# Creating a secondary annuity market

Citizens Advice response

citizens advice

# Introduction

Citizens Advice is a national charity which delivers advice services from over 3,300 community locations in England and Wales, run by 338 registered local charities. Last year we helped almost 300,000 people with pensions issues. Our local offices helped over 45,000 people with pension issues and over 240,000 looked up pensions information on the Citizens Advice website.

We can analyse the management information from client visits to understand the challenges people face around retirement. For example, we know that half of our clients seeking help from Citizens Advice about occupational and personal pensions also asked for help on one or more other issues including: employment, tax and benefits, debt, consumer issues or family and relationships. This year we started delivering face-to-face Pension Wise guidance, and many clients who have visited our local offices have reported other issues that they would like help with.

As a charity we seek to empower people to help them make the best choices for their own lives, so we support the principles behind the pensions freedom and choice reforms which took effect this year. We also understand the logic in extending existing freedoms to consumers who purchased an annuity before April 6th 2015.

There are a number of risks to consumers associated with existing and proposed pension freedoms, many of which Pension Wise and the system of risk warnings address. These include: succumbing to a pension scammer; unexpected tax and benefit consequences; and risks associated with investment and longevity.

But these new proposals could create specific additional risks for consumers who have already purchased an annuity. One major distinction is that doing nothing will be the best option for many existing annuity holders, whereas new consumers starting the decumulation phase need to make an active choice. Existing annuity holders face particular risks around means-tested benefits (MTBs), as those with incomes around the level of Pension Credit may immediately see a drop in income as a result on selling their annuity. They are also at risk of getting poor value for money: buying a pension product for the second time round means consumers lose money twice through transaction costs.

There are other important distinctions between consumers who benefit from existing pension freedoms and those who would be eligible for these proposed new freedoms. They are likely to be older, which may for some heighten vulnerability to scammers and make it harder to make complicated investment choices. They are also less likely to be able to take paid work if they run out of savings.

As well as risks to individuals, there are also broader public policy risks that a large new cohort of extra consumers may want to start selling in a new market. An extra 5 million people eligible to sell their annuities represents a major potential increase in demand for a brand new market.

# Key recommendations

**Pension Wise's remit should be extended to support existing annuity holders.** Pension Wise already has the infrastructure to provide the necessary guidance for new freedoms and is delivering a high quality service. Concerns in the consultation about annuity providers buying back their own annuities underline the importance of guidance being impartial. Pension Wise should also be available to partners of consumers with a joint annuity. We also believe that the service could be extended to offer annuity holders more than one appointment during their decision-making process.

**High value annuity holders should take advice or guidance.** We understand the comparisons with requirements for consumers transferring from DB to DC pensions who must take regulated financial advice; both groups are potentially giving up a guaranteed income for life. However, the advice requirement can place excessive burdens on consumers and may not actually help more than Pension Wise for issues such as scams, debt or MTBs. Pension Wise can inform consumers about the key risks free of charge. We propose that those with annuities worth more than £30,000 (or a monthly equivalent) should have a firm requirement to take *either* advice or guidance.

**All annuity holders should have access to the proposed freedoms.** We share consumer protection concerns about awareness of means-tested benefit rules amongst consumers whose income may fall below means-testing levels immediately after selling their annuities. However, we don't believe it is right to exclude more than 700,000 annuity holders from freedoms available to all other over 55s. In fact, these people may benefit most from the proposed freedoms.

**Consumers need strong protections.** Instead of precluding certain groups from new freedoms, positive protections should be used to protect all annuity holders. In addition to Pension Wise guidance, new stronger risk warning should alert consumers, particularly to risks around scams and tax and benefit rules.

**Annuity provider charges for selling income streams should be clear and reasonable.** It is important for the reputation of the annuity sector that there are no perceptions that providers are ripping off consumers who want to sell their income streams. Ideally the government could reach agreement with annuity providers that they will all consent to assignment and that the cost of doing so will either be accepted as a cost of doing business or will be reflected in a modest standard (or capped) charge.

**The process should be clear and smooth for consumers.** We do not believe that consumers should be forced to shop around through different providers. Other solutions, such as requiring firms to offer comparisons or that consumers use brokers, can deliver better outcomes with less burden on consumers. We also support the idea that brokers could offer consumers 'sense checks' with both the value of the best offer for their annuity and the value of the best annuity they could then buy on the open market. This would help frame the decision clearly for consumers.

