonstrate what impact certain future changes might have on your client's income using the 'Scenario' buttons and the interest rate slider. There are either 2 or 4 Scenario options displayed, depending on whether you selected a single life (2) or joint life (4) option at outset in Step 2.

The 4 Scenarios are:

1. No change to circumstances or annuity rates (both)
2. Client's health deteriorates (both)
3. Client becomes single, either due to divorce or death of their partner (joint life only)
4. A combination of Scenarios 2 and 3 (joint life only)



# Step 3

## Review results (cont)

Selecting different scenarios and/or adjusting the interest rate slider (which builds in an assumed future uplift to annuity rates) will automatically update the graphs.

You can click the 'Show All' button underneath the Scenario options to show all the Scenario graphs on one page.

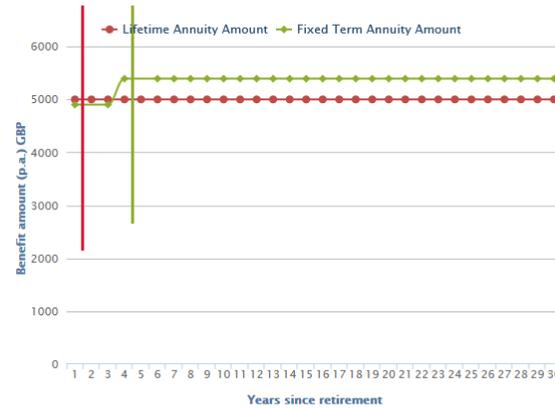
The graph automatically displays the 'Cumulative Breakeven point' – this displays up to two lines on the graph showing the point at which the two plans have delivered the same cumulative income to your client. You will see a **red line** to show the point at which a lifetime annuity meets the income from a fixed term annuity, and a **green line** to show the point at which a fixed term annuity meets the income provided by a lifetime annuity. Above the graph you will see a 'Hide Cumulative Breakeven point' option if you'd prefer to remove these lines.



Lifetime vs Fixed Term Annuity with

Hide Cumulative Breakeven point \*

Changing Circumstances



\* The cumulative breakeven point is displayed with a line showing each time the total expected payments of an LTA exceeds those of the FTA (red line) and when the total expected payments of the FTA exceeds those of the LTA option (green line).

Amend client(s) details

- Scenario 1: Annuitant's health and personal circumstances haven't changed by the end of fixed term annuity
- Scenario 2: Annuitant's health deteriorates by the end of fixed term annuity
- Scenario 3: Annuitant's spouse dies or separation by the end of fixed term annuity
- Scenario 4: Annuitant's health deteriorates and spouse dies/separation by the end of fixed term annuity
- Show All

Print or save report

Interest Rate Change: 1.5%

The effect of a total 1.5% absolute change in interest rates by the end of the fixed term.

Interest Rate Change: 1.5%

The effect of a total 1.5% absolute change in interest rates by the end of the fixed term.

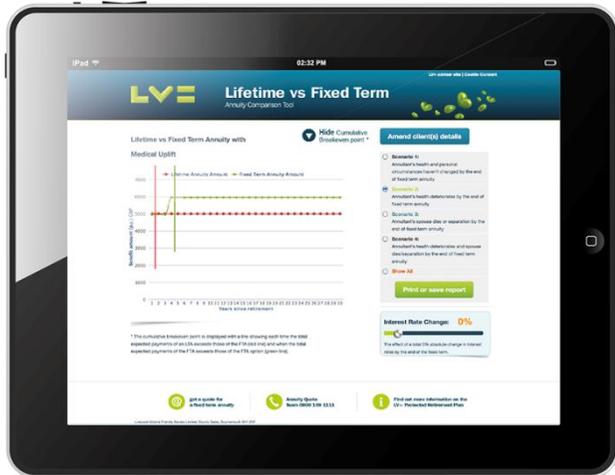


# Step 4

## Print and download

You have the option to print or download the charts in pdf format by clicking 'Print or save report'.

By clicking the 'Show all' button and clicking the 'Print or save report' icon at the bottom of the screen, you'll be able to print all of the scenario options in one go.



# Step 5

## Further information/help

At the bottom of each screen you'll see a number of links with further help and information, including a link to email or call our Quotes team.

That brings us to the end of this guide. To review each step in turn, click the 'step1' button or to close the guide click 'end'. To begin using the tool right away, click here:

USE THE TOOL 

This is for financial advisers only  
Not to be used after 31 May 2014

This presentation is based on our understanding of current and proposed legislation as at January 2014 applicable in England and Wales and HM Revenue & Customs practice which may change in the future. We cannot accept responsibility for any action arising as a result of the information contained in this presentation.

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Annuity Details	
Date of Annuity Quote	<input type="text" value="16/01/2014"/>
Retirement Fund	<input type="text" value="£0.00"/>
Pension (%) Escalation Rate (p.a.)	<input type="text" value="0%"/>

Current Fixed Term Annuity Current Value (p.a.)	<input type="text" value="£0.00"/>
Guaranteed Maturity Value	<input type="text" value="£0.00"/>
Assumed (%) Medical Uplift	<input type="text" value="0%"/>

On completion please click the calculate button below to see your results.

**Calculate**

Navigation bar with three links:

-  [get a quote for a fixed term annuity](#)
-  [Annuity Quote Team 0800 169 1111](#)
-  [Find out more information on the LV= Protected Retirement Plan](#)

Below the navigation bar is a large grey triangle pointing downwards, with a link below it:

 [get a quote for a fixed term annuity](#)

