Unit-Linked Guarantees 'Could Be £4 Billion a Year Market' by 2015

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Budget reforms underline the need for capital and income guarantees
MetLife enables savers to invest from £30,000 as minimum initial investment is reduced
The unit-linked guarantee market is set to nearly treble to £4 billion a year by the end of 2015 as the Budget reforms highlight the continuing need for certainty on capital and income, MetLife believes.

It estimates the current market is worth between £1.2 billion and £1.5 billion a year with providers and advisers focusing on pension pots worth more than £50,000.

However, the Budget reforms ending the need to buy an annuity and allowing retirement savers to access defined contribution funds however and whenever they like from April 2015 onwards will drive increased innovation and attract more providers into the market.

MetLife's own analysis* shows around 33% of single life annuities and 45% of joint life annuities are bought for premium sizes of more than £30,000 could benefit from unit-linked guarantee solutions. Unit-linked guarantees are also suitable for the 21,000-plus new drawdown customers a year looking for certainty on income and capital.

Association of British Insurers' data shows annuity sales were already in decline before the Budget – having already fallen 16% in 2013 to 353,000 individual sales worth around £11.9 billion

MetLife's research** among advisers shows 62% believe products offering guarantees on capital and income have become more attractive following the Budget reforms. Retirement savers are concerned about the risks of outliving their pension savings, research*** shows with 41% saying they are worried about running out of money underlining the need for certainty about income and capital.

Dominic Grinstead, Managing Director at MetLife UK said: “Sales of guaranteed products which offer flexibility and certainty will take a much bigger share of the retirement income market in the future as innovation and competition increases.

“The current annuity market will change massively but the good things about annuities including guaranteed income for life and no risk of running out of money should be retained which is where unit-linked guarantees can play a major role.

“Clearly unit-linked guarantees are not suitable for all, but they enable advisers and clients to guarantee income and capital now and retain flexibility and freedom in the future as their circumstances change.”

MetLife has supported the Budget pension overhaul by lowering its minimum initial investment to £30,000**** to enable more customers to benefit from flexibility and certainty ahead of the new rules due in April 2015.

In addition to the cut in minimum initial contributions MetLife has cut regular contributions to £1,200 a year from £3,600, enabling savers to contribute just £100 per month into their pension. Contribution levels will be regularly reviewed.

Its capital guarantee products enable customers to guarantee capital in the run-up to retirement and when customers want to take an income it provides products offering a guaranteed income for life with flexibility over when to start and the possibility of growth

It also offers Protected Growth Funds which offer a choice of levels of protection of 70%, 80% and 90% with daily lock-ins of investment growth. From April 2015 customers will be able to take income when they want in line with planned legislation.

Notes to Editors:

* MetLife analysis of ABI data
** Research among 122 financial advisers specialising in retirement income conducted between April 15th and 19th online
*** Research conducted online between April 15th and 19th among a nationally representative sample of

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1,068 adults aged 18+ by independent market research firm Consumer Intelligence
**** Minimum initial investment is £30,000 after PCLS has been taken.
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