



# The Actuarial Profession

making financial sense of the future

Editor  
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Reference:

Sir

## For many, certainty is the right option

With reference to Peter Reid Smith's letter (July 29): allowing flexibility to organise one's affairs at retirement should indeed be encouraged and a number of partial solutions already exist. However, before individuals leap to take advantage of such a facility they should remember three things.

First, the premiums for annuities simply reflect the stock-market price of a guarantee ; other return-seeking options carry material risks. Second, most people reaching retirement are on relatively low pensions and need as much certainty as possible. Third, most insurance companies have lost money on annuity contracts over the past decade because of the significant improvement in longevity.

We need to do more to present a balanced picture of the pros and cons of these options but certainty (at a price) is the right option for many.

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