**The new pension freedoms should not be rushed.** It is vital that these reforms are planned thoroughly and the government could consider phasing them in by age cohorts.

# Consultation response

**1.In what circumstances do you think it would be appropriate to assign one's rights to their annuity income?**

It would be appropriate to assign annuity income when a consumer is well informed about their options and is aware of how different choices would affect them. It is important that an individual does so under their own free will without undue pressure from external sources.

Consumers should be confident that they will have sufficient secure income to cover their basic retirement needs before they seek to convert their annuity into a more flexible resource through the proposed assignment route.

We see the merit in extending freedom and choice to existing annuity holders. However, as noted in our introduction above, there are important differences which need to be taken into account when considering how the scheme should work and what consumer protections should apply.

It should also be noted that the government has highlighted how the new flat rate pension will protect consumers taking advantage of pension freedoms by ensuring a fixed level of state support dependent on qualifying years of contributions. It is important to bear in mind, however, that the reforms proposed in this consultation will extend to a much wider cohort, many of whom may not have adequate income through the state pension on its own if they lose entitlement to pension credit or other support.

**2.Do you agree with the government's proposed approach of allowing a wide range of corporate entities to purchase annuity income in order to allow a wide market to develop, whilst restricting retail investment due to the complexity of the product? What entities should be permitted and not permitted to purchase annuity income and why?**

We agree with the government's proposed approach.

**3. Do you agree that the government should not allow annuity holders to access the value of their annuity by agreeing to terminate their annuity contract with their existing annuity provider ('buy back')? If you think 'buy back' should be permitted, how should the risks set out in Chapter 2 be managed?**

Concerns around 'buy back' underline the importance of ensuring consumers have access to impartial guidance. We think it is of fundamental importance that consumers are not pressured into selling their annuities and that existing annuity providers do not proactively promote the sale of income streams to their customers. This restriction offers important protection to both providers and customers. Given the past problems in the annuity market, we can see the sense in adopting this approach initially.

Having said this, we also want consumers to be able to access the best possible deal, which may in some cases may be offered by their existing annuity provider. If a system can be designed to allow consumers to compare the market (potentially anonymously) and select the best deal, we can envisage that allowing annuity providers to bid for their own annuities could be beneficial for consumers.

**4. Do you agree that the solution to the death notification issue is best resolved by market participants? Is there more the government should be doing to help address this issue?**

We do not have a strong view on this issue.

**5. Do you agree with the proposed approach of the government working with the FCA regarding the fees and charges imposed by annuity providers?**

We note (para 2.23) that annuity providers are under no obligation to consent to the assignment of annuity payments, and that those who do so will incur costs in arranging the assignment.

We are concerned, however, that this situation may lead to disappointment for customers, potential confusion about charges, and a risk that some providers are perceived to be exploiting their position since they effectively have a veto on any assignment.

From a consumer perspective it would be a great deal simpler if the government could reach agreement with annuity providers that they will all consent to assignment and that the cost of doing so will either be accepted as a cost of doing business or will be reflected in a modest standard (or capped) charge. It will be vital that any charge is clearly disclosed to the end customer at or before the 'point of decision.'

Failing this, we agree that the FCA should monitor these charges very closely and suggest they should publish tables showing each provider's charge so they can be subject to proper public scrutiny. In addition there should be a rule to prohibit firms from charging more than is justified by recovery of actual costs and FCA should scrutinise this firm by firm.

**6. Do you agree that the scope of this measure should be annuities in the name of the annuity holder and held outside an occupational pension scheme?**

Yes.

**7. Are there any other types of products to which it would it be appropriate for the government to extend these reforms?**

Not that we are aware of.

**8. Do you agree that the design of the system outlined in Chapter 3 achieves parity between those who will be able to access their pension flexibly and those who will be able to access their annuity flexibly? Are there any other tax rules which the government would need to apply to individuals who had assigned their annuity income?**

We are not aware of any other tax rules which should be applied.

### 9.How should the government strike an appropriate balance between countering tax avoidance and allowing a market to develop?

We have no detailed comments on these tax questions but would emphasise that it is vital that customers are made fully aware of the tax implications before they make their decision.

We note that in all 3 options set out (para 3.3) the government proposes "that tax will be deducted at source through PAYE". It is unclear (for example in the case of a lump sum) whether this means the correct tax will be deducted from the lump sum before it is paid or whether some or all tax would be collected through other PAYE means (such as an occupational pension). We suggest that a clear and specific communication be devised for all customers showing them the amount of their payment that could be taken away in tax and when to expect deductions to occur.

