

Steve Dodge writes on how to lose money easily.

I've just read a book by Dr. Rob Yeung called "I is for Influence", it's not exactly holiday reading but it's quite an amazing book. For example it shows quite clearly that we humans fear loss more than we appreciate gain.

The book implies that if I write "If you do nothing your pension will be 20% less" you are more likely to react than if I write "you could have a 25% larger pension for no extra cost". I guess it's why bad news sells and a good news newspaper that was floated some years ago simply did not.

This Human trait is causing over 30% of us to lose out on potentially thousands of pounds in retirement income because of "Customer Inertia" or in plain English doing nothing, let me explain.

On reaching retirement age people with a pension fund have to buy an annuity, an income for life in exchange for the fund. The paperwork sent just before retirement gives details of the fund available and points out that the retiree could *be better off* if he/she searched the whole market when choosing which annuity to buy.

Your pension/insurance company can only offer you their own annuities, which will rarely be the highest available. They must therefore suggest you look at the whole market before deciding which annuity to choose. After all once bought the annuity cannot be changed. It's possibly the largest financial decision many people make.

Sadly a third of us ignore this sound advice. We might, according to Yeung, be more motivated however if they said you could be *losing* a considerable amount of money by not looking at the whole market.

Is there really that much difference in Annuity rates?

Using our resources to search the whole market recently I found in one case for exactly the same fund for the same annuity one company offered £532 a month compared to another provider's £415.

What difference do you think a 25% higher pension would make to your retirement? Extra holidays and more of life's little luxuries, eating out more or trips to the cinema or theatre perhaps. Or putting it Yeung's way, £117 a month for twenty years is over £28,000 that client could *lose* if he enjoys average life expectancy.

The cost to him for a 25% larger pension for the rest of his life; one hour of his time and a bit of paperwork. The annuity company pays the IFA for introducing the business to them.

If you are coming up to retirement no-one can force you to see an IFA to secure the highest income from the whole market, but what have you got to lose, £28,000 perhaps? See www.ifac.org.uk for more information on annuities.