

Most people live for at least 20 years after retiring, and in the last 10 years, inflation has caused prices to rise on average by 3-4% a year.

This means a supermarket shop costing you £100 today could cost you £119 in 5 years or £141 in 10 years time and almost double at £199 in 20 years.

So you can see why it's important to think about protecting your retirement income from the effects of inflation.

With the lifetime annuity you have two main choices, either a fixed retirement income or one that increases each year.

An increasing income might seem the obvious choice.

But the income you'll get to start with will be much lower than you'd get with a fixed retirement income and it will take many years to catch up and overtake it.

With a fixed income, you'll have more to live on in the early years, but no long term protection against rising prices as we saw with the shopping examples.

What's best for you will depend on a number of factors, including your pension pot size, your life expectancy and whether you have other income that offers inflation protection.