### 10. What consumer safeguards are appropriate - is guidance sufficient or is a requirement to seek advice necessary? Should the safeguards vary depending on the value of the annuity?

In many respects, assigning an annuity is very similar to making a DB to DC transfer. Both involve giving up a secure income for life in exchange for a more flexible resource. And in both cases it is impossible for the customer to know the cash value of the rights being surrendered.

In other respects, assigning an annuity income could be seen as more similarities with the 2015 pension freedoms and this consultation is proposing to extend them to existing annuity holders. It is important that a balance is struck between protecting consumers who are losing a guaranteed income stream for (like DB to DC transfers) and ensuring that all consumers have reasonable access to the freedoms (like with the April 2015 changes).

We consider the key risks of pension freedoms for consumers below before turning to the question of safeguards:

- **Falling prey to scams.** This is perhaps the most immediate and worrying risk as the effects can be catastrophic. Our research shows that scammers use a variety of tactics to catch out victims - often with high financial capability - and can deprive people of their whole private pension savings.[1] Consumers with annuities are relatively safe from pension scams which seek to secure large sums of pension savings. The proposed reform could add millions of current pensioners to the potential target group for scammers if they can be persuaded to swap their income streams for cash. Once consumers have sold their annuity and withdrawn from the pensions wrapper their cash becomes significantly more vulnerable to scammers.

  Our casework shows that scammers often seek out the most vulnerable targets, and older people who live alone or lack social networks may be particularly

[1] Citizens Advice, Citizens Advice evidence report: Consumer experiences of pension and pensioner scams before April 2015, April 2015.

vulnerable. The cohort who could sell their income streams on a secondary annuity market are also going to include people later in retirement. Most evidence shows that as people move beyond the early years of retirement their capability for making financial decisions, especially more complex ones, diminishes substantially.[2]

- **Under-estimation of life expectancy.** It is well established that people generally underestimate how long they will spend in retirement.[3] This is particularly important for those who would not have an adequate secure income after assigning their annuity. As noted above, this is more likely to be the case for current pensioners who do not benefit from the new flat rate state pension and, most especially, older women who were not well served by the old state pension system.

- **Interaction with the tax and benefits system.** There are three main groups of consumers who may face complicated interactions with the benefits system:
    - Those already on MTBs;
    - Those who are not currently on MTBs but whose income would drop below the level of guarantee credit as soon as they sold their annuity;
    - Those who are not currently on MTBs but who may need some support later in their retirement.

  For individuals already claiming benefits, the risk is that they fail to appreciate that the benefit system may not make good their shortfall in income – a particular concern for those who make irreversible decisions to spend the money they have released. We discuss these issues in more detail below.

  On the tax side, we see two risks which mirror those relating to the 2015 changes. First, that some people unwittingly pay tax in a higher band; second that some people fail to realise tax will be payable and then regret their decision.

- **Pressure to pass on money to others.** This is also noted in the consultation paper. Early feedback on the April 2015 changes from Pension Wise and providers suggests that the ability to pass on money is a significant driver for many of those seeking to use the new flexibilities. Where this is truly affordable it is a useful contribution to intergenerational solidarity. But there are dangers both that people underestimate their own future spending needs (e.g. the need to pay for housing repairs or for some help around the house as they grow older) or are subject to inappropriate pressure (whether self-imposed or applied by others).

- **Investing in vehicles that do not match risk appetite.** Our research has already shown that people find pensions decisions difficult, particularly those involving investment products.[4] As with the 2015 changes, there is a risk that having released their funds, consumers then invest them in a way that does not match their real appetite for risk. Although regulated investments will always come with

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[2] See, for example, '[Freedom and Choice in Pensions: A Behavioural Perspective](#)', Chapter 5, ABI / Ideas 42.

[3] For example, '[Expectations and Experience of Defined Contribution Pensions: A Study of Older People in England](#)', Institute for Fiscal Studies, November 2012.

[4] Citizens Advice, [How people think about older age and pensions](#), March 2015.

information about risk and return we know that people find these issues hard to understand and weigh up, and this is likely to be more marked amongst those well into retirement. With unregulated investments there is also the further risk that they may not be what they seem.

