

Annuity contracts

A guide for financial advisers and their clients

What is an annuity?

An annuity is a financial contract that provides a series of scheduled payments over a specified term, either for a fixed number of years or over the lifetime of the individual receiving the annuity (the annuitant). Payments may be fixed at the outset or may vary based on investment performance and/or the personal circumstances of the annuitant.

Cash-in flexibility versus annuity certainty

One of the key distinctions between drawing benefits directly from a pension and purchasing an annuity is the degree of flexibility.

Pension drawdown typically allows the member to vary income, take lump sums or change the investment approach over time.

In contrast, an annuity is a fixed contract. Once established, most of the terms are locked in with no option to surrender or amend. While this reduces flexibility, it brings certainty and discipline to retirement income planning.

Praxis annuity types

Praxis annuities are designed to meet the evolving needs of our clients. Our protected cell structure ensures clarity and segregation of annuity assets. Our annuities are supported by our personal, relationship-led approach. With decades of experience and a global footprint, we are well placed to support our clients.

We do not provide insured annuities, however, we offer two types of annuities designed to suit different retirement planning strategies, depending on the annuitant's circumstances and goals:

Short Term Annuity (“STA”)

This option allows the client to select a term of between three to 10 years. Payments are fixed for each three-year period and recalculated at the start of each new three-year block, using actuarial assumptions.

Praxis will hold the cell assets with highly rated financial institutions on cash deposits or money-market funds to obtain some investment return in a low-risk investment type.

Should the annuitant die before the end of the term, remaining payments will continue to their nominated beneficiaries in accordance with the contract. The STA cannot be surrendered once established.

Lifetime Flexible Annuity (“LFA”)

The LFA provides a series of payments over the lifetime of the annuitant. The annuity payments must be recalculated at least every three years, considering factors such as age, health, and expected longevity, alongside market investment performance and Government Actuarial Department rates. While payments are designed to last for life, there is no guarantee as market conditions may lead to the exhaustion of funds before the annuitant's death.

The annuity assets may be invested during the term of the annuity, so long as the investments remain liquid and suitable for the risk profile of a decumulating pension product. Any remaining value at the time of death can be paid to the nominated beneficiaries or used to purchase a new annuity.

Private versus insured annuities

Praxis is not an insurance company; therefore, we do not issue insurance-backed annuities. Our annuities are 'private', which differ in several important ways. While our STA agrees the quantum of payments at outset, there is no absolute guarantee under the LFA that payments will continue until the annuitant's death. However, one of the main benefits of a Praxis annuity is that any remaining funds upon the annuitant's death can pass to their designated beneficiaries. With insured annuities, the insurance provider often retains the remaining value or is paid at a reduced rate to a surviving spouse.

Who can purchase a Praxis annuity?

Praxis annuities are available to non-UK pension schemes and cannot be purchased directly by individuals. We can assist with the establishment of a non-UK pension scheme where required.

Legal structure and protection

Each Praxis annuity is established as a separate cell within a Guernsey Protected Cell Company. This ensures it is fully segregated and contractually distinct from Praxis and other annuities. Each cell is subject to an annual audit and closed upon the completion of its term, providing complete transparency and reassurance to clients and their advisers.

How the process works

The process begins with onboarding the client, collating required due diligence information, and confirming the instructions with the pension provider(s). Once we receive confirmation and an approximate value, we will prepare an initial illustration setting out projected payments and applicable fees.

Following client approval, the pension provider will arrange the cash transfer to the cell account. Upon receipt of funds, a final quotation will be issued, and the annuity contract will be prepared for execution.

The full process typically takes six to eight weeks, depending on the number of providers involved and the efficiency of fund transfers.

As part of our commitment to best practice, we strongly recommend that clients seek independent financial and tax advice before proceeding.

Frequently asked questions

Can most of the annuity be taken in the first year?

No. The payment profile must follow either an equal or investment-linked structure across the agreed term.

What happens if the annuitant dies during the annuity term?

In the case of an STA, the annuity continues to pay according to the original schedule. For the LFA, any remaining value can be passed to beneficiaries or used to acquire a new annuity.

Can clients transfer existing investments into the annuity, instead of cash?

For the LFA, transferring assets into the annuity may be possible, subject to Praxis' discretion and valuation agreement. However, this may increase complexity, setup time and cost. For the STA, the annuity can only be funded with cash.

Can the annuity be surrendered if the client's circumstances change?

Once terms are agreed, the contract is binding. In limited cases, such as a terminal illness under the LFA, it may be possible to revise the actuarial assumptions and adjust payments accordingly, but the annuity structure itself must remain in place as per the original agreed-upon contract.

Are payments guaranteed until the death of the annuitant?

No. Neither the STA nor LFA are insured annuities. Under the STA, an assessment is undertaken each three years to calculate the benefit payments for the subsequent three-year period. Under the LFA, no payments are guaranteed but payments are linked to the underlying investment performance.

What currency can I have my annuity in?

Praxis can provide annuities in GBP, EUR or USD.

About Praxis

Founded in Guernsey in 1972, Praxis is an independent private wealth, corporate services, and yacht ownership solutions group with offices worldwide. Praxis PES Guernsey PCC Limited (previously Cavendish Corporate Investments PCC Limited) was established in 2008 and in 2021 granted a full fiduciary licence by the Guernsey Financial Services Commission, enabling us to offer a full suite of regulated annuity and pension solutions. As at 30 September 2025, the Group manages more than £74 billion in assets under administration and brings a global perspective to our pensions and annuity services from dedicated teams in Guernsey, Malta and the UAE.

Praxis at a glance

1972

Established

12

Offices

400

People

£74b*

AUA

*As at September 2025



Key contact

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Praxis PES Guernsey PCC Limited

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