- **Value for money.** Consumers who have already purchased an annuity are particularly vulnerable to getting poor value for money because they will incur transaction costs for a second time. Some consumers may have a sense that they got a poor deal when they initially bought their annuity and will see the proposed reforms as an opportunity to 'escape' from the product. However, even if the annuity was poor value at the time of purchase, selling it is unlikely to offer a better long-term return for many. Consumers who sell their annuity will see a slice of their savings taken through the costs incurred (and profit sought) by the new buyer and any intermediaries. All of these factors add up and mean that some consumers could end up losing considerable value from their DC savings since initially entering the decumulation phase.

Against this background, we think a range of safeguards is needed:

- **Free independent guidance.** All customers should have access to free independent guidance to help them consider and weigh up the risks and benefits of different options. This should be available face-to-face and by phone. While this will be particularly valuable for those who do not take full financial advice (see below), it will be relevant to all who want to understand their options. Even for clients who do take regulated advice, guidance and other support services can add particular value for those who may have contact with the benefits system or face other issues such as debt, housing or care which are not always covered in professional financial advice.

  Given the novelty of the proposal, and the potential extra risks involved compared to the 2015 changes, it is imperative that independent guidance is available free of charge to all annuity holders. Although one session of guidance may be sufficient for many people, we believe some may wish to access the service more than once – for example at the beginning of the process and again at the actual decision point. This may be particularly important as the idea is very new to people and there is no established tradition of 'wake up packs'.

- **A requirement to take professional financial advice or guidance where larger sums are involved.** As discussed above, there is a fine balance to be struck between protecting consumers who already have a guaranteed income stream and ensuring that they can access freedoms without undue burdens. This is a fine judgement call, but we believe that protections similar to DB to DC transfers should be mirrored here. This could take effect at the same point, when savings are worth more than £30,000 in total. Alternatively, this could be based on current income streams, such as for consumers with annuities worth more than £100 per month. To impose this requirement for lower value pensions would run the risk of imposing a cost which is disproportionate to the sum involved.

  Having said this, we want to avoid placing extra burdens on consumers and make consumer experience of the proposed freedoms similar to those of existing freedoms where possible. We believe the greatest risks to consumers are around scams, tax and benefits. Therefore, new guidance sessions should cover these in some detail. We believe that requiring consumers with higher value annuities to either take financial advice or free guidance strikes an appropriate balance between consumer protection and consumer freedoms.

- **Risk warnings.** We agree that risk warnings should be used and their effectiveness should be evaluated. We suggest the risk warnings might also be strengthened to alert people to the risk of scams and the importance of checking that any planned investment vehicle is properly regulated (see below), especially for customers who are seeking to take their savings out of the pension wrapper. As also discussed below, there are specific risks about implications of decisions on MTBs for people in retirement. We can see the case for stronger risk warnings than exist today to alert consumers to the potential impact on MTBs.

  Risk warnings could require annuity buyers to ask if individuals are receiving any MTBs (listing any they may be receiving). If the answer is yes, the buyer should explain that welfare support may not be increased to make up for the lost annuity income. The buyer should also inform individuals about Pension Wise and that they can check the potential impacts with the DWP. Those currently just above the pension credit threshold could be asked what their income would be without the annuity and should be given similar warnings if it would fall below the pension credit threshold.

- **Preventing aggressive practices and scams.** We agree that all those offering to buy annuity income streams should be regulated and that customers should be fully covered by the Financial Service Compensation Scheme. The system must ensure that people who have used a regulated vehicle cannot lose out through error, fraud or insolvency of the firm. It should also ensure that the original provider can only transfer the income stream to a regulated firm which is part of this system. Once a secure regulated system has been achieved, the main scam risk occurs when individuals step outside the regulated system by being persuaded to put money into unregulated vehicles. We think there is a case for much clearer badging of regulated firms so it is easier for individuals to know when they are stepping into unsafe territory. Such badging could then be clearly signposted by guidance and advice services such as Pension Wise and Citizens Advice local offices as well as many other sources of information.

### 11. What is the best way to implement these safeguards? Should the safeguards include expansion of the remit of Pension Wise?

Free independent guidance is a key safeguard to protect consumers and Pension Wise already provides this service for customers who benefit from the April 2015 pension freedoms. Although still early days, the service is achieving high levels of customer satisfaction. We believe that Pension Wise's remit should be expanded to offer similar support to consumers with annuities who are considering their options. This would be a far more cost cost-effective approach than setting up a separate service with separate funding requirements.

We would envisage a similar process but with the design and focus of sessions tweaked slightly to recognise the different situation faced by the proposed freedoms. We would expect Pension Wise staff to be able to deliver guidance both around April 2015 freedoms and for the proposed freedoms.

As noted above, we think there is a case for offering more flexible access to Pension Wise so that customers who would like more than one session can be served. A significant number of Pension Wise clients raise concerns about their financial capability, so this should be part of a broader effort to help people understand how the pensions industry works and how it can serve them.

We also suggest that all dependants should be given access to Pension Wise to help them consider whether they should consent to assignment.

### 12. Should the costs of any advice or guidance be borne by the annuity holder (mirroring the arrangements for conversion from a defined benefit scheme)? If not, what arrangements are appropriate?

We think the costs relating to advice should mirror the arrangements for DB to DC conversion. Guidance costs should continue to be covered through Pension Wise.

### 13.Do you agree that the government should introduce a requirement on individuals to obtain a number of quotes? How else should the government best promote effective competition to ensure consumers obtain a competitive price?

We know that customers are not good at shopping around for financial products even in well established markets. A firm requirement to shop around would be one way of seeking to address this but we fear it would be seen as obstructive by consumers. Unless they can be clearly signposted to providers and comparison made very easy we think such a policy would simply lead to frustration. We recognise, in particular, that it would be challenging to set up a useful comparison tool by April 2016.

Other approaches could be simpler and offer effective protection for consumers. One option would be to mirror the Financial Conduct Authority’s developing approach regarding annuity sales whereby providers will be required to obtain quotes from competitors and present them to customers alongside their own quote. Another option would see approved brokers comparing offers for consumers’ annuities and would therefore reduce the need for consumers to approach different buyers for quotes. These approaches seem preferable to a more onerous and potentially less effective compulsion to obtain a number of separate quotes.

If this market develops on a significant scale it is likely that brokers will play a significant role. These may range from online comparison sites through to the more personalised service offered by existing annuity brokers. This would potentially be a good way of helping customers find best value for money. It will be important to ensure that commissions or other inducements do not influence the way brokers present the options. Ensuring that these transactions are treated as investment products under the Retail Distribution Review may be one way of doing this.

**14. Does the government's approach sufficiently protect the rights of dependants upon assignment? If not, what further steps should the government take?**

We agree that good annuity providers will want to ensure the rights of dependants are appropriately protected as described in para 4.21. We think it would be helpful for the FCA to issue guidance to providers on this: doing so should both help maintain public confidence and ensure consistent practices which themselves will make for a better functioning market.

We agree that some classes of beneficiary require special consideration including the example mentioned (minors or partners following divorce) and these should be addressed in the guidance. We would also highlight here beneficiaries who lack the capacity to make a free and informed choice: this will include those who lack mental capacity.

We suggest that all dependants should be given access to Pension Wise to help them consider whether they should consent to assignment.

**15. Should the government permit the principal annuity holder's income to be assigned while dependants retain their own income stream? Should the decision on whether to do so be left to the discretion of the parties to the transaction?**

In principle we see no reason why this option should be prohibited. Clear information and guidance will again be important here for both policyholders and their dependants.

**16. How can the proposed consumer protections for the assignment of annuities ensure that any impact on means-tested entitlement is understood by those deciding whether to assign their annuity income?**

The best way to educate consumers about these risks is to explain them in person and tailor examples to their own circumstances. However, this creates problems as discussed above in straying from guidance to advice.

Given that we do not think all consumers should have to take financial advice, we believe it is important that a robust series of protections are in place which don't rely on regulated advice. In simple terms, this should involve access to free, impartial guidance and strong risk warnings. Both these and literature sent to consumers should include clear examples of how impact on means-tested entitlement could be affected.

Before explaining some of the difficulties that consumers will face in understanding the full details around entitlement, it is worth stressing that there is one relatively simple message that should be conveyed (assuming the deprivation rules are designed as discussed in our response to question 17): people will only lose entitlement to means-tested support if they have *deliberately* reduced their income or capital to increase their state support.

There are at least three groups of people who should understand the potential impact of their decisions on means-tested benefit entitlement:

- Those who are already receiving means-tested support at the time of the assignment;
- Those who do not currently receive MTBs but whose income would immediately drop below the level of guarantee credit if they sold their annuity;
- Those who would not immediately drop below the level of guarantee credit after selling their annuity but who may become eligible in the future.

For the first group, there needs to be a very clearly worded warning appearing prominently in all literature. The issue also needs to be addressed through Pension Wise and a specific, potentially more robust risk warning. The DWP should be able to identify this group and they may also be able to self-identify. Having said this, some people may perceive their combined basic state pension and pension credit as one income without realising how much means-tested support they receive.

Individuals in the second group are harder to identify (for themselves and for the DWP) but can face the same challenges with deprivation of income or capital rules. They may not understand what means-tested support is available or even that deprivation rules exist. They could roughly identify themselves if asked to subtract their annuity income from their total income and see whether that is below the level of guarantee credit.

For the third group the message is a hard one to communicate as it requires the individual to imagine a future where their income has dropped and their circumstances have changed.

Both the second and third groups have first to visualise themselves in receipt of means-tested support, second to understand the basics of how means-testing works, and third to then envisage what it would mean for them to be treated as having an income which they were not in fact receiving. Although these concepts are not difficult for policy makers familiar with the system we believe it will be very hard for many individuals to truly understand and evaluate the potential consequences for themselves.

With these factors in mind, it is important that messaging and protections focus on conveying the key point to individuals that they will not get any additional state support to compensate for the loss of their annuity income if they have deliberately sold that annuity to gain more access to benefits.

### 17. Should those on means-tested benefits be able to assign their annuity income?

It is important that individuals cannot deliberately deprive themselves of private pension income in order to access additional MTBs. Our view on whether those on MTBs should be able to assign their annuity income depends to some degree on what deprivation rules are used. We initially interpreted the following section of the consultation as implying that anyone selling their annuity would lose entitlement to additional MTBs.

> "In order to protect the taxpayer, the government does not intend to compensate individuals through welfare for any loss of income resulting from assigning their annuity to a third party"[5].

[5] HMT, Creating a secondary annuity market, p.22

However, we have since been reassured that this is not the case, and that a similar approach will be taken as for existing freedoms. DWP guidance tells individuals that they will lose entitlement if "you have deliberately deprived yourself of that money in order to secure (or increase) your entitlement to benefits".[6] We believe that this is reasonable.

The question of whether those on MTBs should be able to assign their annuity income is another finely balanced judgement call. As discussed in the previous answer, we see at least three categories of consumers who may have their MTB entitlement affected.

Simply barring *existing* recipients of means-tested support has practical benefits and could protect those already on MTBs, but does not recognise the similar risks facing those not currently on MTBs whose income would drop immediately below MTB levels upon the sale of their annuity. We are concerned for both groups who may inadvertently deprive themselves of income or capital. But we do not believe that simply barring those already on means-tested support makes sense when others facing similar risks could proceed. If the DWP does wish to provide extra support to those already on MTBs, it could explore the possibility of sending information directly to pensioners with annuities and means-tested support.

More importantly, we are uncomfortable about the idea of depriving those with low incomes from accessing the same freedoms as the rest of the population. In some cases, those already on MTBs will have the greatest need for freedom and choice. For example, a home-owning pensioner with an annuity worth £20 per week and state support of £131.20 per week may have deferred repairing their roof for many years. If the roof falls in and they need to pay for a new one, the ability to sell their annuity and fix their roof would be invaluable. In comparison with another consumer with large DB savings who wants to sell their modest annuity to go on holiday, the benefits of the proposed freedom appear far more important to the individual on MTBs.

We do not believe, therefore, that individuals already on MTBs should be denied access to the same freedoms as all other individuals aged over 55 with private pension savings. However, all reasonable steps should be taken to ensure that they know the risk that their state support will not rise if it is perceived that their income has been reduced deliberately to increase state support. This message should be shared in provider literature, through strengthened risk warnings and extra promotion of Pension Wise.

Risk warnings would require annuity buyers to ask if individuals are receiving any MTBs (listing any they may be receiving). If the answer is yes, the buyer should explain that welfare support may not be increased to make up for the lost annuity income. The buyer should also inform individuals about Pension Wise and also to check the potential impacts with the DWP. Those currently just above pension credit levels could be asked what their income would be without the annuity and should be given similar warnings if they would fall below pension credit levels.

### 18. What are the likely impacts of the government's proposals on groups with protected characteristics?

We have not got any specific evidence on this issue.

[6] DWP, Pension flexibilities and DWP benefits, March 2015.